

DEVELOP Global Limited Base Metals - Developer/Explorer

Rating
SPECULATIVE BUY

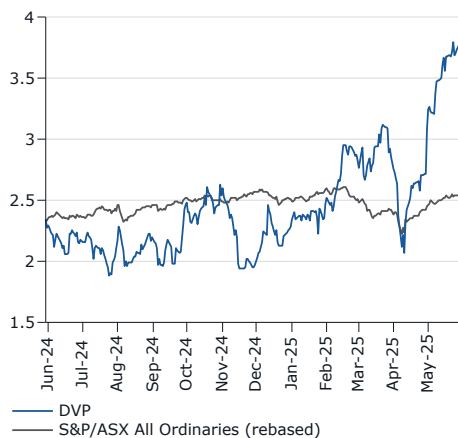
Price Target
A\$5.05

DVP-ASX

Price
A\$3.78

Market Data

52-Week Range (A\$) :	1.85 - 3.83
Avg Daily Vol (000s) :	1,167.47
Shares Out. (M) :	274.4
Market Cap (A\$M) :	1,037.2
Dividend /Shr (AUC) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 29 May 2025

DEVELOP Global owns the Sulphur Springs Project, Whim Creek Joint Venture Project and Woodlawn Project.

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Sulphur Springs into action

Earthworks commenced at Sulphur Springs, decline to commence DecQ'25

Substantial earthworks have commenced at DVP's Sulphur Springs (SS) zinc-copper project, including construction of a boxcut for the underground decline, and site clearing works. The boxcut excavation is expected to be completed SepQ'25 with DVP to establish twin underground portals with decline works to commence DecQ'25. We note this sits well ahead of our timeline where we assumed development capex spend commencing JunQ'26. If Woodlawn continues to ramp up in line with our forecasts we estimate FY26 group FCF of A\$93m (noting we assume A\$30m of capex in JunQ'26 for SS) which in our view will comfortably fund ongoing early works at SS. We also note DVP's prior commentary around the potential to sell a minority interest in the project, similar to Woodlawn. We highlight that an NPV-based (CGe NPV10% A\$316m) sell-down for 20% could net the company +A\$60m, which could go towards funding its portion of the capex or recycled to other parts of the business.

Updated DFS due DecQ'25

DVP is advancing SS through an updated mine plan, establishing the capital decline and infrastructure for the project in advance of mine production activities (similar to Woodlawn). The decline, level and ventilation access drives will be mined to the bottom of the known orebody, 350 metres below surface. The material change to previous work in the mining sequence is the adoption of a "bottom-up" mining strategy (as used at Woodlawn). This is expected to reduce ore dilution and increase mining efficiency and productivity with a forecast ~20% improvement in ore production. An updated Definitive Feasibility Study (DFS) is due for completion in DecQ'25, which will inform project funding and a Final Investment Decision (FID).

Project fully permitted; de-risking underway

The upfront capital development strategy will de-risk the project, potentially enhancing funding options, as well as provide considerable optionality and flexibility when production commences. In addition, the decline will allow for additional drilling from UG platforms, enabling drilling of targets that were limited or not available from surface, with potential for further Resource and Reserve growth. In our view, prioritising capital development well in advance of production fronts can result in significant benefits, as seen at Woodlawn, including an enhanced production profile, expedited and efficient production ramp-up facilitated by multiple operational fronts and increased stope flexibility.

Sulphur Springs 2023 DFS refresher

The 2023 DFS outlined an 8-year operation, post construction) with life-of-mine (LOM) payable metal production of 490kt of zinc and 83kt of copper based on a Reserve of 8.8Mt at 1.1% Cu, 5.4% Zn, 20.6g/t Ag. Annual production over years 1-4 is expected to average 80.8kt zinc and 16.4kt copper (payable). Upfront capital requirement was estimated at A\$296m with the project forecast to generate revenue of A\$2.9bn and FCF of A\$745m over the LOM for a pre-tax NPV of A\$523m, based on a 1.25Mtpa underground mine. The Kangaroo Caves deposit (3.8Mt at 0.8% Cu and 6.0% Zn) and the open pit at Sulphur Springs were not included in the 2023 DFS. DVP notes that smelter costs (TC/RCs) are significantly lower than in the June 2023 DFS which will be incorporated in the updated DFS.

What we model

We currently model SS largely in line with the 2023 DFS assuming upfront capex of A\$296m, with development/capex spend commencing JunQ'26 and first production in SepQ'27. We model total LOM production of ~440kt of zinc and ~86kt of copper (payable) over an 8-year mine life.

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: May 29, 2025, 02:43 ET

Date and time of production: May 29, 2025, 02:43 ET

Target Price / Valuation Methodology:

DEVELOP Global Limited - DVP

Our valuation is based on a DCF analysis (NPV10%) of the Sulphur Springs and Woodlawn projects, plus nominal exploration value, net of corporate and other adjustments. Our valuation for Mining Services is based on a DCF analysis (NPV8%) of the Bellevue mining contract, with an assumed 4-year extension.

Risks to achieving Target Price / Valuation:

DEVELOP Global Limited - DVP

Funding Risk: As a pre-production company with no material income, DVP is reliant on equity and debt markets to fund Feasibility Studies and development of its Sulphur Springs project. We can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risk: Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further minable reserves.

Metallurgical risk: Currently DVP has assumed recoveries in the VES for the high grade copper part of the orebody (open pit), which was previously interpreted as supergene/transitional to in line with the extensive metallurgical work completed on the deeper fresh part of the orebody. Outcomes from test work currently underway have the potential to impact the economics of the project if results yield lower recoveries than expected.

Operating risks: Once in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical, seismic activity and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast gold production from original expectations.

Commodity price and currency fluctuations: As with any mining Company, DVP is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand of commodities. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 05/29/25)

Rating	Coverage Universe		IB Clients
	#	%	
Buy	639	69.31%	25.98%
Hold	125	13.56%	12.00%
Sell	10	1.08%	0.00%
Speculative Buy	139	15.08%	51.80%
	922*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate returns greater than 10% during the next 12 months.

HOLD: The stock is expected to generate returns from -10% to 10% during the next 12 months.

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NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

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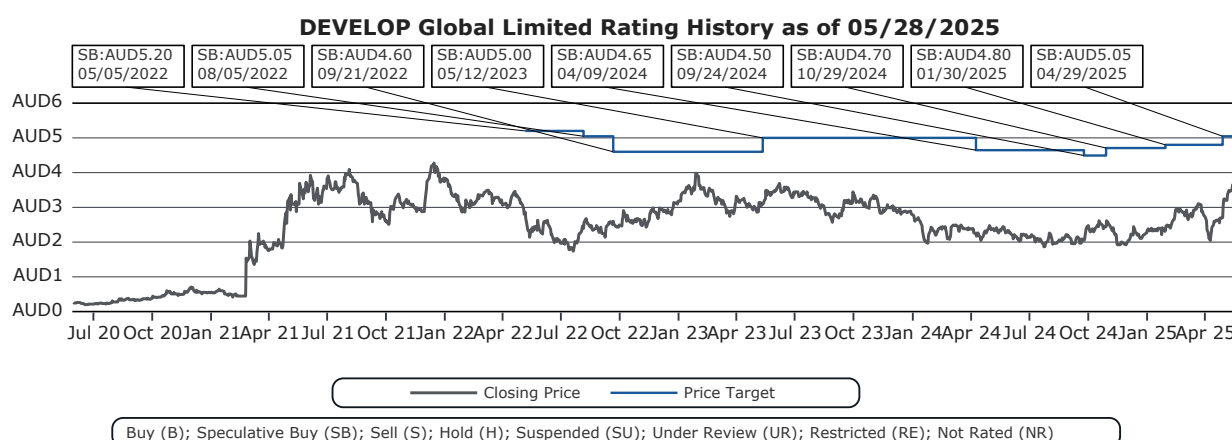
SPECULATIVE: The stock bears significantly above-average risk and volatility. Investments in the stock may result in material loss.

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