

ASX Announcement  
2 August 2024

# Develop agrees funding and offtake with Trafigura for Woodlawn copper-zinc mine

Prepayment/loan facility with global commodities trader paves the way for a Final Investment Decision and puts Woodlawn on track for production and cashflow mid CY25

## Highlights

- Trafigura Pte Ltd (“Trafigura”), a leading commodities trader to provide US\$65m (~A\$100m) in a prepayment/loan facility to subsidiaries of Develop Global Limited (“Develop”)
- With this facility, existing cash reserves of A\$41m as at 30 June 2024 and a profitable mining services division, which is expected to grow cash reserves in FY25, Develop’s Woodlawn mine is now fully-funded through to production
- The terms of the facility are extremely competitive. The interest rate is SOFR 3 month plus 2.0% (if drawn in US\$) or BBSY 3 month plus 2.0% (if drawn in A\$). This reflects the ~A\$400m of equity capital that has already been invested into the mine by Develop and the prior owner
- The facility will give Develop the flexibility to pursue other organic growth opportunities in its portfolio such as Sulphur Springs and Pioneer Dome or any inorganic opportunities
- There is no hedging requirement in the facility, providing strong exposure to any commodity price rises and no restriction on the payout of dividends
- In connection with the prepayment/loan facility, Trafigura will buy all of Woodlawn’s production under a ~5-year term offtake arrangement
- The prepayment/loan facility and offtake arrangement pave the way for Develop to progress towards making a FID during this quarter; This would put Woodlawn on track for first production and cashflow in mid CY2025
- As a result of these terms, the pre-tax NPV<sub>7</sub> for Woodlawn increases by 11% from A\$658m to A\$728m; The increased NPV is based on the same commodity price assumptions used in April and does not take into account the +10% metal price rises which have occurred since then
- Forecast pre-tax free cashflow grows to A\$1.1b, based on a 10-year mine plan
- At recent spot prices for copper and zinc, the first 3 years of post-ramp up production yields ~A\$375m of free cashflow, providing substantial cash generation while repaying all the debt
- The pre-production capital and max cash drawdown has increased by \$A11m to A\$78m due to increases in processing capital and working capital for the optimised mining sequence
- Woodlawn is a fully developed mine with the first two years of underground production already developed and a near new processing plant and related infrastructure in place
- This fully debt-funded restart puts Develop in a strong commercial position should it decide to sell a minority interest in Woodlawn

Develop Global Limited (ASX: DVP) (“**Develop**”) is pleased to advise that its subsidiaries, Woodlawn Mine Holdings Pty Ltd and Tarago Operations Pty Ltd (together, the “**Sellers**”) have entered into a term sheet for a prepayment/loan facility and offtake arrangement with global commodities trader Trafigura for its Woodlawn copper-zinc mine in NSW (“**Woodlawn**”).

The prepayment/loan facility and offtake arrangement means that Woodlawn is on track for production and cashflow in mid CY2025, subject to a FID this quarter.

Develop Managing Director Bill Beament said: “The competitive prepayment/loan facility and offtake arrangements are a game-changer for Develop.

“The terms of the prepayment/loan facility are extremely competitive, with a low interest rate and significant flexibility. This represents a strong vote of confidence in the quality of the mine, its management and the ~A\$400 million of equity capital that has been invested in the mine by Develop and the prior owner.

“The offtake arrangement underpins Woodlawn’s future, with improved terms relative to those assumed in the project re-start study released on 3 April 2024.

“The benefits of the prepayment/loan facility and offtake arrangement for Develop can be seen in the increase in the project’s NPV from A\$658m to A\$728m. “We are now on track to make a FID this quarter, which will set up Woodlawn for first production and cashflow in mid CY2025.

“But as well as securing debt and offtake terms, we have established a relationship with one of the world’s biggest commodity traders. This stands Develop in very good stead for establishing additional projects or opportunities, including Sulphur Springs”.

### **Trafigura - Prepayment/Loan Facility and Offtake Arrangement**

Trafigura, a leading commodities trader, and the Sellers have entered a term sheet to provide US\$65 million, or the equivalent in AU\$, being approximately A\$100 million (as at the date of this Announcement), in prepayment/loan facility to the Sellers to bring the Woodlawn mine into production.

With this prepayment/loan facility, Develop’s existing cash reserves as at 30 June 2024 of A\$41 million and Develop’s profitable mining services division which will grow cash reserves in FY25, the Woodlawn mine is now comfortably and fully-funded through to production.

The terms of the prepayment include an interest rate of SOFR 3 month plus a 2.0% margin (if drawn in US\$) or BBSY 3 month plus a 2.0% margin (if drawn in A\$). This reflects the ~A\$400m of equity capital that has already been invested in the mine by Develop and the prior owner.

The prepayment/loan facility terms provide Develop flexibility to pursue other organic growth projects in its portfolio such as developing Sulphur Springs and/or Pioneer Dome or taking on any inorganic opportunities that may arise. The terms also allow for the payment of dividends by the Sellers and do not have a requirement that the Sellers or Develop enter into hedging arrangements.

In connection with the prepayment, the Sellers and Trafigura have also entered into term sheets for an approximately five-year offtake arrangement across all concentrates (including, without limitation, lead, zinc and copper concentrates) produced from the Woodlawn mine.

Under these terms, treatment and refining charges are materially lower than those assumed in the Woodlawn Production Restart Study released on 3 April 2024. This has resulted in an A\$80 million improvement to the project’s NPV.

The structure of the offtake arrangement also gives Develop the flexibility to allocate up to 20% of all concentrate volumes produced to a third party if they were to own a minority interest in Woodlawn and wanted their share of concentrates.

Parties expect to enter final and definitive documentation for the prepayment/loan facility and offtake arrangement within the next 4 to 6 weeks from the date of this Announcement. The drawdown of the prepayment is subject to the entry into such definitive documentation and conditions precedent.

## **Trafigura – Company Information**

Trafigura is part of a leading commodities group (the “**Group**”), owned by its employees and founded in 1993. At the heart of global supply, the Group connects vital resources to power and build the world. The Group deploys infrastructure, market expertise and its worldwide logistics network to move oil and petroleum products, metals and minerals, gas and power from where they are produced to where they are needed, forming strong relationships that make supply chains more efficient, secure and sustainable. The Group also invests in renewable energy projects and technologies to facilitate the transition to a low-carbon economy.

The Group also comprises industrial assets and operating businesses including multi-metals producer Nyrstar, fuel storage and distribution company Puma Energy and the Impala Terminals joint venture. The Group employs over 12,000 people and is active in 156 countries.

The Group has annual revenue of ~US\$250 billion, an equity base of over US\$16 billion and access to close to US\$75 billion of credit lines provided by a network of around 150 banks.

In Australia, the Group is one of the most active commodities traders for base metals. Through its subsidiary Nyrstar, it has smelters in Tasmania and South Australia.

## **Prepayment/Loan Facility – Summary of key terms**

A summary of the key terms of the term sheet for the Woodlawn prepayment/loan facility to be provided by Trafigura are detailed below.

<b>Debt Sizing</b>	US\$65 million or equivalent in A\$, being approximately A\$100 million as at the date of this Announcement
<b>Term</b>	4.5 years from drawdown
<b>Interest Rate/Margin</b>	SOFR 3 month + 2% (if drawn down in US\$) or BBSY 3 month +2% (if drawn down in A\$)
<b>Security</b>	General security agreement over all assets of Woodlawn Mine Holding Pty and Tarago Operations Pty Ltd with a Parent Company Guarantee granted by Develop Global Limited with a carve out provided for Dev Mining Services Pty Ltd
<b>Grace Period</b>	18 months from drawdown date and then a reduced amount of US\$5 million or approximately A\$ 7.7 million for the period 18 months and 24 months after drawdown date.
<b>Capitalised Interest</b>	Interest will be capitalised during the Grace Period
<b>Up-front Fee</b>	1.00%
<b>Voluntary Early Repayment</b>	Anytime with 5 business days’ notice. Any early repayment shall be made with accrued interest on the amount repaid early and break costs
<b>Coverage ratio</b>	At any time, cargo value to be at least 175% of outstanding indebtedness
<b>Offtake Required</b>	~5-year offtake across all concentrates (including, without limitation, copper, zinc and lead) produced from the Woodlawn mine
<b>Hedging</b>	No mandatory hedging required

## **Woodlawn Production Restart Study April 2024 – Revised Financials Summary**

The Woodlawn Production Restart Study released on 3 April 2024 has been updated with the latest pre-production capital costs and the concentrate offtake terms, as shown below. This has delivered an 11% improvement in the pre-tax NPV to A\$728 million.

Pre-tax free cashflow increased 10% to A\$1.1 billion, based on a 10-year mine plan.

Table 1 Financial Model Outputs

Description	Unit	July Update	April 2024 Release
Pre-Tax NPV <sub>7%</sub> <sup>1</sup>	A\$M	728	658
Payback	Mths	23	24
Free Cash-flow	A\$M	1,101	1,003
Maximum Cash Down	A\$M	78	67

<sup>1</sup> NPV discount factors are presented on a real basis.

The pre-production capital and maximum cash draw down position has increased by \$A11 million to A\$78 million due to increases in processing capital and working capital for the optimised mining sequence. This had a negative A\$10 million impact on the NPV.

Table 2 Pre-Production / Maximum Cash down

Pre-production	July-24 Update	April-24 Release
Construction Capital	A\$49 million	A\$42 million
Mining Capital	A\$7 million	A\$0 million
Working Capital	A\$22 million	A\$23 million
<b>Sub Total</b>	<b>A\$78 million</b>	<b>A\$67 million</b>

This updated study is based on the consensus price forecasts used in the 3 April ASX Announcement titled "Woodlawn Production Restart Study" (refer to table 4) to enable like-for-like comparisons of the NPV estimates. Both copper and zinc spot prices are over 10% higher than when the April NPV result was released.

Table 3 Average Commodity Price Realised

Pricing Index (USD)	Copper	Lead	Zinc	Ag	Au	Forex
Average Realised Mine Plan Price	9,783	2,181	2,890	24	1,963	0.67

Table 4 Commodity Price Deck Forecast

Commodity	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Cu: USD\$ / t	8,601	8,938	9,145	9,426	9,681	10,017	10,120	10,373	10,632	10,898
Pb: USD\$ / t	2,098	2,100	2,103	2,153	2,228	2,320	2,120	2,173	2,227	2,283
Zn: USD\$ / t	2,671	2,705	2,741	2,808	2,899	3,060	2,893	2,965	3,040	3,116
Ag: USD\$ / oz	24	25	24	24	23	24	22	23	23	24
Au: USD\$ / oz	2,043	2,050	1,900	1,807	1,852	1,898	1,946	1,995	2,044	2,096

At recent spot prices of copper and zinc, the first 3 years of post-ramp up production yields ~A\$375m of free cashflow, providing substantial cash generation whilst repaying the A\$100 million loan facility.

Develop's forecasted cashflows from Woodlawn has the added benefit of A\$283 million in tax losses (as at 30 June 2023) in which to offset profits from.

The production restart has been substantially de-risked with the first two years of production already fully developed and grade control drilling completed. All underground capital infrastructure has been installed.

This updated study further confirms that Woodlawn is going to generate outstanding financial returns and create substantial value for Develop shareholders, with significant increases in the NPV compared with previous assessments.

This Announcement is authorised by the Board of Directors.

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### **The information contained in this announcement references the following announcements:**

- ASX announcement “June Quarterly Activities Report” dated 26 July 2024;
- ASX announcement “Woodlawn Production Restart Study” dated 3 April 2024;
- ASX announcement “Resource Upgrade Paves way for Funding” dated 22 March 2024;
- ASX announcement “Woodlawn acquisition completed” dated 20 May 2022; and
- ASX announcement “Develop agree to acquire Woodlawn Zinc-Copper Project” dated 17 February 2022.

### **Cautionary Statement**

The information contained in this document (“Announcement”) has been prepared by DEVELOP Global Limited (“Company”). This Announcement is being used with summarised information. See DEVELOP’s other and periodic disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au) or at [www.develop.com.au](http://www.develop.com.au) for more information.

The outcomes in this announcement comprise forecast financial information for the Woodlawn Zinc-Copper Mine and are based on an updated mine treatment and refining charges for the Woodlawn Zinc-Copper Mine. The outcome is based on Develop’s current expectations of future results or events and should not be relied upon by investors when making investment decisions. All material assumptions upon which the outcome (and forecast financial information) are disclosed in ASX announcement “Production Restart Study on Woodlawn Copper-Zinc Mine, NSW” dated 03 April 2024. Develop has concluded that it has a reasonable basis for providing the forecast financial information included in this announcement.

The information in this Announcement regarding previous operations at the Woodlawn Project, including information relating to historic production, recoveries, mineral resources and financial information (including historical expenditure) has been sourced using publicly available information and internal data. While the information contained in this Announcement has been prepared in good faith, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers give any representations or warranties (express or implied) as to the accuracy, reliability or completeness of the information in this Announcement, or of any other written or oral information made or to be made available to any interested party or its advisers (all such information being referred to as “Information”) and liability therefore is expressly disclaimed. Accordingly, to the full extent permitted by law, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers take any responsibility for, or will accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the Information or for any of the opinions contained in this Announcement or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this Announcement.

This Announcement may include certain statements that may be deemed “forward-looking statements”. All statements in this Announcement, other than statements of historical facts, that address future activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. The Company, its shareholders, directors, officers, agents, employees or advisers, do not represent, warrant or guarantee, expressly or impliedly, that the information in this Announcement is complete or accurate. To the maximum extent permitted by law, the Company disclaims any responsibility to inform any recipient of this Announcement of any matter that subsequently comes to its notice which may affect any of the information contained in this Announcement. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing, and general economic, market or business conditions. DEVELOP assumes no obligation to update such information.

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This Announcement has been prepared in compliance with the JORC Code 2012 Edition. The ‘forward-looking information’ is based on the Company’s expectations, estimates and projections as of the date on which the statements were made. The Company disclaims any intent or obligations to update or revise any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.

## Mineral Resources Statement

WOODLAWN	Resource Category	Tonnes (kt)	Cu %	Pb %	Zn %	Ag g/t	Au g/t
	Measured	1,293	2.1	1.6	5.2	47.7	0.9
	Indicated	6,833	1.8	1.7	4.7	34.6	0.4
	Inferred	3,135	1.6	3.3	8.5	70	0.5
<b>Total</b>	<b>11,261</b>	<b>1.8</b>	<b>2.1</b>	<b>5.8</b>	<b>46.0</b>	<b>0.5</b>	

JORC Code disclosures for the Woodlawn Mineral Resource Estimate estimates are set out in Develops' ASX announcement 'Resource Upgrade Paves way for Funding' dated 22 March 2024. Tonnages are dry metric tonnes. Minor discrepancies may occur due to rounding.

## Ore Reserves Statement

WOODLAWN	Ore Reserve	Ore (Mt)	Cu Grade (%)	Pb Grade (%)	Zn Grade (%)	Ag Grade (g/t)	Au Grade (g/t)
	UG Proved	1.2	1.7	1.4	4.5	37.1	0.7
	UG Probable	4.8	1.4	1.3	3.4	27	0.4
	<b>UG Total Reserve</b>	<b>6.0</b>	<b>1.5</b>	<b>1.3</b>	<b>3.6</b>	<b>29</b>	<b>0.4</b>

JORC Code disclosures for the Woodlawn Ore Reserve Estimate estimates are set out in Develops' ASX announcement 'Woodlawn Production Restart Study' dated 3 April 2024. Tonnages are dry metric tonnes. Minor discrepancies may occur due to rounding.