

## Larvotto Resources Limited

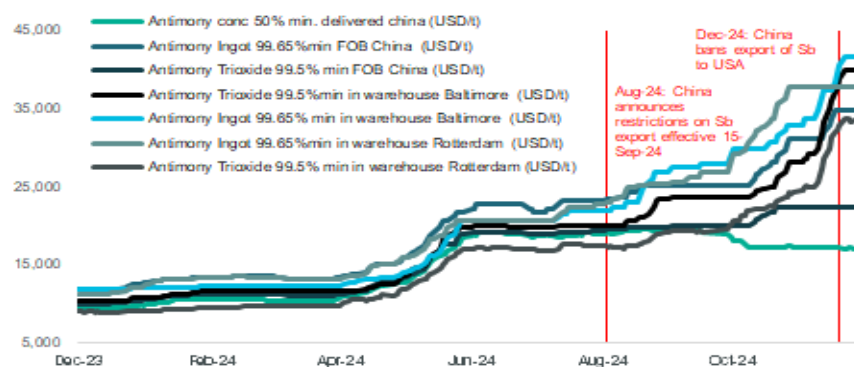
### Hillgrove antimony mine re-start greatly de-risked

Antimony prices are on a tear as this critical metal becomes the paragon of geopolitical chess between China and the USA under near perfect conditions for structural deficits and no material production in the West. Based on supply/demand fundamentals, we believe the high price environment could last three or more years, with risk to the upside. LRV is well positioned to re-start production at Hillgrove early CY26 to capture the benefits of the strong price environment (under 1 year payback). LRV has now completed an offtake agreement with Wogen (7-year LOM, \$6.2m prepayment facility) and raised \$38m (\$30m equity and \$8m options exercised) to materially de-risk underground activities at Hillgrove and order long-lead time items to expand plant capacity and re-start production. Funding also supports a step change in drilling to materially increase the resource base and extend mine-life. We have updated our model to reflect dilution, higher Au and Sb prices, expected payabilities and have increased our Price Target to \$0.89 (prev. \$0.80).

### Strong news flow into FID

- Drilling activities ramping up from 2 rigs to 5 rigs:
  - Pending results from rig at Bakers Creek and Clarks Gully
  - LRV's previous exploration target (0.7-1.1MozEq) sought to extend MRE 200m deep. Additional rigs to target new zones from surface and underground
  - 3rd rig on site Jan 25 drilling from surface, additional two targeting u/g once mine crew get mine up to spec (ventilation, etc.) 4<sup>th</sup>Q FY25
- Gold conc offtake outcome 3<sup>rd</sup>Q FY25, potential pre-payment facility
- TSF decision: go ahead under approved lift or dry stack vs new location
- DFS: completion expected 3<sup>rd</sup>Q FY25:
  - Beyond key metallurgical test work and engineering work, we expect higher Au and Sb prices to underpin stronger economics
  - Capex unlikely to materially change, with a portion now de-risked
- FID 4<sup>th</sup>Q FY25 to upscale plant (0.5Mtpa) and mine re-start early CY26

### Figure 1. Antimony Prices: Bifurcation ex-China Sending a Strong Signal



Source: Bloomberg

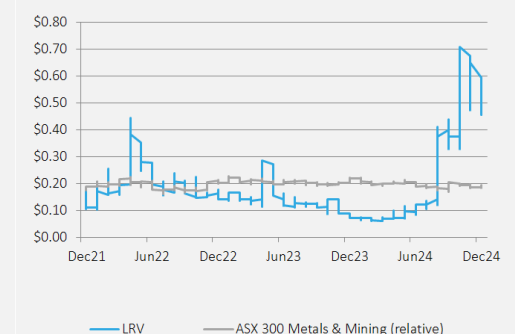
Date	16 Dec 2024
Stock rating	<b>BUY</b>
Price target	<b>\$0.89</b>
Ticker	ASX:LRV
Closing price	\$0.43
Implied return (%)	106%
Diluted Market cap (\$m)	171
Enterprise value (m)	130
FD Shares (m)	398.7
Avg daily vol (m)	1.27
52 week high	0.77
52 week low	0.06
GICS Sector	Materials

Y/E 31 Dec	FY24E	FY25E	FY26E	FY27E
Gold Production (koz)	-	-	33.3	40.8
Antimony Production (kt)	-	-	4.3	5.4
Au Eq Prod. (koz AuEq)	-	-	79.2	97.5
Revenue (A\$m)	-	-	274.2	338.0
Gold %	-	-	51%	50%
Antimony %	-	-	49%	50%
AISC (A\$/oz AuEq)	-	-	1,271	1,250
EBITDA (A\$m)	-	-	196.5	245.3
NPAT (A\$m)	-	-	128.6	163.4
FCF (A\$m)	-	-	106.0	131.5

Valuation				
P/E (x)	n.m.	n.m.	1.4	1.1
P/FCF (x)	n.m.	n.m.	1.6	1.3
EV/EBITDA (x)	n.m.	n.m.	0.6	n.m.
Dividend yield (%)	-	-	-	-

Top Shareholders		%
Gage Capital LP		29.2%
1832 Asset Management		7.5%
Board & Management		4.0%

### Share price



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**Larvotto Resources**
**Code: LRV**
**Stock Details**

Recommendation:	<b>BUY</b>		
Target	\$0.89	Share Price	\$0.43
NAV	\$0.89	52 Week High	\$0.77
Implied Return	106%	52 Week Low	\$0.06

Enterprise Value	\$130m
Diluted MCap	\$171m
Diluted Shares	399m
Free Float	95%
Avg Daily Value	\$1.27m

**Y/E 31 Dec**

Macro Assumptions	FY23A	FY24E	FY25E	FY26E	FY27E
Exchange Rate (A\$/US\$)	0.67	0.67	0.69	0.70	0.70
Gold Price (US\$/oz)	1,923	2,438	2,600	2,600	2,600
Antimony Price (US\$/t)	10,000	19,875	40,000	40,000	40,000

Profit & Loss (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue	-	-	-	274	338
Operating Costs	-	-	-	(74)	(89)
<b>Operating Profit</b>	-	-	-	<b>201</b>	<b>249</b>
Corporate & Other	(2)	(3)	(4)	(4)	(4)
Exploration Expense / Impt	-	-	-	-	-
<b>EBITDA</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>197</b>	<b>245</b>
D&A	(0)	(0)	(0)	(8)	(10)
<b>EBIT</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>188</b>	<b>235</b>
Net Interest Expense	-	(0)	(5)	(4)	(1)
<b>Pre-Tax Profit</b>	<b>(2)</b>	<b>(4)</b>	<b>(9)</b>	<b>184</b>	<b>233</b>
Tax Expense	-	-	-	(55)	(70)
Underlying Profit	(2)	(4)	(9)	129	163
Significant Items (post tax)	-	-	-	-	-
<b>NPAT</b>	<b>(2)</b>	<b>(4)</b>	<b>(9)</b>	<b>129</b>	<b>163</b>

Cash Flow (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Operating Cashflow	(6)	(3)	(4)	197	245
Tax	-	-	-	(55)	(70)
Net Interest	0	(0)	(5)	(4)	(1)
<b>Net Operating Cash Flow</b>	<b>(6)</b>	<b>(4)</b>	<b>(9)</b>	<b>137</b>	<b>174</b>
Exploration	-	(5)	(18)	(4)	(4)
Capex	-	-	(75)	(27)	(33)
Acquisitions / Disposals	(5)	-	-	-	-
Other	0	-	-	-	-
<b>Net Investing Cash Flow</b>	<b>(5)</b>	<b>(5)</b>	<b>(93)</b>	<b>(31)</b>	<b>(37)</b>
Equity Issue	8	48	31	-	-
Borrowing / Repayments	-	6	41	(13)	(14)
Dividends	-	-	-	-	-
Other	(1)	-	-	-	-
<b>Net Financing Cash Flow</b>	<b>7</b>	<b>54</b>	<b>71</b>	<b>(13)</b>	<b>(14)</b>
Change in Cash Position	(4)	46	(31)	93	123
FX Adjustments	-	-	-	-	-
<b>Cash Balance</b>	<b>2</b>	<b>48</b>	<b>17</b>	<b>110</b>	<b>233</b>

Balance Sheet (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Cash	2	48	17	110	233
Other Current Assets	0	0	0	0	0
PP&E	6	6	80	99	122
Exploration & Development	4	9	27	31	35
Other Non Current Assets	5	5	5	5	5
<b>Total Assets</b>	<b>17</b>	<b>68</b>	<b>130</b>	<b>245</b>	<b>395</b>
<b>Debt</b>	<b>-</b>	<b>6</b>	<b>47</b>	<b>34</b>	<b>20</b>
Other Liabilities	6	6	6	6	6
<b>Net Assets</b>	<b>11</b>	<b>56</b>	<b>77</b>	<b>206</b>	<b>369</b>

**Y/E 31 Dec**

Ratio Analysis		FY23A	FY24E	FY25E	FY26E	FY27E
Diluted Shares	m	225	384	431	431	431
EPS - Diluted	Ac	(0.01)	(0.01)	(0.02)	0.30	0.38
<b>P/E</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>1.4</b>	<b>1.1</b>
CFPS - Diluted	Ac	(0.0)	(0.0)	(0.0)	0.3	0.4
<b>P/CF</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>1.4</b>	<b>1.1</b>
FCF - Diluted	Ac	(2.6)	(0.9)	(18.3)	26.6	33.0
<b>P/FCF</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>1.6</b>	<b>1.3</b>
Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A\$m	13	130	215	109	(28)
<b>EV/EBITDA</b>	<b>x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>0.55</b>	<b>n.m.</b>
ROE	%	(14%)	(7%)	(12%)	62%	44%
ROA	%	(9%)	(6%)	(7%)	52%	41%
Net Debt / (Cash)		(2)	(42)	30	(77)	(213)
Gearing (ND/(ND+E))	%	n.m.	n.m.	n.m.	(59%)	(137%)
Gearing (ND/E)	%	n.m.	n.m.	n.m.	(37%)	(58%)

**Resource (incl. Reserve)**

	Mt	g/t Au	koz Au	% Sb	kt Sb	koz AuEq
Measured	0.4	3.6	51	3.8	17	179.4
Indicated	4.0	4.8	617	1.3	50	1001.9
Inferred	2.8	4.0	367	0.9	26	555.8
<b>Total Resource</b>	<b>7.3</b>	<b>4.4</b>	<b>1036</b>	<b>1.3</b>	<b>93</b>	<b>1737.1</b>
<b>Ore Reserve</b>						
Proved	0.4	2.6	32.6045	1.9	7	88.1
Probable	2.8	3.3	287	1.1	32	517.8
<b>Total Ore Reserve</b>	<b>3.2</b>	<b>3.2</b>	<b>320</b>	<b>1.2</b>	<b>39</b>	<b>605.9</b>

**Earnings Sensitivity**

		FY26E	FY27E	FY26E	FY27E
		A\$m	A\$m	%	%
Gold Price	US\$/oz $\uparrow$ +10%	8	10	6%	6%
Antimony Price	US\$/t $\uparrow$ +10%	11	14	9%	9%
Exchange Rate	A\$/US\$ $\uparrow$ -10%	19	23	15%	14%

Valuation	Discount	Stake	A\$m	A\$/sh	P/NAV
Hillgrove - unrisksd	-	100%	387	0.97	
Hillgrove - risksd	35%	100%	252	0.63	
Exploration			85	0.21	
Corporate & Other			(25)	(0.06)	
Debt			(6)	(0.02)	
Cash			48	0.12	
Option Strikes			1	0.00	
<b>Risk adjusted NAV</b>			<b>354</b>	<b>0.89</b>	<b>0.48</b>

Source: Company, Blue Ocean Equities

## Operational Summary

### Larvotto Resources

**Code: LRV**

Y/E 31 Dec						Y/E 31 Dec						
<b>Operational Summary</b>						<b>FCF Contribution</b>						
		FY23A	FY24E	FY25E	FY26E	FY27E	A\$m	FY23A	FY24E	FY25E	FY26E	FY27E
<b>Hillgrove (100% basis)</b>												
Ore Milled	mt	-	-	-	0.4	0.5						
Gold head grade	g/t	-	-	-	3.0	2.9						
Recovery	%	-	-	-	83%	83%						
<b>Gold Produced</b>	<b>koz</b>	-	-	-	<b>33.3</b>	<b>40.8</b>						
Payability	%	-	-	-	91%	91%						
<b>Payable Gold Sold</b>	<b>koz</b>	-	-	-	<b>30.4</b>	<b>37.3</b>						
Antimony head grade	%	-	-	-	1.2%	1.2%						
Recovery	%	-	-	-	86%	86%						
<b>Antimony Produced</b>	<b>kt</b>	-	-	-	<b>4.3</b>	<b>5.4</b>						
Payability	%	-	-	-	65%	65%						
<b>Payable Sb Production</b>	<b>kt</b>	-	-	-	<b>2.8</b>	<b>3.5</b>						
<b>Payable AuEq Prod.</b>	<b>koz AuEq</b>	-	-	-	<b>60.2</b>	<b>74.2</b>						
Mining Costs	A\$/oz AuEq	-	-	-	448	425						
Processing Costs	A\$/oz AuEq	-	-	-	321	323						
G&A	A\$/oz AuEq	-	-	-	73	74						
<b>C1 Cash Costs</b>	<b>A\$/oz AuEq</b>	-	-	-	<b>842</b>	<b>821</b>						
Royalties	A\$/oz AuEq	-	-	-	89	89						
<b>Operating Cost</b>	<b>A\$/oz AuEq</b>	-	-	-	<b>931</b>	<b>910</b>						
Sustaining Capex	A\$/oz AuEq	-	-	-	340	340						
<b>All-in Sustaining Cost</b>	<b>A\$/oz AuEq</b>	-	-	-	<b>1,271</b>	<b>1,250</b>						
<b>% AISC Margin</b>	<b>%</b>	-	-	-	<b>63%</b>	<b>64%</b>						
Revenue - Gold Sold	% Au	-	-	-	51%	50%						
Revenue - Antimony Sold	% Sb	-	-	-	49%	50%						
Revenue - Total	A\$m	-	-	-	274	338						
Operating Costs	A\$m	-	-	-	74	89						
Sustaining Capex	A\$m	-	-	-	27	33						
<b>All-in Sustaining Cost</b>	<b>A\$m</b>	-	-	-	<b>101</b>	<b>122</b>						
<b>AISC Margin</b>		-	-	-	<b>174</b>	<b>216</b>						
Initial Capex	A\$m	-	-	75	-	-						
Exploration	A\$m	4	5	18	4	4						
Corporate	A\$m	2	3	4	4	4						
<b>Corporate</b>	<b>A\$m</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>						
Cash Tax	A\$m	-	-	-	55	70						
Other Items	A\$m	6	-	-	-	-						
<b>FCF pre Debt Service</b>	<b>A\$m</b>	<b>(11)</b>	<b>(8)</b>	<b>(97)</b>	<b>111</b>	<b>138</b>						
Net Interest	A\$m	(0)	0	5	4	1						
Debt Drawdown / (Rpmt)	A\$m	-	6	41	(13)	(14)						
<b>FCF post Debt Service</b>	<b>A\$m</b>	<b>(11)</b>	<b>(2)</b>	<b>(61)</b>	<b>93</b>	<b>123</b>						
<b>New Equity/Dividends</b>	<b>A\$m</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>						
Proceeds f Shares/Options	A\$m	8	48	31	-	-						
Dividends Paid	A\$m	-	-	-	-	-						
<b>Change in Cash</b>	<b>A\$m</b>	<b>(4)</b>	<b>46</b>	<b>(31)</b>	<b>93</b>	<b>123</b>						
<b>Cash Balance</b>	<b>A\$m</b>	<b>2</b>	<b>48</b>	<b>17</b>	<b>110</b>	<b>233</b>						

Source: Company, Blue Ocean Equities

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Blue Ocean Equities Pty Limited and associates may hold securities in Larvotto Resources at the date of this report and this position may change at any time without notice.

Blue Ocean Equities Pty Limited acted as Joint Lead Manager to the \$5m placement in July 2024 and as Joint Lead Manager to the \$30m placement in December 2024.

The author of this report owns shares in Larvotto Resources.