

Larvotto Resources Limited

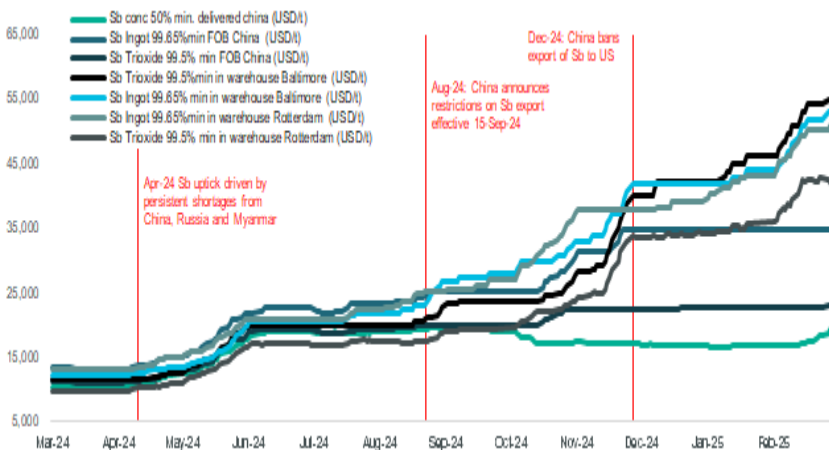
Dry stacked and loaded

LRV announced a significant project change for Hillgrove as it moves from wet tailings storage into dry stacking. The location of the current TSFs was a key risk for Hillgrove's expedient re-start, notwithstanding the approval for a 9m lift to TSF2 and PFS LOM solution to develop a new TSF at Clarks Gully, including a circa 5km pipeline. We believe that the selection of world's best practice for tailings storage, technically no longer a tailings dam and with higher structural stability, has environmental benefits and neutralises any potentially controversial aspect to finalise modification of existing consents to accelerate the re-start of this critical minerals (and gold) mine at a time of deep structural deficits in the antimony market and very strong prices. We have updated our financial model to reflect a lower risk factor of 30% (prev. 35%) as the DFS nears completion incorporating dry stacks, adopted marginal capex/opex changes and updated commodity prices (US\$2,900/oz Au and US\$52,000/t Sb over the near term, noting we continue to see risk to the upside). We retain our BUY recommendation and have updated our Price Target to \$1.20 (prev. \$0.89).

Key takeaways from recent investor site visits

1. Drilling activities have materially increased with 3 rigs drilling double shifts and 2 more expected near term. One rig is drilling at Bakers Creek and two at Eleanora. We understand drilling at Eleanora could result in the discovery of a parallel load with high grade antimony.
2. Dry stack solution for tailings being incorporated into the DFS.
3. Gold concentrate offtake due in the near term, with potential for a prepayment facility as part of the Project Finance solution.
4. Acquisition of nearby property with superb accommodation facilities to support construction and operations as well as mess facilities.

Figure 1. Antimony Prices: Ex-China Benchmarks Continue Rising!



Source: Bloomberg

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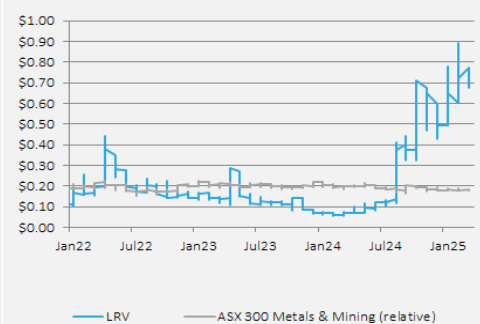
Date	10 March 2025
Stock rating	BUY
Price target	\$1.20
Ticker	ASX:LRV
Closing price	\$0.77
Implied return (%)	56%
Diluted Market cap (\$m)	331
Enterprise value (m)	298
FD Shares (m)	430.5
Avg daily vol (m)	2.18
52 week high	0.93
52 week low	0.06
GICS Sector	Materials

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)	-	-	69.8	85.9
Revenue (A\$m)	-	-	340.6	419.9
Gold %	-	-	57%	57%
Antimony %	-	-	43%	43%
AISC (A\$/oz AuEq)	-	-	1,384	1,361
EBITDA (A\$m)	-	-	263.7	328.1
NPAT (A\$m)	-	-	173.5	219.8
FCF (A\$m)	-	-	168.3	207.9

Valuation				
P/E (x)	n.m.	n.m.	1.9	1.5
P/FCF (x)	n.m.	n.m.	2.0	1.6
EV/EBITDA (x)	n.m.	n.m.	0.8	n.m.
Dividend yield (%)	-	-	-	-

Top Shareholders		%
Gage Capital LP		16.3%
1832 Asset Management		9.0%
Board & Management		3.3%

Share price



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Larvotto Resources
Code: LRV
Stock Details

Recommendation:	BUY		
Target	\$1.20	Share Price	\$0.77
NAV	\$1.19	52 Week High	\$0.93
Implied Return	56%	52 Week Low	\$0.06

Enterprise Value	\$298m
Diluted MCap	\$331m
Diluted Shares	430m
Free Float	95%
Avg Daily Value	\$2.18m

Y/E 31 Dec	FY23A	FY24E	FY25E	FY26E	FY27E
Macro Assumptions					
Exchange Rate (A\$/US\$)	0.67	0.67	0.67	0.70	0.70
Gold Price (US\$/oz)	1,923	2,438	2,875	2,900	2,900
Antimony Price (US\$/t)	10,000	19,875	49,500	52,000	52,000

Profit & Loss (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue	-	-	-	341	420
Operating Costs	-	-	-	(73)	(88)
Operating Profit	-	-	-	268	332
Corporate & Other	(2)	(3)	(4)	(4)	(4)
Exploration Expense / Impt	-	-	-	-	-
EBITDA	(2)	(3)	(4)	264	328
D&A	(0)	(0)	(0)	(10)	(12)
EBIT	(2)	(3)	(4)	254	316
Net Interest Expense	-	(0)	(7)	(6)	(2)
Pre-Tax Profit	(2)	(4)	(11)	248	314
Tax Expense	-	-	-	(74)	(94)
Underlying Profit	(2)	(4)	(11)	174	220
Significant Items (post tax)	-	-	-	-	-
NPAT	(2)	(4)	(11)	174	220

Cash Flow (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Operating Cashflow	(6)	(3)	(4)	264	328
Tax	-	-	-	(74)	(94)
Net Interest	0	(0)	(7)	(6)	(2)
Net Operating Cash Flow	(6)	(4)	(11)	184	232
Exploration	-	(5)	(18)	(6)	(6)
Capex	-	-	(75)	(24)	(29)
Acquisitions / Disposals	(5)	-	-	-	-
Other	0	-	-	-	-
Net Investing Cash Flow	(5)	(5)	(93)	(30)	(35)
Equity Issue	8	48	26	-	-
Borrowing / Repayments	-	6	55	(15)	(18)
Dividends	-	-	-	-	-
Other	(1)	-	-	-	-
Net Financing Cash Flow	7	54	81	(15)	(18)
Change in Cash Position	(4)	46	(23)	138	179
FX Adjustments	-	-	-	-	-
Cash Balance	2	48	25	164	342

Balance Sheet (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Cash	2	48	25	164	342
Other Current Assets	0	0	0	0	0
PP&E	6	6	80	94	111
Exploration & Development	4	9	27	33	39
Other Non Current Assets	5	5	5	5	5
Total Assets	17	68	138	296	497
Debt	-	6	61	46	28
Other Liabilities	6	6	6	6	6
Net Assets	11	56	71	244	464

Y/E 31 Dec		FY23A	FY24E	FY25E	FY26E	FY27E
Ratio Analysis						
Diluted Shares	m	225	387	424	424	424
EPS - Diluted	Ac	(0.01)	(0.01)	(0.03)	0.41	0.52
P/E	x	n.m.	n.m.	n.m.	1.9	1.5
CFPS - Diluted	Ac	(0.0)	(0.0)	(0.0)	0.4	0.5
P/CF	x	n.m.	n.m.	n.m.	1.8	1.4
FCF - Diluted	Ac	(2.6)	(0.9)	(18.6)	39.1	48.3
P/FCF	x	n.m.	n.m.	n.m.	2.0	1.6

Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A\$m	13	290	362	209	12
EV/EBITDA	x	n.m.	n.m.	n.m.	0.79	n.m.
ROE	%	(14%)	(7%)	(15%)	71%	47%
ROA	%	(9%)	(6%)	(8%)	59%	44%
Net Debt / (Cash)		(2)	(42)	36	(118)	(315)
Gearing (ND/(ND+E))	%	n.m.	n.m.	n.m.	(93%)	(211%)
Gearing (ND/E)	%	n.m.	n.m.	n.m.	(48%)	(68%)

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
Total Resource	7.3	4.4	1036	1.3	93	1737.1

Ore Reserve						
Proved	0.4	2.6	32.6045	1.9	7	88.1
Probable	2.8	3.3	287	1.1	32	517.8
Total Ore Reserve	3.2	3.2	320	1.2	39	605.9

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

Valuation	Discount	Stake	A\$m	A\$/sh	P/NAV
Hillgrove - unrisks	-	100%	598	1.39	
Hillgrove - risks	30%	100%	419	0.97	
Exploration			85	0.20	
Corporate & Other			(25)	(0.06)	
Debt			(6)	(0.01)	
Cash			40	0.09	
Option Strikes			1	0.00	
Risk adjusted NAV			513	1.19	0.65

Source: Company, Blue Ocean Equities

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LOM price assumptions

We outline below our LOM price assumptions:

- for gold, we have adopted a flat spot US\$2,900/oz
- for antimony, our central assumption is that prices remain at current levels (US\$52,000/t), or higher, for a minimum of three years, before additional supply enters the market and prices potentially return to lower levels
- we highlight price risk remains to the upside with gold moving into the US\$3,000 level and antimony metal and trioxide reaching the US\$55,000/t level

Figure 2. Gold price assumption (US\$/oz Au)

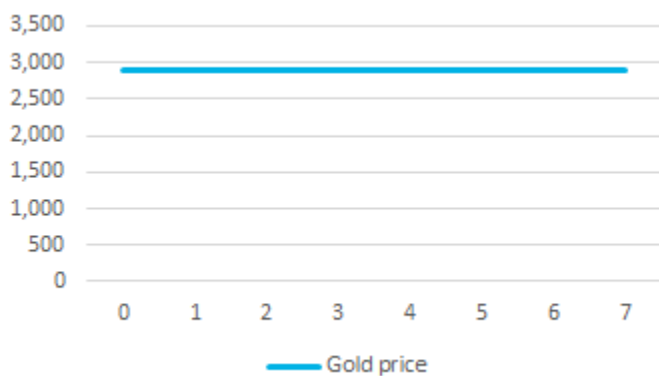


Figure 3. Antimony price assumption (US\$/t)



Source: Blue Ocean Equities

Source: Blue Ocean Equities

Indicative changes to cost assumptions from dry stacks

We believe that the DFS vs PFS LOM capex and opex numbers are likely to be marginally higher although relatively similar, taking into account the following factors:

- Hillgrove is permitted to raise its TSF 2 by 9 meters (supports re-start over initial 2 years) and PFS LOM solution included a new TSF at Clarks Gully which involved a circa 5km pipeline
- Dry stacks expected to be located closer to the plant and require filter press (not in PFS), but no longer require TSF at Clarks Gully and pipeline
- Dry stacks likely to cost marginally more in operating costs, however represent progressive remediation vs PFS which assumed an end of LOM remediation liability of circa \$10m. It also has the additional benefit of a lower environmental bond requirement
- We also note that while some of the key capex changes may shift from LOM to pre-production, the expected \$15m in capitalised revenue (estimated at PFS commodity inputs of US\$2,200/oz Au and US\$15,000/t Sb) are expected to be materially higher at spot and reduce capitalised opex to commercial production

Photos from recent site visits

Figure 4. Aerial view



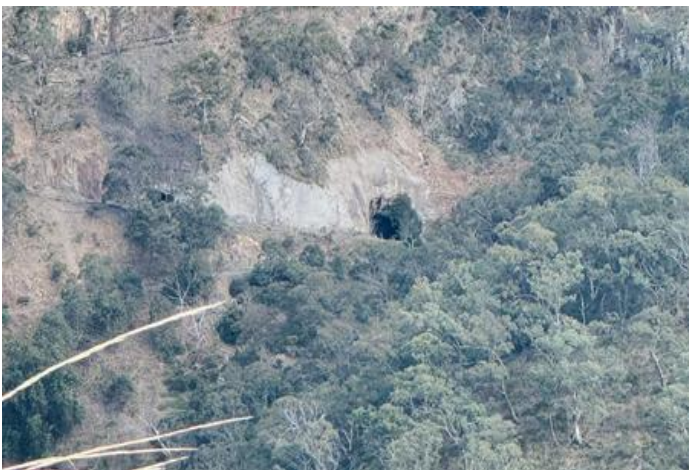
Source: Blue Ocean Equities

Figure 5. Indicative location for dry stacks



Source: Company, Blue Ocean Equities

Figure 6. Metz mine portal



Source: Blue Ocean Equities

Figure 7. Access to ore



Source: Blue Ocean Equities

Figure 8. Process plant



Source: Blue Ocean Equities

Figure 9. Diamond rig drilling at Eleanora



Source: Blue Ocean Equities

Figure 10. Echidna lodge: 45 rooms + expansion potential



Source: Blue Ocean Equities

Figure 11. Mess facilities – external view



Source: Blue Ocean Equities

Figure 12. Mess facilities – internal view



Source: Blue Ocean Equities

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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.

One of the authors of this report owns shares in Larvotto Resources.