

Larvotto Resources Limited

Hillgrove DFS: Restart Extraordinaire!

LRV management delivered a robust DFS (+/-15% accuracy, EPCM project delivery strategy, spot NPV@8% increased +200% vs PFS) demonstrating Hillgrove's low risk profile and extraordinary project economics under current gold and antimony macro. Mine life of 8 years has significant upside (exploration target could add +3 years as well as multiple high-grade intersections outside of resource) and Hillgrove's production profile (5ktpa Sb, 41kozpa Au or 85kozpa AuEq) places it as a top global antimony producer and a valuable gold producer with deep negative AISCs (negative A\$3,269/oz Au, accounting Sb as credit). Capex (A\$142m) and operating costs have increased vs PFS (change of scope to dry tailings, optimisation to improve safety, throughput and recoveries), noting project returns have materially improved vs PFS (higher commodity prices and optimisation) as illustrated by **spot NPV@8% post-tax of A\$1.3Bn, IRR of 151% and 8 month payback!** However, as compelling as these project economics are, we highlight that the financial metrics alone do not fully reflect the strategic value of Hillgrove as the key antimony producer in a Western jurisdiction in the near term.

Key catalysts from here

1. Project finance expected over the next 8 weeks – management has received several term sheets from a wide range of debt providers.
2. FID to follow project finance and a < 1 year plant expansion (long lead items secured) and mine restart. Production expected mid CY26.
3. Further high-grade exploration results from 4 rigs drilling at multiple locations. MRE, Reserve and Exploration Target updates in due course.

Upgrading Price Target to \$1.45 per share

We have updated our financial model to reflect key inputs from DFS and have reduced our risking from 30% to 20%. Management is well advanced on the project finance solution to restart Hillgrove in CY26. We retain our BUY recommendation and have updated our Price Target to \$1.45 (prev. \$1.20).

Figure 1. Hillgrove Gold Antimony Mine and Plant



Source: Company

EQUITY RESEARCH COMPANY UPDATE

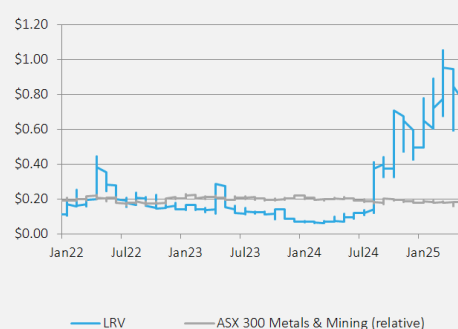
Date	8 May 2025
Stock rating	BUY
Price target	\$1.45
Ticker	ASX:LRV
Closing price	\$0.81
Implied return (%)	80%
Diluted Market cap (\$m)	347
Enterprise value (m)	319
FD Shares (m)	431.3
Avg daily vol (m)	3.13
52 week high	1.07
52 week low	0.08
GICS Sector	Materials

Y/E 31 Dec	FY24E	FY25E	FY26E	FY27E
Gold Production (koz)	-	-	23.2	36.2
Antimony Production (kt)	-	-	3.0	4.7
Au Eq Prod. (koz AuEq)	-	-	73.6	90.6
Revenue (A\$m)	-	-	275.9	432.2
Payable Gold %	-	-	52%	51%
Payable Antimony %	-	-	48%	49%
AISC (A\$/oz AuEq)	-	-	1,673	1,646
EBITDA (A\$m)	-	-	209.5	332.1
NPAT (A\$m)	-	-	133.6	217.9
FCF (A\$m)	-	-	124.3	169.9

Valuation				
P/E (x)	n.m.	n.m.	2.9	1.8
P/FCF (x)	n.m.	n.m.	2.8	2.0
EV/EBITDA (x)	n.m.	n.m.	1.4	0.3
Dividend yield (%)	-	-	-	-

Top Shareholders	%
Gage Capital LP	15.8%
1832 Asset Management	8.9%
Board & Management	3.3%

Share price



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Larvotto Resources

Code: LRV

Stock Details

Recommendation:	BUY		
Target	\$1.45	Share Price	\$0.81
NAV	\$1.54	52 Week High	\$1.07
Implied Return	80%	52 Week Low	\$0.08

Enterprise Value	\$319m
Diluted MCap	\$347m
Diluted Shares	431m
Free Float	95%
Avg Daily Value	\$3.13m

Y/E 31 Dec

Macro Assumptions	FY23A	FY24E	FY25E	FY26E	FY27E
Exchange Rate (A\$/US\$)	0.67	0.67	0.67	0.69	0.69
Gold Price (US\$/oz)	1,923	2,438	3,225	3,300	3,300
Antimony Price (US\$/t)	10,000	19,875	57,000	60,000	60,000

Profit & Loss (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue	-	-	-	276	432
Operating Costs	-	-	-	(62)	(96)
Operating Profit	-	-	-	213	336
Corporate & Other	(2)	(3)	(4)	(4)	(4)
Exploration Expense / Impt	-	-	-	-	-
EBITDA	(2)	(3)	(4)	209	332
D&A	(0)	(0)	(0)	(6)	(10)
EBIT	(2)	(3)	(4)	203	322
Net Interest Expense	-	(0)	(12)	(12)	(10)
Pre-Tax Profit	(2)	(4)	(16)	191	312
Tax Expense	-	-	-	(57)	(94)
Underlying Profit	(2)	(4)	(16)	134	218
Significant Items (post tax)	-	-	-	-	-
NPAT	(2)	(4)	(16)	134	218

Cash Flow (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Operating Cashflow	(6)	(3)	(4)	209	332
Tax	-	-	-	(39)	(94)
Net Interest	0	(0)	(12)	(12)	(10)
Net Operating Cash Flow	(6)	(4)	(16)	158	228
Exploration	-	(5)	(18)	(7)	(6)
Capex	-	-	(75)	(33)	(51)
Acquisitions / Disposals	(5)	-	-	-	-
Other	0	-	-	-	-
Net Investing Cash Flow	(5)	(5)	(93)	(39)	(57)
Equity Issue	8	48	48	-	-
Borrowing / Repayments	-	6	105	-	(6)
Dividends	-	-	-	-	-
Other	(1)	-	-	-	-
Net Financing Cash Flow	7	54	153	-	(6)
Change in Cash Position	(4)	46	44	119	166
FX Adjustments	-	-	-	-	-
Cash Balance	2	48	92	211	376

Balance Sheet (A\$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Cash	2	48	92	211	376
Other Current Assets	0	0	0	0	0
PP&E	6	6	80	107	148
Exploration & Development	4	9	27	33	39
Other Non Current Assets	5	5	5	5	5
Total Assets	17	68	204	356	569
Debt	-	6	112	112	105
Other Liabilities	6	6	6	6	6
Net Assets	11	56	87	239	457

Y/E 31 Dec

Ratio Analysis		FY23A	FY24E	FY25E	FY26E	FY27E
Diluted Shares	m	225	396	477	477	477
EPS - Diluted	Ac	(0.01)	(0.01)	(0.04)	0.28	0.46
P/E	x	n.m.	n.m.	n.m.	2.9	1.8
CFPS - Diluted	Ac	(0.0)	(0.0)	(0.0)	0.3	0.5
P/CF	x	n.m.	n.m.	n.m.	2.4	1.7
FCF - Diluted	Ac	(2.6)	(0.9)	(16.5)	28.8	39.4
P/FCF	x	n.m.	n.m.	n.m.	2.8	2.0

Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A\$m	13	305	404	285	113
EV/EBITDA	x	n.m.	n.m.	n.m.	1.36	0.34
ROE	%	(14%)	(7%)	(19%)	56%	48%
ROA	%	(9%)	(6%)	(8%)	38%	38%
Net Debt / (Cash)		(2)	(42)	20	(99)	(271)
Gearing (ND/(ND+E))	%	n.m.	n.m.	n.m.	(71%)	(145%)
Gearing (ND/E)	%	n.m.	n.m.	n.m.	(42%)	(59%)

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	33	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 - unrisked	-	100%	771	1.79	
Hillgrove - risked	20%	100%	617	1.43	
Exploration			50	0.12	
Corporate & Other			(29)	(0.07)	
Debt			(6)	(0.01)	
Cash			34	0.08	
Option Strikes			1	0.00	
Risk adjusted NAV			666	1.54	0.52

Source: Company, Blue Ocean Equities

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DFS Key Highlights

The DFS is based on the following key parameters:

- Updated Hillgrove Mineral Resource and Ore Reserve (JORC 2012)
- Processing plant restart and upgrade to increase nameplate capacity and production to 525ktpa
- Primary permitting and approvals reflective of the expanded production capacity

Project delivery:

- Seven-month site-based construction phase
- Execution delivery of process and non-process infrastructure by an integrated delivery team
- Overall project implementation by LRV

Operations:

- Initial 8-year LOM with mining activities schedule managed by LRV
- Open pit mining by LRV operating a hired fleet (dry-hire) with contractor drilling and blasting
- Underground mining development by contract miner with stoping, loading and hauling by LRV
- Process plant operations (including placement of dry tailings) by LRV
- Mining primarily by underground methods at Metz, Garibaldi, Clarks Gully and Brackins Spur (downhole stoping and uphole stoping for sill pillar recovery) and two starter open pits early in operations at Garibaldi and Clarks Gully to supplement initial underground production and provide construction material for infrastructure
- Processing post expansion (250ktpa to 550ktpa) comprises a two-stage crushing circuit that delivers a final ore size of 12 mm (P100) to the grinding plant, a primary ball mill operating in closed circuit with cyclones. The cyclone overflow is directed to a vibrating trash screen and then to a Knelson gravity concentrator to recover free gold, which is treated in a leach reactor followed by electrowinning and smelting to produce gold dore. In the flotation circuit, antimony flotation begins with a new rougher circuit, followed by regrinding, gravity concentration, and cleaning via a Jameson cell. The gold flotation line uses existing rougher cells, a regrind mill, gravity recovery, and a final Jameson cleaner. Waste is then dealt with establishment of a Dewatered Tailings Landform (dry stacks).
- Marketing:
 - Gold doré – to be sold to one of multiple refinery and bullion traders located within transport distance to Hillgrove.
 - Antimony concentrate – LRV has an offtake agreement with Wogen Resources Limited, a leading commodity trading house in the global antimony market.
 - Gold concentrate – LRV has received multiple offtake proposals for the gold concentrate with indicative terms for treatment costs, refining charges, penalties (for both grade and deleterious elements) and payability of contained metals.

In addition to a higher certainty on key inputs for the Hillgrove DFS, the key changes vs the PFS include:

- Metallurgical test work – Year long program including over 120 flotation tests including bulk and locked cycle trials to confirm historical performance, optimise grinding and flotation conditions to produce concentrate. Key results:
 - Antimony recovery: ~87% better vs 2015 plant data (and PFS input) of 86%
 - Gold recovery: ~84% vs 2015 plant data (and PFS input) of 83%
 - Concentrate grades: ~52.5% Sb and ~46 g/t Au
- Decision to move away from conventional wet tailings facility to a dry stack tailings system, involving an increase in upfront capex
- Engineering modifications were made to improve safety, debottleneck production, and maximise metal recovery modifications including another fine grinding tower mill, enhanced free gold collection facilities and movement of the existing concentrate filter presses to a different area to improve safety and efficiency in materials handling

The following summary table illustrates key inputs and outputs comparing PFS and DFS to our updated model.

Figure 2. Hillgrove LOM statistics PFS vs DFS vs BOEQe

Physicals	PFS	DFS	BOEQ
Life of mine	7 years	8 years	10 years
Ore tonnes mined	3.41 Mt	3.88 Mt	5Mt (3.88 Mt + 1.12 ET)
Plant nameplate	525ktpa	525ktpa	525ktpa
Processing rate	516 kt/year	485 kt/year	520 kt/year
Ave. gold prod. LOM	41koz pa	41koz pa	42koz pa
Au recoveries	83%	84%	84%
Recovered Au oz	288koz	324koz	417koz
Ave Sb prod. LOM	5.4kt	4.9kt	5.1kt
Sb recoveries	86%	87%	87%
Recovered Sb tonnes	37.7kt	39.0kt	51.0kt
Ave AuEq prod. LOM	80.4koz pa AuEq	85.7koz pa AuEq	95.9koz pa AuEq
Recovered AuEq oz	564koz AuEq	686koz AuEq	959koz AuEq
Capex			
Preprod. capex, incl. contingencies	\$88.5 M	\$151 M	\$154 M
Net capital, incl. preprod. revenue	\$73.4 M	\$139 M	\$142 M
Sustaining capex LOM	\$184.2 M	\$371 M	\$380 M
Closure costs	\$9.8 M	\$9 M	\$9 M
AISCs			
	<ul style="list-style-type: none"> • \$820/oz Au (Sb as byproduct credit) • \$1,288/oz AuEq 	<ul style="list-style-type: none"> • \$-1,367/oz Au (Sb as byproduct credit) • \$1,641/oz AuEq 	<ul style="list-style-type: none"> • \$-1,384/oz Au (Sb as byproduct credit) • \$1,686/oz AuEq
Price deck: base case	US\$2,000 Au US\$15,000 Sb	US\$2,850 Au US\$40,000 Sb	US\$3,300 Au US\$33,750 Sb
Price deck: spot at time of publishing	US\$2,350 Au US\$25,000 Sb	US\$3,300 Au US\$57,000 Sb	US\$3,300 Au US\$60,000 Sb
Key Financial Outputs			
Preferred case	\$157m	\$694m	\$771m
NPV@8% post tax	49.6%	102%	112%
IRR	2 years	11 months	<1 yr
Payback			
Spot	\$383m	\$1,269m	\$1,246m
NPV@8% post tax	113%	153%	152%
IRR	1 year	8 months	<1 yr
Payback			

Source: Company, BOEQ estimates

Key Updates to our Financial Model

We have updated our financial model to reflect key DFS inputs, including:

- Updated capex and opex inputs as well as improved recoveries and throughput
- Increased mine life to 10 years to incorporate a portion of the exploration target (2.8Mt @ 7.4g/t AuEq – 3.5Mt @ 9.5g/t AuEq)
- Added additional 8% unplanned mine dilution to the mining inventory
- Updated price deck to reflect flat gold price of US\$3,300/oz and average antimony price of US\$33,750/t, representing US\$60,000/t for the first two years and US\$25,000/t from year 3
- Updated financing requirements to reflect higher capex and debt and equity funding of 65% and 35%, respectively, as discussed under the Funding Considerations section
- Reduced risking from 30% to 20% following completion of robust DFS to reflect low risk financing, construction, commissioning and ramp up.

Figure 3. Summary Operating Model, Sb and Au reflected as co-products

Larvotto Resources

Code: LRV

Y/E 31 Dec							Y/E 31 Dec						
							Macro Assumptions						
								A\$/US\$	0.67	0.67	0.67	0.69	0.69
							Gold Price	US\$/oz	1,923	2,438	3,225	3,300	3,300
							Antimony Price	US\$/t	10,000	19,875	57,000	60,000	60,000
Operational Summary							FCF Contribution	A\$m	FY23A	FY24E	FY25E	FY26E	FY27E
Hillgrove (100% basis)							Hillgrove (100% basis)						
Ore Milled	mt	-	-	-	0.3	0.5							
Gold head grade	g/t	-	-	-	2.7	2.7							
Recovery	%	-	-	-	84%	84%							
Gold Produced	koz	-	-	-	23.2	36.2							
Payability	%	-	-	-	95%	95%							
Payable Gold Sold	koz	-	-	-	22.1	34.4	Revenue - Gold Sold	% Au	-	-	-	52%	51%
Antimony head grade	%	-	-	-	1.1%	1.1%							
Recovery	%	-	-	-	87%	87%							
Antimony Produced	kt	-	-	-	3.0	4.7	Revenue - Antimony Sold	% Sb	-	-	-	48%	49%
Payability	%	-	-	-	65%	65%							
Payable Sb Production	kt	-	-	-	2.0	3.1	Revenue - Total	A\$m	-	-	-	276	432
Payable AuEq Prod.	koz AuEq	-	-	-	42.8	67.0	Operating Costs	A\$m	-	-	-	62	96
Mining Costs	A\$/oz AuEq	-	-	-	541	513	Sustaining Capex	A\$m	-	-	-	30	47
Processing Costs	A\$/oz AuEq	-	-	-	397	399	All-in Sustaining Cost	A\$m	-	-	-	92	143
G&A	A\$/oz AuEq	-	-	-	77	78	AISC Margin		-	-	-	184	289
C1 Cash Costs	A\$/oz AuEq	-	-	-	1,016	990	Initial Capex	A\$m	-	-	142	3	4
Royalties	A\$/oz AuEq	-	-	-	117	116	Exploration	A\$m	4	5	18	7	6
Operating Cost	A\$/oz AuEq	-	-	-	1,133	1,106	Corporate	A\$m	2	3	4	4	4
Sustaining Capex	A\$/oz AuEq	-	-	-	540	540	Corporate	A\$m	FY23A	FY24E	FY25E	FY26E	FY27E
All-in Sustaining Cost	A\$/oz AuEq	-	-	-	1,673	1,646	Cash Tax	A\$m	-	-	-	39	94
% AISC Margin	%	-	-	-	67%	67%	Other Items	A\$m	6	-	(67)	-	-
							FCF pre Debt Service	A\$m	(11)	(8)	(97)	131	182
							Net Interest	A\$m	(0)	0	12	12	10
							Debt Drawdown / (Rpmt)	A\$m	-	6	105	-	(6)
							FCF post Debt Service	A\$m	(11)	(2)	(4)	119	166
							New Equity/Dividends	A\$m	FY23A	FY24E	FY25E	FY26E	FY27E
							Proceeds f Shares/Options	A\$m	8	48	48	-	-
							Dividends Paid	A\$m	-	-	-	-	-
							Change in Cash	A\$m	(4)	46	44	119	166
							Cash Balance	A\$m	2	48	92	211	376

Source: Company, Blue Ocean Equities

Funding considerations

LRV has received multiple term sheets from a wide range of debt providers to support funding requirements for mine restart and plant expansion. We understand potential funding solutions include:

- Nordic bonds
- Debt funds
- Traditional project finance
- Offtake financing

Under the current gold and antimony price environment, we believe that the most likely alternatives to be considered would be the fastest to close and with no hedging (i.e. either a Nordic bond or offtake finance). We have assumed in our financial model debt funding of 65% (\$100m) and believe that a Nordic bond could potentially raise the full funding requirement for Hillgrove within a relatively short period of time, without hedging or other constraints typically associated with debt.

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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.