BLUE OCEAN EQUITIES

EQUITY RESEARCH
INITIATION

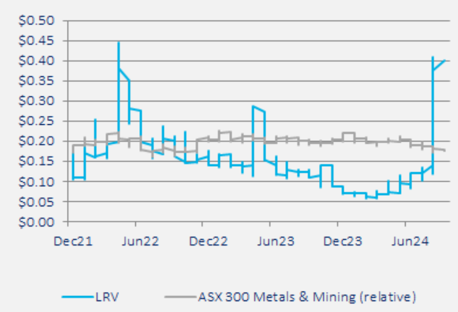
Date	6 Sept 2024
Stock rating	**BUY**
Price target	**$0.80**
Ticker	ASX:LRV
Closing price	$0.34
Implied return (%)	135%
Diluted Market cap ($m)	126
Enterprise value (m)	120
FD Shares (m)	369.4
Avg daily vol (m)	0.449
52 week high	0.44
52 week low	0.057
GICS Sector	Materials

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)	-	-	61.5	75.7
Revenue (A$m)	-	-	186.6	229.5
Gold %	-	-	*55%*	*55%*
Antimony %	-	-	*45%*	*45%*
AISC (A$/oz AuEq)	-	-	1,346	1,323
EBITDA (A$m)	-	-	120.7	151.2
NPAT (A$m)	-	-	76.2	97.3
FCF (A$m)	-	-	46.8	58.4

Valuation	0.0	0.0	186.6	229.5
P/E (x)	n.m.	n.m.	2.4	1.9
P/FCF (x)	n.m.	n.m.	2.7	2.2
EV/EBITDA (x)	n.m.	n.m.	1.2	0.4
Dividend yield (%)	-	-	-	-

Top Shareholders	%
Gage Capital LP	21.6%
Trafigura	7.3%
Board & Management	3.0%

Share price



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Larvotto Resources Limited

Australia's top antimony mine roaring back to life

We initiate on LRV with a BUY rating and an $0.80 price target. LRV recently completed a prefeasibility study to re-start and expand operations at its Hillgrove Gold Antimony mine and is well advanced on a DFS targeting production by end of CY25. Hillgrove is an established high-grade mine. Following China's recent ban on antimony exports, it has become a strategic asset being one of the world's top 10 antimony deposits with material near-term production potential in a Western jurisdiction (+80% of antimony supply is controlled by China and Russia). Based on our DCF analysis, we expect LRV to further re-rate as Hillgrove reaches FID and soon after re-starts production.

Strong project economics and news flow to construction

Hillgrove has installed plant capacity of 250ktpa and existing mine infrastructure with ready access to ore. Management seeks to double capacity to +500ktpa and, via simple upgrades to the flow sheet (gravity circuit, secondary crushing, small re-grinding circuit, additional flotation cells and fine ore storage), to produce gold dore and two concentrates (Au and Sb). With over $200m sunk by previous owners, we see a low-risk and capital efficient re-start ($75m) under a strong gold and antimony price environment, targeting average annual production of 80koz AuEq p.a. (including 5kt Sb p.a.) over an initial 7-year LOM. Hillgrove has strong exploration upside, with its near-term exploration target likely to extend mine life to +10 years. Under our assumptions, gold/antimony revenue split is 54%/46% (spot 42%/58%), illustrating the strong leverage to antimony price.

Valuation lags peer group

We benchmark LRV to Southern Cross Gold (SXG.ASX, covered) and Perpetua Resources (PPTA.NASDAQ, not covered) and find compelling value in LRV driven by its leverage to antimony price, high antimony grade, low capex threshold and short timeline to production. Based on EV/Resource multiples and its material exploration upside, LRV could be expected to re-rate to +A$100/oz AuEq.

Figure 1. EV/Resource: LRV vs Key Peers

		LRV:ASX	**SXG:ASX**	**PPTA:NASDAQ**
Company		Larvotto	Southern Cross	Perpetua
Project		Hillgrove	Sunday Creek	Stibnite
Location		NSW, Australia	VIC, Australia	Idaho, USA
% Sb value	%	46%	21%	11%
Sb grade	%	1.2%	1.2%	0.06%
Plant capacity	Mtpa	0.5	n.a.	7.3
Pre-production capex	A$m	75	n.a.	1885
Commercial production	Year	CY26	n.a.	CY28
Mcap	A$m	110	540	866
EV	A$m	104	530	863
MRE	Moz AuEq	1.7	-	6.6
Exploration Target (ET)	Moz AuEq	1.1	1.6	-
EV/MRE	**A$/AuEq**	**60**	-	**131**
EV/ MRE + ET	**A$/AuEq**	**37**	**331**	
vs LRV		-	*804%*	*118%*

Source: Blue Ocean Equities.

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Larvotto Resources

Code: LRV

Stock Details					
Recommendation:	**BUY**			Enterprise Value	$120m
Target	$0.80	Share Price	$0.34	Diluted MCap	$126m
NAV	$0.79	52 Week High	$0.44	Diluted Shares	369m
Implied Return	135%	52 Week Low	$0.06	Free Float	94%
				Avg Daily Value	$0.45m

Y/E 31 Dec

Macro Assumptions	FY23A	FY24E	FY25E	FY26E	FY27E
Exchange Rate (A$/US$)	0.67	0.69	0.70	0.70	0.70
Gold Price (US$/oz)	1,923	2,413	2,500	2,400	2,400
Antimony Price (US$/t)	10,000	19,000	25,000	15,000	15,000

Profit & Loss (A$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue	-	-	-	187	230
Operating Costs	-	-	-	(62)	(74)
Operating Profit	-	-	-	**125**	**155**
Corporate & Other	(2)	(3)	(4)	(4)	(4)
Exploration Expense / Impt	-	-	-	-	-
EBITDA	**(2)**	**(3)**	**(4)**	**121**	**151**
D&A	(0)	(0)	(0)	(8)	(10)
EBIT	**(2)**	**(3)**	**(4)**	**112**	**141**
Net Interest Expense	-	0	(4)	(3)	(2)
Pre-Tax Profit	**(2)**	**(3)**	**(8)**	**109**	**139**
Tax Expense	-	-	-	(33)	(42)
Underlying Profit	(2)	(3)	(8)	76	97
Signficant Items (post tax)	-	-	-	-	-
NPAT	**(2)**	**(3)**	**(8)**	**76**	**97**

Cash Flow (A$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Operating Cashflow	(6)	(3)	(4)	121	151
Tax	-	-	-	(33)	(42)
Net Interest	0	0	(4)	(3)	(2)
Net Operating Cash Flow	(6)	(3)	(8)	85	108
Exploration	-	(5)	(5)	(4)	(4)
Capex	-	-	(75)	(21)	(26)
Acquisitions / Disposals	(5)	-	-	-	-
Other	0	-	-	-	-
Net Investing Cash Flow	(5)	(5)	(80)	(25)	(30)
Equity Issue	8	15	56	-	-
Borrowing / Repayments	-	-	41	(5)	(10)
Dividends	-	-	-	-	-
Other	(1)	-	-	-	-
Net Financing Cash Flow	**7**	**15**	**97**	**(5)**	**(10)**
Change in Cash Position	(4)	6	10	55	68
FX Adjustments	-	-	-	-	-
Cash Balance	**2**	**9**	**18**	**73**	**141**

Balance Sheet (A$m)	FY23A	FY24E	FY25E	FY26E	FY27E
Cash	2	9	18	73	141
Other Current Assets	0	0	0	0	0
PP&E	6	6	80	93	108
Exploration & Development	4	9	13	17	21
Other Non Current Assets	5	5	5	5	5
Total Assets	**17**	**28**	**117**	**189**	**276**
Debt	**-**	**-**	**41**	**35**	**25**
Other Liabilities	6	6	6	6	6
Net Assets	**11**	**23**	**71**	**147**	**245**

Y/E 31 Dec

Ratio Analysis		FY23A	FY24E	FY25E	FY26E	FY27E
Diluted Shares	m	225	368	530	530	530
EPS - Diluted	Ac	(0.01)	(0.01)	(0.02)	0.14	0.18
P/E	**x**	**n.m.**	**n.m.**	**n.m.**	**2.4**	**1.9**
CFPS - Diluted	Ac	(0.0)	(0.0)	(0.0)	0.2	0.2
P/CF	**x**	**n.m.**	**n.m.**	**n.m.**	**2.1**	**1.7**
FCF - Diluted	Ac	(2.6)	(0.9)	(14.9)	12.7	15.8
P/FCF	**x**	**n.m.**	**n.m.**	**n.m.**	**2.7**	**2.2**
Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A$m	13	117	202	142	65
EV/EBITDA	**x**	**n.m.**	**n.m.**	**n.m.**	**1.18**	**0.43**
ROE	%	(14%)	(15%)	(11%)	52%	40%
ROA	%	(9%)	(12%)	(6%)	40%	35%
Net Debt / (Cash)		(2)	(9)	22	(38)	(115)
Gearing (ND/(ND+E))	%	n.m.	n.m.	n.m.	(34%)	(89%)
Gearing (ND/E)	%	n.m.	n.m.	n.m.	(26%)	(47%)

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$/oz	+10%	7	9	9%	9%
Antimony Price	US$/t	+10%	6	7	8%	7%
Exchange Rate	A$/US$	-10%	13	16	17%	16%

Valuation	Discount	Stake	A$m	A$/sh	P/NAV
Hillgrove - unrisked	-	100%	329	0.89	
Hillgrove - risked	35%	100%	214	0.58	
Exploration			85	0.23	
Corporate & Other			(25)	(0.07)	
Debt			-	-	
Cash			6	0.02	
Option Strikes			11	0.03	
Risk adjusted NAV			**290**	**0.79**	**0.43**

Source: Company, Blue Ocean Equities

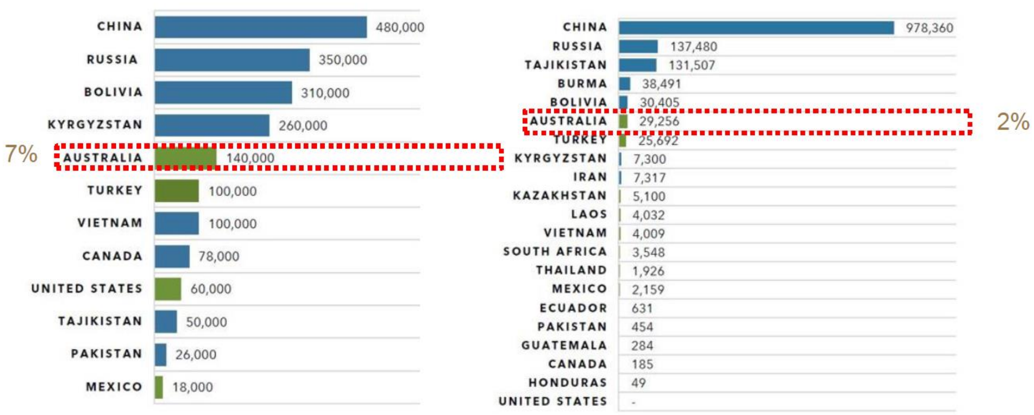
Contents

Investment Thesis

Macro – Why Gold and Antimony

- Gold has performed strongly in CY24 with a 25% return YTD. With inflation moderating and interest rate reductions expected in the near term, the outlook for gold remains strong driven by the following factors:
  - continued central bank buying, particularly from developing countries including China
  - increasing geopolitical tensions and protracted conflicts (Ukraine/Russia, Israel/Hamas + Hezbollah)
- Antimony is the poster child for critical minerals being a relatively scarce metal, unevenly distributed globally and typically used as an alloy to improve strength and hardness for military applications, electronics (semiconductors, infrared detectors, diodes) and other high value applications including solar panels and flame-retardant materials. It is considered critical due to its:
  - unique characteristics and rarity of large commercially viable deposits outside of Chinese and Russian control
  - scarcity of ore, oxide and metal refining processing facilities outside of China
  - low substitutability and consumptive uses that result in low recycling rates
  - much of the world's antimony comes from deposits where it is a by-product
- Key market dynamics comprise:
  - antimony is classified a critical mineral by the USA, EU, Japan and Australia
  - key production and reserves are located and/or controlled by China and Russia, with limited sources of antimony available to Western Countries
  - China's ban on antimony exports from 15 September 2024 is expected to further impact antimony consumers in Western countries and further impact on high prices. We believe this decision was based on supply considerations (China's antimony production has been declining over the last 10 years due to mine depletion and declining grades) as well as a mechanism to secure supply for its use in the solar panel industry and military applications
  - there are very limited new antimony supply options in Western Countries

Figure 2. Reported Antimony Reserves (Mt) and Cummulative Production 2013-20 (Mt)



Source: Southern Cross Gold, Perpetua Resources, USGS

Stock Specific: Why Larvotto Resources

Larvotto Resources (ASX:LRV) is a ~A$110m market cap gold and antimony developer focused on its flagship 100%-owned Hillgrove Project in New South Wales, Australia. Hillgrove is an established high-grade gold and antimony mine with significant installed processing capacity and u/g mine development in the New England orogenic belt, 23km east of Armidale, NSW with good access to infrastructure and services. It has been mined on and off since 1887 and has produced +730koz Au and +50kt Sb. Management plans to restart mining and processing operations at 2x current capacity and is well advanced on a DFS for this purpose. At this scale and based on current Ore reserves, Hillgrove can support an 80kozpa AuEq mine for +7 years with near term potential to expand the resource and mine life beyond 10 years. The company recently raised ~A$6.0m and has ~38m options in the money, representing ~A$11m.

Summary of Investment Thesis for LRV

Strategic asset with near term production potential and material LOM upside - Hillgrove is an established high-grade gold and antimony mine containing one of the world's largest antimony resources:

- Hillgrove comprises 52 tenements: 4 ELs and 48 granted MLs within 254km^2
- JORC Resource of 1.7Moz at 7.4 g/t AuEq (post recoveries), including 93kt of Sb
- Ore Reserve of 0.6Moz at 6.0 g/t AuEq, including 39kt of Sb
- Material exploration upside as illustrated by:
  - Exploration Target of 2.8–3.6Mt grading 7.4–9.5g/t AuEq for 0.7-1.1Moz AuEq only extends MRE 200m below known mineralisation
  - Bakers Creek drilling confirmed and extended high grade mineralisation (BKC015 31m @ 65.8g/t Au from 244m) is adjacent to the Metz mining area and is not yet included in MRE or Exploration Target
  - Multiple drill targets along strike with resource also open at depth
- Operational processing plant and mine infrastructure with $200m sunk since 2004
- Significant freehold land with a value of +$3m

Low risk development due to extensive infrastructure in place, capital efficient mine re-start and plant expansion targeting production by end CY25 - Hillgrove's PFS points to a relatively straight forward re-start with attractive project economics:

- $75m pre-production capex to re-start operations and double capacity to 0.5Mtpa via simple modifications to the existing flowsheet
- Production of gold dore, gold concentrate and antimony concentrate with annual production circa 80koz AuEq and production/revenue splits as follows:
  - Gold production 40koz Au p.a. representing 55% of total revenue (42% at spot prices) and
  - Antimony production of 5ktpa p.a. representing 45% of total revenue (58% at spot prices)
- Strong project economics as illustrated by:
  - BOEQ's case (US$2400/oz Au, US15,000/t Sb) un-risked NPV@8% $378m, IRR 103%, payback 1.2y
  - Spot case (US$2500/oz Au, US25,000/t Sb) un-risked NPV@8% $647m, IRR 163%, payback <1y
  - Metrics based on Ore Reserves (7 year mine life), with upside via Exploration Target (+10 years)

Catalyst rich - strong news flow including: (i) drilling results at Clarks Gully (high grade Sb), (ii) DFS late CY24, (iii) development finance, construction early CY25 and (iv) first production end CY25 / early CY26.

Corporate capability – chaired by Mark Tomlinson, experienced mining engineer and resource focused investment banker, and led by Ron Heeks, experienced geologist, project developer and operator with over 40 years of experience across Australasia. Board and management own 3% of LRV (6% fully diluted) and are incentivised to reach key milestones.

Attractively priced - LRV is trading at a material discount to its:

- Risked P/NAV of 0.43x (un-risked P/NAV of 0.31x)
- Peer group based on EV/Resource and EV/Resource + Exploration Target multiple:
  - EV / MRE: LRV A$60/oz AuEq vs Perpetua Resources A$130/oz AuEq
  - EV / MRE + ET: LRV A$37/oz AuEq vs Southern Cross Gold A$330/oz AuEq

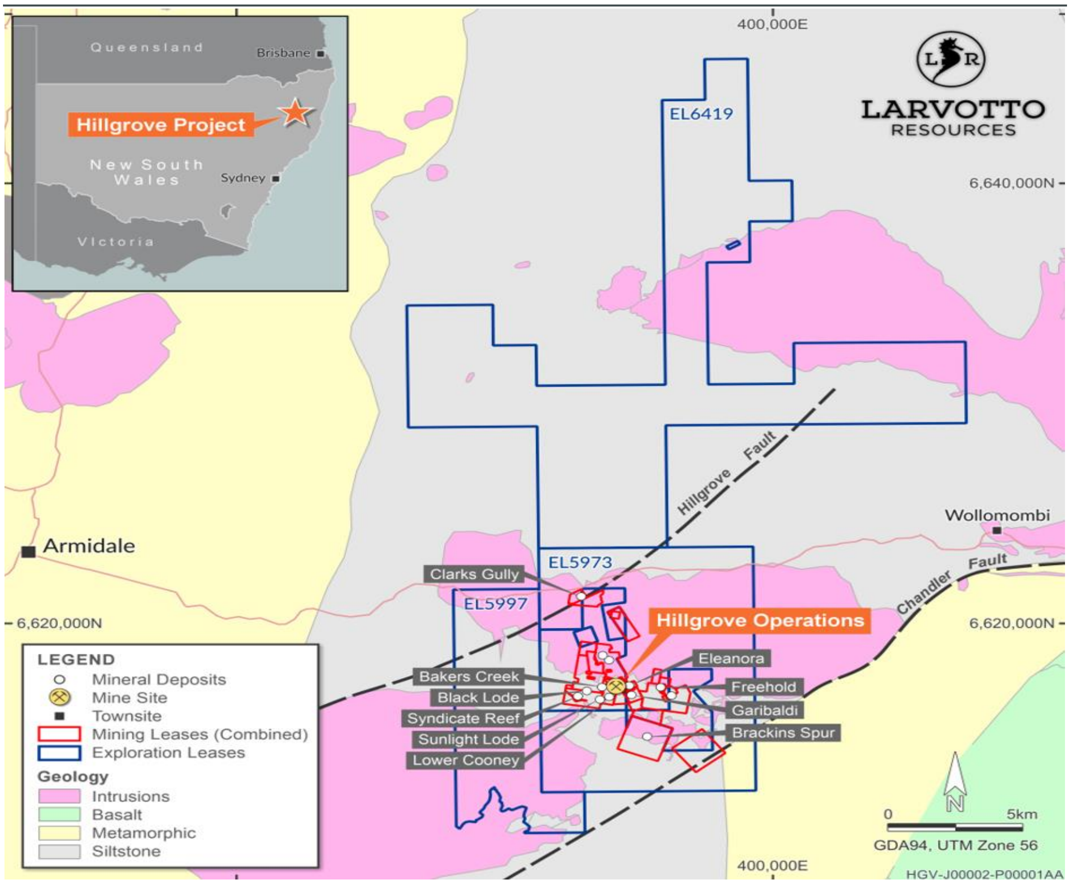
Company Overview

Background

LRV is a ~A$110m market cap gold and antimony developer focused on its flagship 100%-owned Hillgrove Gold Antimony Project in New South Wales, Australia. Hillgrove is an established high-grade gold and antimony mine with significant installed processing capacity and u/g mine development in the New England orogenic belt, 23km east of Armidale, NSW.

Hillgrove covers 254km2 and comprises four exploration leases and 48 granted mining leases. Hillgrove contains a JORC-compliant Mineral Resource of 1.7Moz at 7.4 g/t AuEq, making it Australia's largest antimony deposit and placing it in the world top 10 global antimony deposits, in addition to containing high-grade gold. It is strategically located adjacent to existing road infrastructure and near Armidale. The area has been an active mining centre for over 100 years and has historically produced over 730koz of gold and 50kt of antimony.

Figure 3. Location of Hillgrove



Source: Company

A Brief History of Larvotto Resources

LRV listed on the ASX in December 2021 following an initial public offering (raised $6m at $0.20 per share). Prior to acquiring its flagship Hillgrove Gold-Antimony Project in December 2023, LRV was an explorer focusing on three exploration projects located near Mt Isa in Qld (Cu, Au), near Kalgoorlie in WA (Au, Ni, PGE) and in the North Island of New Zealand (epithermal Au).

Figure 4. Location of Exploration Projects

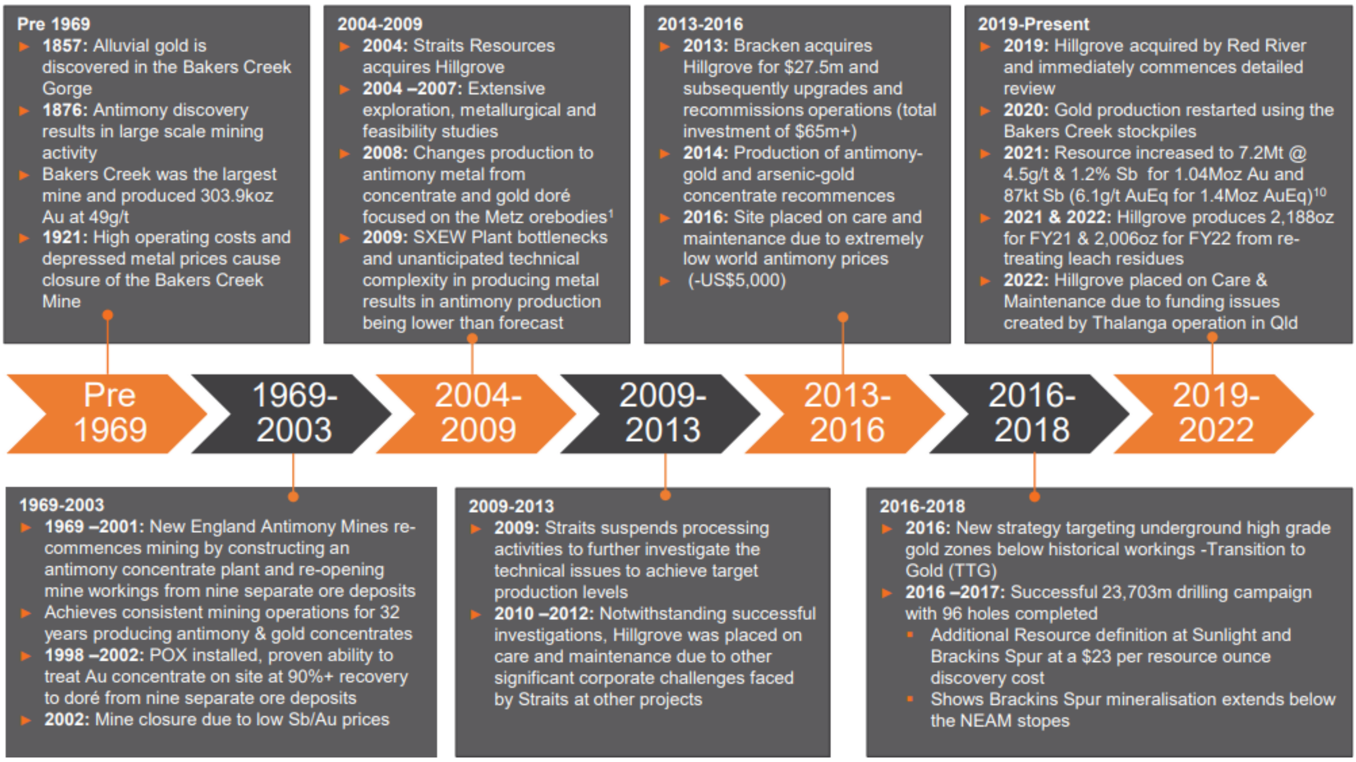
Source: Company

The Hillgrove Gold and Antimony Mine

Overview

The Hillgrove gold-antimony-scheelite mineral field lies 23 km east of Armidale, NSW. It has a rich history since discovery of alluvial gold in the 1850's in the Bakers Creek Gorge, as a major antimony mine with New England Antimony Mines (1969-2003), under Straits Resources (2004-2013), Bracken (2013-2018) and more recently under Red River Resources (2019-2023) which was focusing on an improved flow sheet to produce both gold and antimony concentrates before Red River Resources was placed into administration following the mine collapse at Thalanga.

Figure 5. Hillgrove from 1857 - 2024



Source: Company

Geology

Gold and antimony mineralisation at Hillgrove is structurally controlled. Mineralised veins are hosted in several NW trending shear zones transecting highly metamorphosed sediments and Permo-Carboniferous granitoid intrusions within a 9 x 6 km area.

Since discovery in 1870 the field has produced over 730koz Au and over 50kt Sb up until closure in 2002. There were numerous small mines initially, consolidated in to five main mining areas and eventually under a single operator which focused on antimony production for the last 30 years of operation (tailings have 1.5Mt @ 1.6g/t Au). Hillgrove was a significant antimony supplier to the world market in the past and the current resource puts it in the top ten globally.

The mineral field is traversed by the 500 m deep gorge of Bakers Creek which has exposed a number of veins deep in the system compared to those outcropping on the surrounding plateau. The source of the mineralisation appears to be related to a late Permian intrusive event which includes a number of dykes along the host shear zones. The more strongly mineralised veins are steeply dipping and can extend 200 to 400 m in strike length. They can pinch and swell from a few centimetres to several metres width of vein breccia with internal high grade shoots tending to steeply south plunging. The deepest workings were 900m below plateau level and veining continued.

Mineralising fluids followed the deep-seated fracture system with minerals deposited in multiple overlapping phases with:

- early quartz-scheelite,
- then arsenopyrite -pyrite-gold- quartz-carbonate veins often extending into a stockwork sulphide halo around veins,
- then quartz – stibnite + gold, electrum and arsenopyrite which was the prominent economic ore,
- then quartz – gold with minor stibnite.

Mineral Resource, Mining Methods, Ore Reserve and Exploration Target

Hillgrove's Mineral Resource (JORC 2012) for its PFS Ore Reserve estimate is 7.264 kt @ 4.4g/t gold and 1.3% Antimony, representing 1.7Moz AuEq (@ 7.4g/t AuEq) based on assumed prices and metallurgical recoveries.

Figure 6. Hillgrove Mineral Resource

Classification	Tons (kt)	Grade Au (g/t)	Grade Sb (%)	Grade AuEq (g/t)	Contained Au (koz)	Contained Sb (kt)
Measured	448	3.6	3.8	12.1	51	17
Indicated	3,980	4.8	1.3	7.7	617	50
M&I	**4,429**	**4.7**	**1.5**	**8.1**	**668**	**67**
Inferred	2,835	4.0	0.9	6.1	367	26
Total	**7,264**	**4.4**	**1.3**	**7.4**	**1,036**	**93**

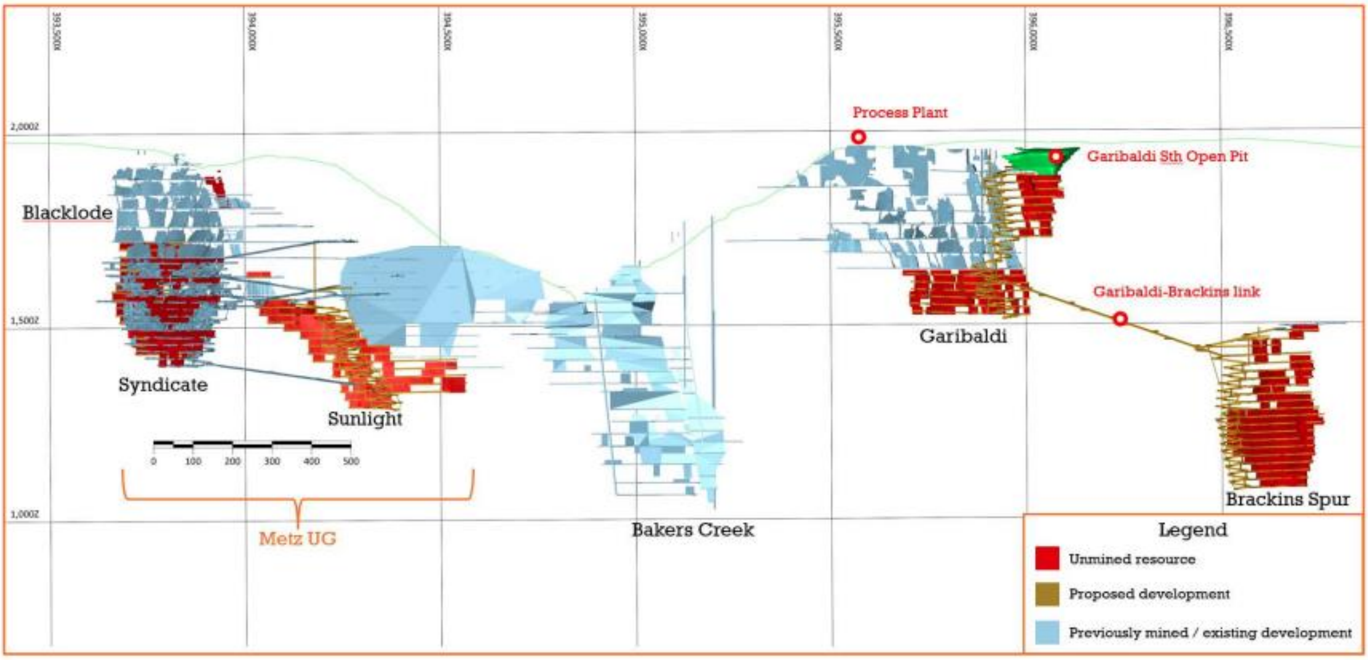
Source: Company

Mining will primarily be done by underground methods with two open pits extracted early in the mine life to supplement underground production and provide construction materials as illustrated below.

Underground mining will be deployed at Metz, Garibaldi, Clarks Gully and Brackins Spur utilising the modified Avoca method with conventional drilling, blasting, loading, hauling and backfill systems.

Open pits will be mined at the top of Garibaldi and Clarks Gully, prior to commencement of underground mining at each area. The two open pits will be mined utilising conventional drilling, blasting, loading and hauling systems.

Figure 7. Cross section of key deposits and mining areas



Source: Company

The Ore Reserve estimate is based on resource block models and mine design is illustrated above.

Figure 8. Hillgrove JORC Ore Reserve Estimate

Classification		Tons (Mt)	Grade Au (g/t)	Grade Sb (%)	Grade AuEq (g/t)	Contained Au (koz)	Contained Sb (kt)	Contained AuEq (koz)
Open Pit	Probable	0.38	1.9	1.7%	**5.8**	23	6.6	**72**
U/G	Proved	0.39	2.6	1.9%	**6.9**	32	7.5	**87**
U/G	Probable	2.38	3.5	1.0%	**5.8**	264	24.9	**447**
Total Ore Reserve		**3.15**	**3.2**	**1.2%**	**6.0**	**320**	**39.0**	**606**

Source: Company

LRV has also has material exploration upside as reflected by its near-term Exploration Target of 2.8–3.6Mt grading 7.4–9.46g/t AuEq for 0.7-1.1Moz AuEq. The exploration target represents low hanging fruit as it extends the mineralisation 200m below the current mineral resources. It does not include discoveries such as Bakers Creek (BKC015 31m @ 65.8g/t Au from 244m) or follow up targets along strike.

Figure 9. Exploration Target

Classification	Tons (Mt)	Grade Au (g/t)	Grade Sb (%)	Grade AuEq (g/t)	Contained Au (koz)	Contained Sb (kt)	Contained AuEq (koz)
Upper Case	3.55	5.3	1.8	**9.5**	547	6.5	**1,082**
Lower Case	2.81	4.6	1.2	**7.4**	376	3.5	**670**

Source: Company

PFS: Key Assumptions and Outcomes

LRV management recently completed a PFS for Hillgrove (accuracy level +/- 35%) with the objective of restarting mining and processing operations. Hillgrove has key permits and significant infrastructure in place, including process plant, power, roads, decline and substantial underground development already being in place.

LRV is targeting:

- underground mining supplemented initially by two small open pits
- processing plant restart and upgrade to expand production to 500-550ktpa
- six-month refurbishment and upgrade phase for re-commissioning, after 6-9 months to complete engineering and permitting
- initial seven-year mine life
- mining managed by LRV, with contractor/hire equipment and combination of LRV and contractor personnel
- processing and infrastructure managed and operated by LRV
- project implementation by LRV

Hillgrove's existing infrastructure includes:

- processing plant – current capacity 250ktpa
- ROM pad
- 10MVA 66/11kV main transformer (connected to grid)
- mechanical and electrical workshops
- metallurgical laboratory
- administration offices and ablutions/changerooms
- tailings Storage Facilities TSF1 and TSF2
- surface water management dams and treatment plant
- access, services (power/water/dewatering) and vent for Metz underground

New infrastructure to be added with project development:

- plant expansion: capacity to 500-550ktpa
- tailings capacity: raising of TSF2, extension to TSF2 West and new Clarks Gully TSF (with pipeline to process plant)
- noise and dust abatement bund
- power and services for new portals to be established at Garibaldi, Clarks Gully and Brackins Spur (upgrade existing)

While the plant throughput is proposed to be upgraded, the gravity and flotation recovery circuits are well tested having previously operated in 2014/15 and 2021/22 (a total of 449kt of ore was treated).

Key highlights from Hillgrove's PFS are illustrated below.

Figure 10. LOM statistics

Life of mine	7 years
Ore tonnes mined	3.41 Mt
Processing rate	516 kt/year
Average gold prod. LOM	41koz pa
Recovered Au oz	288koz
Average Sb prod. LOM	5.4kt
Recovered Sb tonnes	37.7 kt
Average Au equivalent prod. LOM	80.4koz pa
Recovered Au equivalent oz	564koz

Capex		
Preprod. capex, incl. contingencies	$88.5 M	
Net capital, incl. preprod. revenue	$73.4 M	
Sustaining capex LOM	$184.2 M	
Closure costs	$9.8 M	
AISCs	• $820/oz Au (Sb as byproduct credit) • $1,288/oz AuEq	
Price deck: base case	US$2,000 Au	US$15,000 Sb
Price deck: spot July 2024	US$2,350 Au	US$25,000 Sb
NPV@8%, IRR base case, post-tax	$157m, 49.6%	
NPV@8%, IRR spot case, post-tax	$383m, 113%	

Source: Company

Marketing

LRV expects to sell gold dore directly and has received multiple proposals from offtakers for its gold and antimony concentrates. The key factor determining concentrate quality and payability is metal grade. Concentrate grades vary depending on feed grade. The average grades of each concentrate for the PFS are:

- Antimony concentrate: 60.1% Sb and 23.4g/t Au
- Gold concentrate: 39.3 g/t Au

Arsenic is a deleterious element penalised by some but not all smelters treating gold concentrates. We understand that arsenic related penalties to the gold concentrate may not be material.

LRV is seeking to optimise payabilities and net smelter returns.

Permitting

Hillgrove operates under and existing environmental management framework, with several development consents and mining leases setting conditions against which the mine is managed. All tenements are held in good standing.

We consider the permitting strategy for gaining the consents required for restarting operations to be low risk:

- Phase 1 – modification of existing consents (state and Council) to extend mine life, increase processing rate and provide sufficient tailings capacity for re-commencement
- Phase 2 – new state Ministerial consent (State Significant Development) to permit operations at Clarks Gully, provide life-of-mine tailings capacity and consolidate all existing consents

Site Visit Notes

We undertook a site visit to Hillgrove in June 2024 to get a deeper understanding of the Hillgrove mine and plant, the topography, re-start potential and exploration/production upside. We believe that management's plans for a low capex re-start are feasible. We note that part of the equipment required for flow sheet upgrade and capacity expansion is already on site and ore is readily accessible through existing underground mine development at the Metz mine. Refer our Alpha Note for further background on our site visit in June 2024 (Link).

Near Term Milestones

Finalisation of the DFS is expected by end of CY24, which will allow for project financing in early CY25 and project development commencing with the aim of first ore production by late CY25/early CY26.

Investment proposition

Valuation

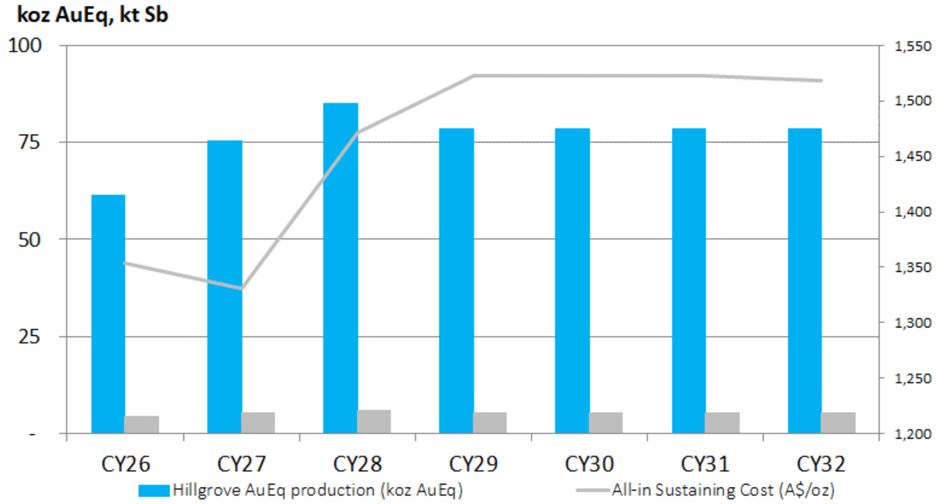
To assess the potential value of Hillgrove, we put together a financial model for the restart based on expanded plant capacity of 0.52Mtpa and an initial mine life of 7 years. We assume the existing Ore Reserve as the mining inventory (Reserve of 0.6Moz AuEq vs MRE of 1.7Moz AuEq) and have adopted conservative price assumptions as well as capex/opex parameters broadly in line with those included in LRV's PFS.

We acknowledge the mining inventory could ultimately be +2x higher vs current Ore Reserve and due to the material near term exploration target (0.6-1.0Moz AuEq) have attributed value to exploration beyond the metrics from the initial development case.

Key Assumptions:

- Underground operations at Metz with a starter open pit at Garibaldi.
- 0.52Mtpa expanded plant capacity and mine support/development with a total funding requirement of A$90m, including ~A$15m of working capital.
- Development funding done via 55% equity raise and 45% debt finance.
- Average head grade of 3.2g/t Au and 1.2% Sb (6.0g/t AuEq)
- Gold recoveries of 20-30% via gravity and up to 83% via flotation
- Antimony recoveries of 86%
- Payability in the range of 88% on the Sb concentrate and 91% on the gold concentrate
- Gold price of US$2,400 flat (vs current spot at US$2,500 and in contango thereafter).
- Antimony price of US$15,000 per tonne (vs current spot at US$25,000/t)
- Average AISC of ~A$1,428/oz AuEq, we treat the Sb and Au concentrates as co-products, based on:
  - Average mining costs of A$90/t ore (vs PFS of A$79/t u/g and A$9/t open pit)
  - Processing costs of A$46/t ore (same as PFS)
  - G&A of A$11/t ore (same as PFS)
  - NSW State Royalties of 4.0% of Net Sales
  - Sustaining capex averaging A$25m p.a. (circa A$350/oz AuEq vs A$326/oz in PFS)
  - We add circa A$12/oz AuEq for TC&RCs
- De-risking and development timeframe expected following development finance in the March 2025 quarter, construction during the balance of CY25 and first gold poured in Dec25/Jan 2026
- DCF done on a post-tax basis (corporate tax of 30%) with an 8% real discount rate

Figure 11. Indicative Production Profile



Source: Blue Ocean Equities

We use a 35% risking factor to take into account the advanced stage of Hillgrove and the key milestones required to get into production. Under these assumptions Hillgrove has a risked NPV@8%, real, post-tax of ~A$210M, representing significant potential upside from LRV's fully diluted EV of ~A$141M.

Hillgrove has significant exploration upside. We attribute value to the Exploration Target of 0.7-1.1Moz AuEq as we expect it to extend the MRE (drilling 200m underneath the existing deposits), increase average grade and extend mine life.

Sensitivities

The tables below illustrate key sensitivities to Hillgrove's NPV and IRR based on changes to commodity prices.

Figure 12. NPV sensitivity to Gold price and discount rate

NPV, A$m post-tax		Gold Price (US$/oz)				
		2,100	2,300	2,500	2,700	2,900
Discount rate	6%	331	376	420	464	506
real	7%	314	357	399	440	481
Post-tax	8%	297	338	378	418	457
	9%	281	321	359	397	434

Source: Blue Ocean Equities

Figure 13. IRR sensitivity to Gold price

IRR, %	Gold Price (US$/oz)				
real	2,100	2,300	2,500	2,700	2,900
post-tax	85%	94%	103%	112%	120%

Source: Blue Ocean Equities

Figure 14. NPV sensitivity to Antimony price and discount rate

NPV, A$m post-tax		Antimony Price (US$/t)				
		15,000	20,000	25,000	30,000	35,000
Discount rate	6%	398	509	619	729	840
real	7%	378	483	588	694	799
	8%	358	459	560	660	761
	9%	340	436	533	629	725

Source: Blue Ocean Equities

Figure 15. IRR sensitivity to Antimony price

IRR, %	Antimony Price (US$/t)				
real	15,000	20,000	25,000	30,000	35,000
post-tax	98%	121%	144%	167%	189%

Source: Blue Ocean Equities

Key Peers

On a relative basis, we consider LRV to be undervalued when comparing to its closest peers:

- Southern Cross Gold (SXG:ASX, Market cap A$540M):
  - Holds 100% of the Sunday Creek Project in Victoria, Australia
  - Sunday Creek is a world class gold + antimony discovery with higher average gold grade vs LRV and similar Sb grade
  - Initial exploration target of up to 1.6Moz AuEq although drilling over the next 12 months (60,000m across 1.2km strike) likely to result in 3Moz AuEq (comparable to LRV's existing MRE + Exploration Target)
  - We estimate +20% of value in Sb (vs LRV circa 50%)
  - EV / Initial Exploration Target of A$331/oz AuEq (+800% higher vs LRV including LRV's ET)
- Perpetua Resources (PPTA:NASDAQ, Market cap US$580m):
  - Redeveloping the Stibnite Gold Project in Idaho, USA
  - Stibnite is one of the largest, highest gold grade projects in the US and has the only reserve of antimony in the US. However, while scale is relatively large (100Mt), its Sb grade is very low (0.064% over LOM and 0.12% over initial 7 years) vs LRV at 1.2% or one order of magnitude higher on Sb grade
  - Its Stibnite Gold Project is considered a strategic asset due to its antimony credits (expected to average 35% of US demand) and has received strong government support, including:
    - US$1.8 Bn indicative financing support from Export-Import Bank of the United States
    - US$75 M in critical mineral funding from the US Department of Defence
  - EV / Resource based of A$131/oz AuEq (120% higher vs LRV)
  - Perpetua is targeting commercial production for Stibnite in CY28 (vs LRV in CY26)

Figure 16. EV/Resource: LRV vs Key Peers

		LRV:ASX	SXG:ASX	PPTA:NASDAQ
Company		Larvotto	Southern Cross	Perpetua
Project		Hillgrove	Sunday Creek	Stibnite
Location		NSW, Australia	VIC, Australia	Idaho, USA
% Sb value	%	46%	21%	11%
Sb grade	%	1.2%	1.2%	0.06%
Plant capacity	Mtpa	0.5	n.a.	7.3
Pre-production capex	A$m	75	n.a.	1885
Commercial production	Year	CY26	n.a.	CY28
Mcap	A$m	110	540	866
EV	A$m	104	530	863
MRE	Moz AuEq	1.7	-	6.6
Exploration Target (ET)	Moz AuEq	1.1	1.6	-
EV/MRE	**A$/AuEq**	**60**	**-**	**131**
EV/ MRE + ET	**A$/AuEq**	**37**	**331**	
vs LRV		-	*804%*	*118%*

Source: IRESS, Companies, Blue Ocean Equities

BLUE OCEAN EQUITIES

Financial Model: Operating Summary

Larvotto Resources — Code LRV

Y/E 31 Dec						
Operational Summary		**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Hillgrove (100% basis)						
Ore Milled	mt	-	-	-	0.4	0.5
Gold head grade	g/t	-	-	-	3.0	2.9
Recovery	%	-	-	-	83%	83%
Gold Produced	**koz**	-	-	-	33	41
Payability	%	-	-	-	0.91	0.91
Payable Gold Sold	**koz**	-	-	-	30	37
Antimony head grade	%	-	-	-	1.2%	1.2%
Recovery	%	-	-	-	86%	86%
Payability	%	-	-	-	88%	88%
Payable Sb Production	**kt**	-	-	-	4	5
Payable AuEq Prod.	**koz AuEq**	-	-	-	55	68
Mining Costs	A$/oz AuEq	-	-	-	488	462
Processing Costs	A$/oz AuEq	-	-	-	349	351
G&A	A$/oz AuEq	-	-	-	80	80
C1 Cash Costs	**A$/oz AuEq**	-	-	-	916	894
Royalties	A$/oz AuEq	-	-	-	90	89
Operating Cost	**A$/oz AuEq**	-	-	-	1,006	983
Sustaining Capex	A$/oz AuEq	-	-	-	340	340
All-in Sustaining Cost	**A$/oz AuEq**	-	-	-	1,346	1,323
% AISC Margin	**%**	-	-	-	*56%*	*56%*

Y/E 31 Dec						
Macro Assumptions		**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Exchange Rate	A$/US$	0.67	0.69	0.70	0.70	0.70
Gold Price	US$/oz	1,923	2,413	2,500	2,400	2,400
Antimony Price	US$/t	10,000	19,000	25,000	15,000	15,000
FCF Contribution	A$m	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Hillgrove (100% basis)						
Revenue - Gold Sold	**% Au**	-	-	-	**55%**	**55%**
Revenue - Antimony Sold	**% Sb**	-	-	-	**45%**	**45%**
Revenue - Total	**A$m**	-	-	-	**187**	**230**
Operating Costs	**A$m**	-	-	-	**62**	**74**
Sustaining Capex	A$m	-	-	-	**21**	**26**
All-in Sustaining Cost	**A$m**	-	-	-	**83**	**100**
AISC Margin		-	-	-	104	129
Initial Capex	A$m	-	-	75	-	-
Exploration	A$m	4	5	5	4	4
Corporate	A$m	2	3	4	4	4
Corporate	A$m	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Cash Tax	A$m	-	-	-	33	42
Other Items	A$m	6	-	-	-	-
FCF pre Debt Service	**A$m**	**(11)**	**(8)**	**(84)**	**63**	**80**
Net Interest	A$m	(0)	(0)	4	3	2
Debt Drawdown / (Rpmt)	A$m	-	-	41	(5)	(10)
FCF post Debt Service	**A$m**	**(11)**	**(8)**	**(47)**	**55**	**68**
New Equity/Dividends	A$m	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Proceeds f Shares/Options	A$m	8	15	56	-	-
Dividends Paid	A$m	-	-	-	-	-
Change in Cash	**A$m**	**(4)**	**6**	**10**	**55**	**68**
Cash Balance	**A$m**	**2**	**9**	**18**	**73**	**141**

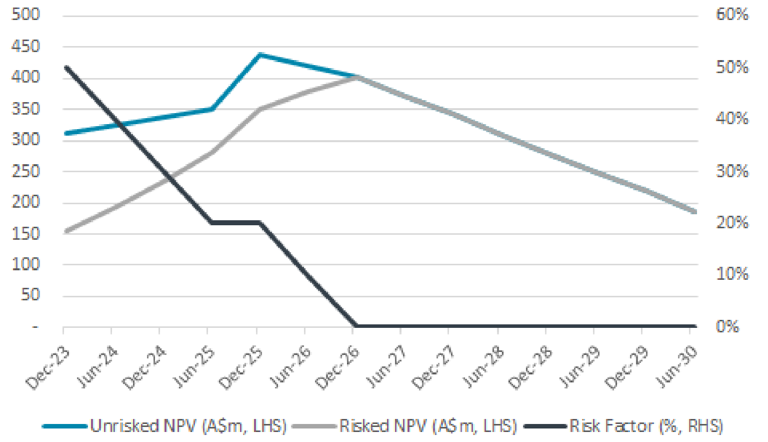
Source: Company, Blue Ocean Equities

Price Target and Rating

We initiate on LRV with a BUY rating and a $0.80 Price Target, an implied potential return of 135%. Our price target is based on a risked DCF (35% risking). We expect LRV to re-rate as de-risking of Hillgrove progresses through FID, construction and ramp up (un-risked Price Target $1.10).

The chart below illustrates our assessment of key de-risking milestones and expected convergence of un-risked and risked NPVs following DFS, FID, construction and ramp-up.

Figure 17. Risked vs Un-risked NPV



Source: Blue Ocean Equities.

We expect strong gold and antimony prices over the near term to provide support to re-start Hillgrove and further upside to our valuation.

Key Risks

LRV is exposed to all the normal risks associated with exploration and the development of a mining project, including, geological, metallurgical, permitting, funding and in the event that LRV defines a feasible project, construction risks, commissioning and ramp up risks.

As this stage, the key risk to our valuation is around completing feasibility work to re-start mining operations at a larger scale, as well as development to be scoped prior to undertaking feasibility studies.

Assuming LRV can successfully make the transition into production, its revenues will be derived from the sale of gold dore, a gold concentrate and an antimony concentrate. Fluctuations in the prices of gold and antimony as well as the Australian dollar could impact LRV's reported cash flow (in A$), profitability and share price.

As the Hillgrove Project is based in New South Wales, Australia, an investment in LRV also carries Australian sovereign risk, which we regard as a relatively stable and safe jurisdiction compared to many other gold mining jurisdictions and most other antimony mining jurisdictions around the world.

Board and Management

LRV is Chaired by Mark Tomlinson, an experienced mining engineer and resource focused investment banker, and led by Ron Heeks, an experienced geologist, project developer and operator with over 40 years of experience across Australasia.

Mark Tomlinson – Independent Non-Executive Chairman B.Eng (Mining), FAusIMM

Investment Banker and Mining Engineer with over 40 years' experience in the Australian mining sector. Most recently, Mark was a Corporate Finance Director for over 13 years with Patersons Securities in Melbourne. During this time Mark completed capital raisings and M&A transactions and acted as Corporate Adviser to a number of ASX companies advising on strategy, asset and funding initiatives.

Prior to joining Patersons, Mark worked as a consultant for companies including BHP Billiton and Credit Suisse on a range of projects. For 10 years Mark was a senior mining analyst in equities research with Bankers Trust and JPMorgan covering a range of ASX resources companies and sectors including BHP and Rio Tinto. Mark began his career as a mining engineer with BHP Billiton and Rio Tinto in underground coal operations for over a decade before moving to Bankers Trust. He subsequently re-joined BHP as Strategy manager in its Carbon Steel Materials division (iron ore, met coal and manganese).

Ron Heeks, Managing Director B.App.Sc, MAusIMM

With 35 years' mining industry experience, Ron was most recently MD of Geopacific Resources Ltd which acquired and developed the 1.6moz Woodlark gold project in PNG. Ron has also served as MD of Coolgardie Gold NL and technology company Smarttrans Ltd. He has been a director of Kula Gold Limited and Mongolian based Xanadu Mines Ltd. Ron was a founder of Exploration and Mining Consultants an international geological consultancy and has had previous experience with Western Mining Corporation, Newcrest, Newmont (US) and RSG Consulting.

Ron has held senior roles in both mine management and exploration and is a former General Manager Technical for Straits Asia Indonesian gold and coal operations and Chief Technical Officer for Adamus Resources Southern Ashanti Gold Operation. He has lived and worked in various countries around the world gaining extensive experience in South-East Asia

Anna Nahajski-Staples, Non-Executive Director BA Bus, F Fin, ACIS, GAICD

Anna is an experienced investment banker with 30 years' experience (15 years in the mining sector) representing over half a billion dollars in transactions. She is currently Director of corporate advisory firm Paloma Investments and Managing Director of Nevada-focused gold explorer Moneghetti Minerals. In 2017 Anna was a founding Director of NZ-focused Siren Gold (ASX: SNG) and has specialised in financing junior explorers over the past decade.

Anna is a Fellow of Finsia, a graduate of the Governance Institute of Australia (2009) and the AICD (2007) and studied accounting at Harvard University (1993) before receiving a Bachelor of Business Administration from the University of Washington.

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

The author of this report owns shares in Larvotto Resources.