

BUXTON RESOURCES LTD (BUX)

Double Magic Nickel-Copper Discovery Extending

Buxton continues to report high-tenor (visual) nickel-copper sulphide extensions at Conductor D, part of the Double Magic Project, West Kimberley.

Phase 2 drilling continues and is largely designed to further follow-up Conductors D, C, and new targets generated from recently completed EM surveys. The program remains focused on extensions to Conductor D, which reported shallow, high-grade nickel and copper massive sulphides (discovery hole **DMRC0003** – **8m @ 3.05% Ni, 1.88% Cu** from 50m). Three new significant intercepts (**DMRC0016**, **DMRC0017** and **DMRC0019**) have now been reported with visual nickel-copper mineralisation comparable to that seen in the discovery hole; assays are awaited to confirm.

With strong leverage for continued exploration success, we maintain our Speculative Buy recommendation. Our estimated cash position for BUX is ~\$3.2m provides funding for ongoing exploration. More drilling is required to delineate the size of the mineralised system at Conductor D, which so far has a relatively small footprint but remains open. If mineralisation does not continue to extend (unlikely), then additional new discoveries may be required for the project to be economically viable. We remain encouraged by the new conductors which continue to be generated and drill-tested, and in particular look forward to further drilling at Conductors C and I.

Small but growing footprint, RC and diamond drilling ongoing

To date, BUX has drilled 20 RC holes for ~2,540m in two phases of drilling (Phase 2 ~60% complete). With only 9 RC holes (so far) drilled at Conductor D, the full extent of mineralisation is to be determined, with drilling ongoing.

Three significant new intercepts (assays pending) have already been reported from Phase 2: **DMRC0016**, drilled just below and at right angles to DMRC0003 reported 12m of nickel and copper mineralisation including 5m of massive and matrix sulphides from 41m; **DMRC0017**, drilled 70m from DMRC0003 to test a DHEM conductor on the other side of a cross-cutting dolerite dyke reported 10m of nickel and copper mineralisation including 4m of matrix sulphides from 54m; and **DMR0019**, step-out hole ~35m to the SW from DMRC0003, intersected 10m of visible nickel and copper sulphide mineralisation from 47m including 5m of massive and matrix sulphides from 48m. Only minor visible sulphides from 52m were reported in a step-out hole ~30m to the SE, but indicates the system is still live and not as yet closed off.

Recent holes highlight mineralised extensions, with nickel and copper mineralisation now confirmed to the west and east and importantly on the other side of a barren dolerite dyke. With step-out RC drilling continuing (~30m W and E along strike) and diamond drilling underway for further delineation and to provide true widths, we anticipate strong news flow.

Conductors C & I remains priority targets for further testing

Both Conductors C and I remain of high interest, with Phase 1 drilling at C intersecting broad disseminated nickel and copper sulphides (22m @ 0.49% Ni, 0.2% Cu from 152m) and recent EM refining the conductor for further drill-testing (diamond drilling) in the coming weeks. Drilling of new EM conductor (Conductor I) located ~200m SE from Conductor C, intersected modest (but encouraging) nickel-copper sulphides from 143m; assays pending. New discoveries should enhance the project's viability.

22 Sep 2015

Share Price (last): \$0.120

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

New nickel-copper discovery made at Double Magic, West Kimberley. Delineation and extensional drilling ongoing, with more priority targets to test.

Issued Capital

- ord shares	88.5m
- ITM ops diluted	88.5m

Market Cap

- ord shares	\$10.6m
- ITM ops diluted	\$10.6m

Cash (est) \$3.2m

EV

- ord shares	\$7.4m
- ITM ops diluted	\$7.4m

Main Projects

Double Magic	Base Metals (Ni, Cu)
Zanthus	Base Metals (Ni, Cu)
Widowmaker	Base Metals (Ni, Cu)
Yalbra	Graphite
Dempster	Gold, Nickel
Northampton	Base Metals

Board & Management

Seamus Cornelius (NE Chairman)

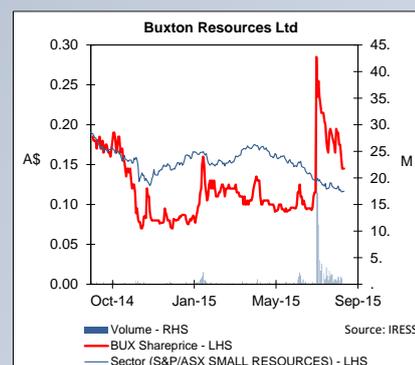
Eamon Hannon (CEO)

Top Shareholders

National Business Holdings (VU) Ltd	9.8%
Montezuma Mining Company	4.0%
Directors & Management	3.2%

Company Address

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Hartleys has completed a capital raising in the past 12 months for Buxton Resources Limited ("Buxton") for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Buxton, for which it has earned fees and continues to earn fees. The analyst has a beneficial interest in BUX shares. See back page for full disclosure.

SUMMARY PAGE

Buxton Resources Limited		Share Price		Sep-15	
BUX		\$0.120		Speculative Buy	
Key Market Information				Directors	
Share Price		\$0.120		Company Details	
Market Capitalisation		\$11m		1st Floor, 14-16 Rowland St, Subiaco, WA, 6008	
Net Cash (debt)		\$3.2m		+61 8 9380 6063	
Issued Capital		88.5m		www.buxtonresources.com.au	
Issued Capital (fully diluted ITM options)		88.5m			
Options		23.34m @ A\$0.37			
Issued Capital (fully diluted all options)		111.8m			
EV		\$13.8m			
Valuation		N/A			
12Mth Price Target		N/A			
Projects				Top Shareholders	
Interest	Location	Commodity		m shs	%
Double Magic	100%	WA	Ni, Cu	National Business Holdings (VU) Ltd	8.67 9.8%
Zanthus	100%	WA	Ni, Cu, Fe	Montezuma Mining Company	3.58 4.0%
Widowmaker	100%	WA	Ni, Cu	Directors & Management	2.84 3.2%
Yalbra	85%	WA	Graphite		
Dempster	90%	WA	Au, Ni		
Northampton	100%	WA	Base Metals		
Resources				Investment Summary	
Mt	Grade	Metal	Attr.		
Base Metals					
No JORC resources					
Iron Ore - Magnetite					
Inferred	103.6	26.5%	Fe	100%	
Graphite					
Inferred	4.0	16.2%	TGC	85%	
P&L				Newsflow	
	FY2013F	FY2014F	FY2015F		Project
Net Revenue	na	na	na	Mid Q2 CY15	Detailed mapping and sampling Double Magic
Total Costs	na	na	na	Early Q3 CY15	RC drilling ~1,100m, target testing Zanthus
EBITDA	na	na	na	Mid Q3 CY15	RC drilling ~2,500m, target testing Double Magic
Deprec/Amort	na	na	na	Q3/Q4 CY15	EM and follow-up drilling Double Magic
EBIT	na	na	na	Q3/Q4 CY15	Sampling, EM and aircore drilling Dempster
Net Interest	na	na	na	CY15	Flowsheet design and marketing Yalbra
Pre-Tax Profit	na	na	na		
Tax Expense	na	na	na		
NPAT	loss	loss	loss		
Abnormal Items	na	na	na		
Reported Profit	loss	loss	loss		
				Unpaid Capital	
				No (m)	\$ (m)
				Options	
				30-Jun-16	7.394 2.38 0.32 8%
				30-Jun-17	7.275 4.00 0.55 8%
				30-Jun-18	3.755 1.05 0.28 4%
				30-Jun-19	4.920 1.18 0.24 6%
				Total	23.344 8.61 0.37 26%
				Comments	
				Drill-testing priority EM targets. Exploration success already demonstrated at Double Magic.	
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Last Updated: 22/09/2015					
Sources: IRESS, Company Information, Hartleys Research					

Located ~100 km north-east from Derby in the Kimberley Region of WA

The Double Magic discovery hole - DMRC003 included 8m @ 3.05% Ni, 1.88% Cu from 50m

Lies within a similar tectonic setting to Savannah

Additional nickel-copper intercepts with more to come

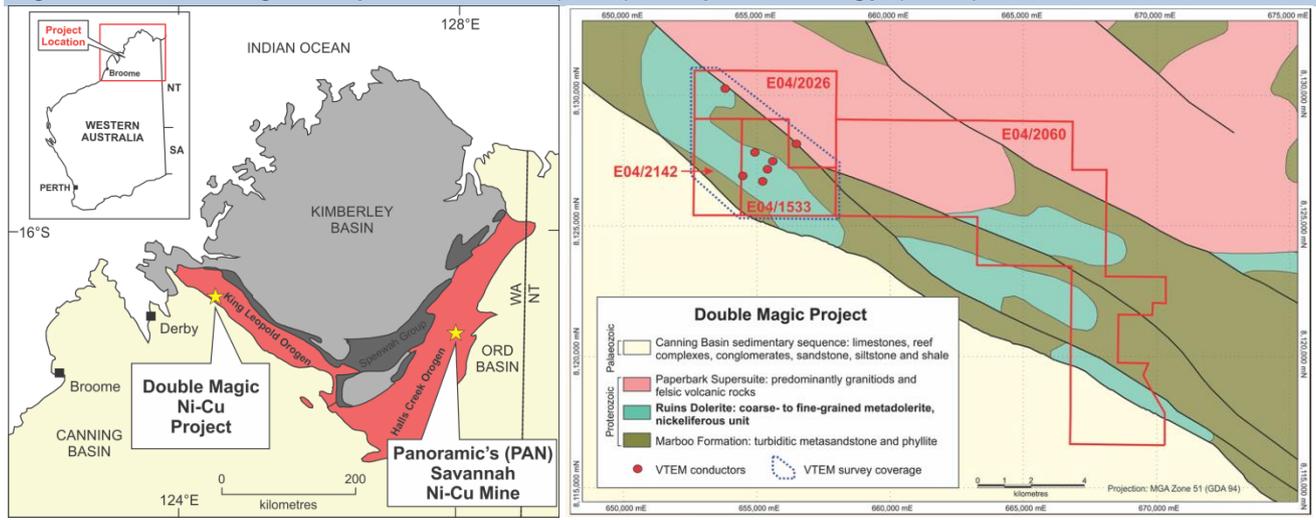
The Double Magic Nickel Project is situated ~100 km north-east of Derby in the Kimberley Region of Western Australia. Access to the project is via the Gibb River Road to Napier Downs Station and use of station tracks. The properties which comprise Double Magic are Tenements E04/1533, E04/2026 and E04/2142, and E04/2060. Buxton secured a 100% interest in the project tenements (covering ~93km²); through the issuance of ~1.67m BUX shares to the vendors.

On the 10th of August 2015, Buxton announced the discovery intercept (Hole **DMRC0003**) of 17m (down-hole) @ 1.78% Ni, 1.16% Cu from 46m, including **8m @ 3.05% Ni, 1.88% Cu from 50m**, while drill-testing Conductor D. The intersection of high-grade mineralisation from very shallow depths was a great outcome in only the third hole into the maiden drill program. The result validated and upgraded the project area and the prospectivity of the Proterozoic Ruins Dolerite (host rock).

The new nickel-copper discovery at Double Magic lies within a similar tectonic setting as Panoramic Resources (PAN.asx) Savannah nickel-copper mine. Double Magic lies within the King Leopold Orogen, whereas, Savannah lies within the Halls Creek Orogen.

With drilling ongoing (RC and diamond) and a regional airborne EM survey (~54km²) underway, we anticipate more good news to come.

Fig. 1: Double Magic Project Location (LHS); Project Geology (RHS)



Source: Buxton Resources Limited

We estimate that BUX are now nearly half through Phase 2 exploration program at Double Magic

Over half way through Phase 2 drilling

Buxton has now completed some 11 RC holes for 1,208m, which we estimate is ~60% of the planned Phase 2 drill metres (unless extended). Phase 2 exploration is currently planned to further follow-up Conductors D, C, and new targets generated from recently completed EM surveys.

The program is largely designed to test for extensions to Conductor D, with three new significant intercepts (DMRC0016, DMRC0017 and DMRC0019) now been reported with visual nickel-copper mineralisation comparable to that seen in the discovery hole, but assays are pending.

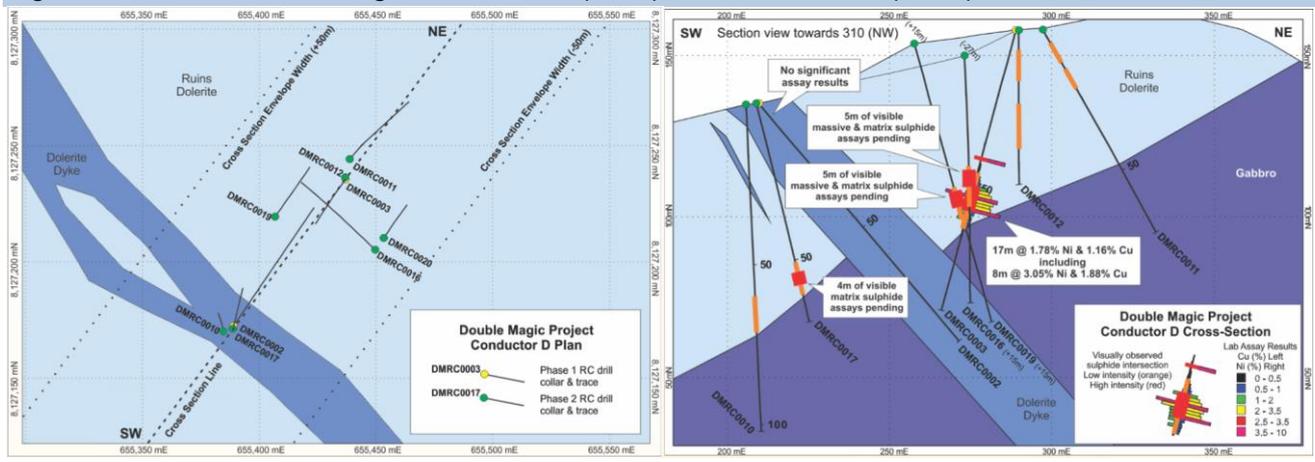
Three new significant intercepts reported from Conductor D delineation and extensional drilling

More massive and matrix nickel-copper sulphides have been reported

Three significant new intercepts (assays awaited) at Conductor D:

- **DMRC0016**, drilled just below and at right angles to DMRC0003 reported:
 - 12m of nickel and copper mineralisation including;
 - 5m of massive and matrix sulphides from 41m;
- **DMRC0017**, drilled 70m from DMRC0003 to test a DHEM conductor on the other side of a cross-cutting dolerite dyke reported:
 - 10m of nickel and copper mineralisation including;
 - 4m of matrix sulphides from 54m; and
- **DMR0019**, step-out hole ~35m to the SW from DMRC0003, intersected:
 - 10m of nickel and copper sulphide mineralisation including:
 - 5m of massive and matrix sulphides from 48m.

Fig. 2: Conductor D drilling – Plan View (LHS); Cross section (RHS)



Source: Buxton Resources Limited

The full extent of the mineralised footprint is yet to be determined

Step-out RC drilling (~30m west and east along strike) and diamond drilling is continuing

Hole **DMR0020**, collared ~30m to the south-east of the discovery hole, intersected only minor visible sulphide mineralisation from 52m (assays pending). Recent completed holes highlight mineralised extensions, with nickel and copper mineralisation now confirmed to the west and east and importantly on the other side of a barren dolerite dyke.

The full extent of the mineralised footprint is yet to be determined. With step-out RC drilling continuing (~30m west and east along strike) and diamond drilling underway for delineation and to determine true widths.

More priority conductors being tested

Buxton recently completed down-hole EM on Phase 1 holes, finished a high-powered fixed-loop EM survey over the area (~2.3km²) and has now commenced with a regional airborne EM survey (VTEM_{max}) covering ~54km² over the project area.

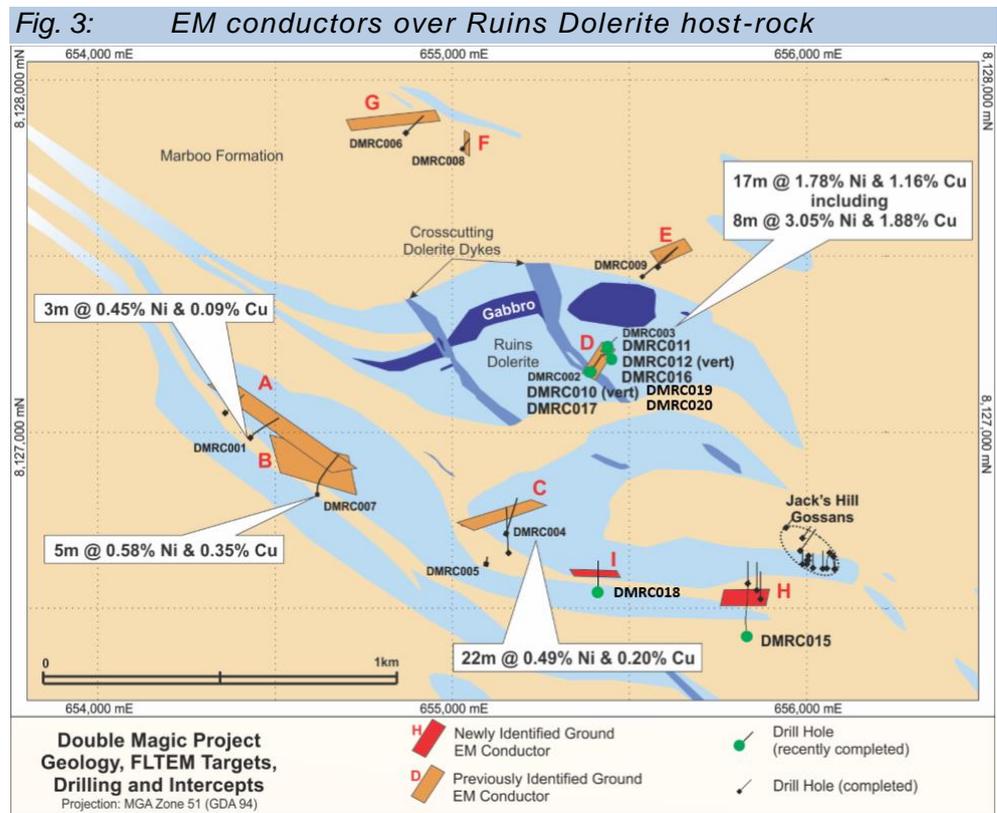
Priority EM conductors continue to be tested by drilling

Two new identified conductors (Conductors H and I) from the FLEM survey have now been drill-tested:

- **Conductor H:** located ~650m SE from Conductor D, tested by a single RC hole (DMRC0015) was found to be caused by barren sulphides and;
- **Conductor I:** located ~600m S of Conductor D and ~200m from Conductor C, intersected modest visual nickel-copper sulphides from 143m; assays pending.

Conductor C also remains of high interest, with Phase 1 drilling intersecting broad disseminated nickel and copper sulphides - 22m @ 0.49% Ni, 0.2% Cu from 152m and recently completed detailed EM refining the conductor for further drill-testing. Diamond drilling is expected to commence in the coming weeks.

We anticipate new conductive targets will be generated from the regional EM survey, which is now underway



Source: Buxton Resources Limited

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Risks

Key risks for Buxton include making an economic discovery and obtaining funding for ongoing exploration. Weather, land access, drill rig availability, retaining key people are all risks.

Fig. 4: Key Risks

Assumption	Risk of not realising assumption	Downside risk to share price if assumption is incorrect	Comment
Funding for ongoing exploration	Med	Med-High	We estimate BUX has a current cash position ~\$3.2m. The Company has a number of options to raise additional funds for future exploration, including new equity issuances and potential new joint venture deals. The Company operates under a lean corporate structure (low cost base). The Company is funded for planned exploration drilling.
Discovery Success	Med-High	Med	The Company has confirmed a new nickel-copper sulphide discovery but with only one hole into the mineralisation, size and overall grade cannot be determined (economic viability is unknown). BUX's management team has a high level of technical expertise and will now commence a full technical review of data prior to planning the next phase of exploration, which does provide some level of comfort in the program(s) ahead.
Commodity Prices	Med	Med-High	The projects remain highly sensitive to commodity price movements and sentiment. Current exploration focus is nickel, copper and gold.
<i>Conclusion</i>	<i>At this stage we consider the assumptions have a medium to high risk of not being achieved. At this stage we have no valuation for BUX, but the Company's extensive project portfolio with high prospectivity and low current market cap, implies the Company is undervalued.</i>		

Source: Hartleys Research

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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