

BUXTON RESOURCES LTD (BUX)

Double Magic - New shallow Nickel-Copper Discovery

Buxton Resources has made a new nickel-copper discovery while drill-testing a priority EM conductor at the Double Magic Nickel Project (100% BUX), West Kimberley WA.

The new nickel-copper discovery (**8m @ 3.05% Ni, and 1.87% Cu** from 50m) lies within a similar tectonic setting as Panoramic Resources (PAN.asx) Savannah nickel-copper mine. The Double Magic project lies within the King Leopold Orogen, whereas, Savannah lies within the Halls Creek Orogen. Though, early in discovery we are highly encouraged by the grade of the discovery, the depth of mineralisation and importantly it confirms/upgrades the prospectivity of the project area.

Buxton has been re-rated off the back of this new discovery. More drilling is required to delineate the size of the mineralised zone with DHEM to be used to refine targets. Nickel sulphide mineralisation has also been confirmed from the testing of surrounding targets (assays pending), which could translate to more nickel-copper discoveries overtime.

Cash at the end of June 2015 was ~\$2.1m, and provides funding for ongoing drilling. We expect some share price volatility, especially in the short-term. The Company's tight capital structure and low market capitalisation provides strong leverage for continued exploration success. We maintain our Speculative Buy recommendation for BUX.

Potential for multiple mineralised zones; drilling ongoing

RC drilling of priority target, Conductor D, intersected shallow, high-grade nickel and copper massive and matrix sulphide mineralisation over **14m @ 2.04% Ni, and 1.36% Cu** from 47m (including 8m @ 3.05% Ni, and 1.87% Cu). True widths are yet to be determined.

Conductor D, prior to drill-testing displayed the highest conductance (up to 15,000S) and was defined by a discrete anomaly within 100m of surface. The completed drill-hole (DMRC003) has been cased for down-hole EM surveying which will be used to better orientate the conductor and potentially identify new off-hole targets. Interesting to note, that the first hole drilled to test the conductor failed to intercept the target zone which likely implies the conductor's orientation requires refinement/remodelling. Preliminary downhole data is expected to be available in the coming weeks.

Five RC holes have been completed to date, with two holes drilled to test Conductor D, two holes drilled (but one hole abandoned) to test Conductor C and one hole drilled into Conductor A. Visual commentary on the other recently completed holes includes the intersection of disseminated to stringer sulphides at Conductor A and disseminated to semi-massive sulphides at Conductor C. Assay are pending.

Priority target, Conductor B is yet to be tested and corresponds to a larger EM target of 300m x 100m in size, with conductance of up to 2,000S. This conductor is located next to, and is potentially related to Conductor A.

Further drilling around the discovery hole (DMRC003) is proposed, but BUX plans to test the remaining six EM conductors first, to complete the maiden drill program. In the interim, a geophysical crew is being mobilised to site to complete down-hole EM surveys, with the aim of better positioning follow-up holes and generating additional targets for further work.

11 Aug 2015

Share Price (last): \$0.235

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

New nickel-copper discovery made at Double Magic, West Kimberley. Drilling priority EM conductors with more good news to come.

Issued Capital

- ord shares	78.0m
- ITM ops diluted	78.0m

Market Cap

- ord shares	\$18.3m
- ITM ops diluted	\$18.3m

Cash (30 Jun '15a) \$2.1m

EV

- ord shares	\$16.2m
- ITM ops diluted	\$16.2m

Main Projects

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

Board & Management

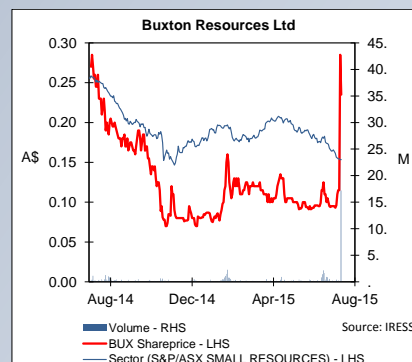
Seamus Cornelius (NE Chairman)
Eamon Hannon (CEO)

Top Shareholders

National Business Holdings (VU) Ltd	11.1%
Montezuma Mining Company	2.3%

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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

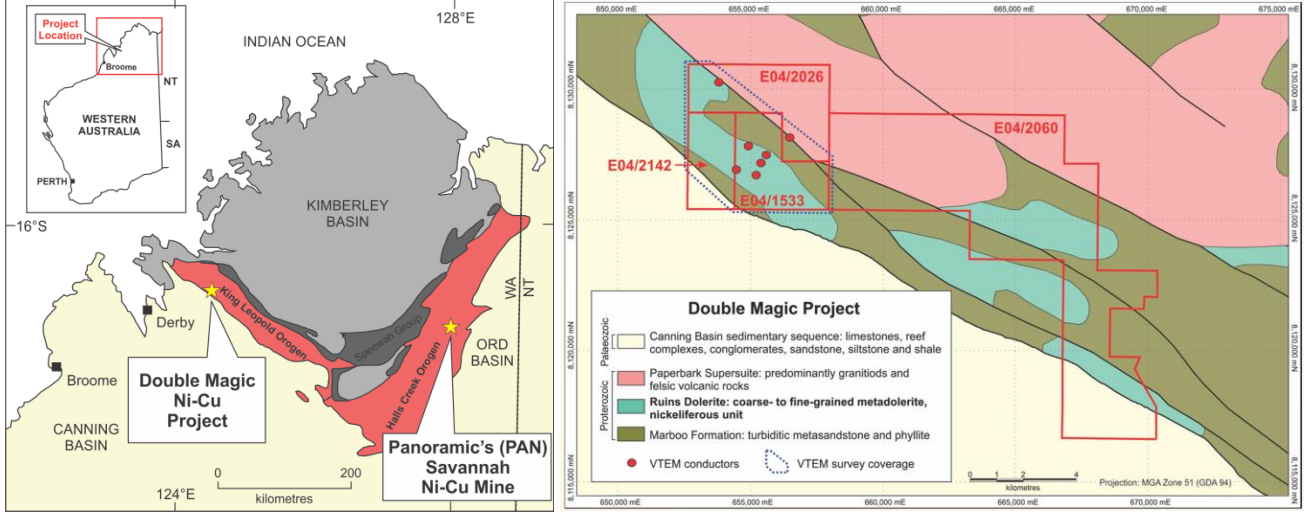
Buxton Resources Limited BUX		Share Price \$0.235		Aug-15 Speculative Buy				
Key Market Information				Directors				
Share Price		\$0.235		Company Details				
Market Capitalisation		\$18m		1st Floor, 14-16 Rowland St, Subiaco, WA, 6008				
Net Debt (cash)		-\$2.1m		+61 8 9380 6063				
Issued Capital		78.0m		www.buxtonresources.com.au				
Issued Capital (fully diluted ITM options)		78.0m						
Options		23.34m @ A\$0.37						
Issued Capital (fully diluted all options)		101.3m						
EV		\$16.2m						
Valuation		N/A						
12Mth Price Target		N/A						
Projects				Top Shareholders				
Interest	Location	Commodity		m shs	%			
Double Magic	100%	WA	Ni, Cu	8.67	11.1%			
Zanthus	100%	WA	Ni, Cu, Fe	1.79	2.3%			
Widowmaker	100%	WA	Ni, Cu	2.11	2.7%			
Yalbra	85%	WA	Graphite					
Dempster	90%	WA	Au, Ni					
Northampton	100%	WA	Base Metals					
Resources				Investment Summary				
Mt	Grade	Metal	Attr.	Exposure to base metal (nickel-copper) exploration in the Fraser Range and in the Kimberley region of WA.				
Base Metals								
No JORC resources								
Iron Ore - Magnetite								
Inferred	103.6	26.5%	Fe	Multiple drill-ready targets providing strong newsflow and has already discovered potentially significant nickel-copper mineralisation.				
Graphite								
Inferred	4.0	16.2%	TGC	Portfolio of opportunities including high-grade graphite project.				
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)	Ave Pr	% Ord	
				Options				
				30-Jun-16	7.394	2.38	0.32	9%
				30-Jun-17	7.275	4.00	0.55	9%
				30-Jun-18	3.755	1.05	0.28	5%
				30-Jun-19	4.920	1.18	0.24	6%
				Total	23.344	8.61	0.37	30%
				Comments				
				Drill-testing priority EM targets. Exploration success already demonstrated at Double Magic.				
Analyst: Mike Millikan				Last Updated: 11/08/2015				
Phone: +61 8 9268 2805								
Sources: IRESS, Company Information, Hartleys Research								

Nickel – Copper Prospectivity Confirmed

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

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.

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

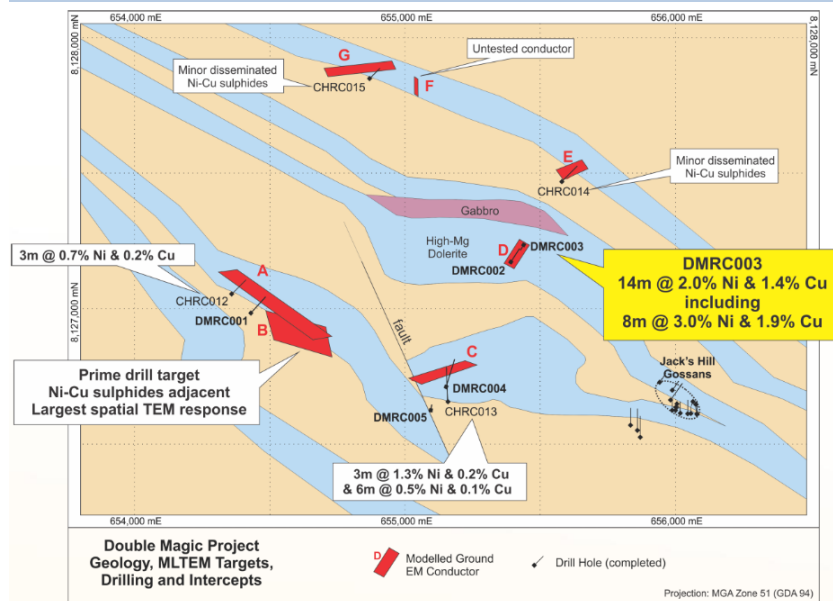


Source: Buxton Resources Limited

We are highly encouraged by the new nickel-copper discovery (**8m @ 3.05% Ni, and 1.87% Cu** from 50m in Hole DMRC003); especially in regards to the grade of the discovery and the depth of mineralisation. Importantly it validates and upgrades the prospectivity of the Proterozoic Ruins Dolerite (host rock) within the project area. The Double Magic discovery hole compares well to the original Nova discovery hole of 4m @ 3.8% Ni and 1.42% Cu from 191m (SFRC0024), but true width of Hole DMRC003 is yet to be determined.

The Double Magic discovery hole (DMRC003) compares well to the original Nova discovery hole of 4m @ 3.8% Ni and 1.42% Cu from 191m (SFRC0024), but true width of DMRC003 is yet to be determined.

Fig. 2: EM conductors over Ruins Dolerite host-rock



Source: Buxton Resources Limited

Priority EM conductors currently being tested by drilling

Prior to the start of its maiden drill campaign over the Double Magic project area, Buxton has reviewed the historical exploration data and reinterpreted the available geophysical information to confirm eight discrete bedrock conductors (A to H). Three (Conductors B, C and D) were considered to represent high-priority drill targets. These conductors were either untested or poorly tested by the previous explorer and importantly, the drilling that was completed confirmed the presence of nickel-copper sulphides, with no barren sulphides or graphite encountered.

- **Conductor D** confirmed to be caused by massive and matrix sulphides containing pentlandite (nickel sulphide) and chalcopyrite (copper sulphide). RC hole *DMRC003* reported: 14m @ 2.04% Ni, and 1.36% Cu from 47m which included **8m @ 3.05% Ni, and 1.87% Cu from 50m**. True widths are yet to be determined.

Fig. 3: Massive sulphides (LHS) and Matrix sulphides (RHS)



Massive and matrix sulphides intersected over good down-hole intervals, though true widths are yet to be determined

Source: Buxton Resources Limited

Priority target B is still yet to be drilled

- **Conductor C** previous explorer intersected nickel and copper sulphides (3m @ 1.3% Ni & 0.2% Cu and 6m @ 0.5% Ni & 0.2% Cu from ~150m). The modelled plate has dimensions of ~300m x 50m with a conductance of up to ~1,500S. RC hole *DMRC004* visually reported 2m of semi-massive sulphides from 146m. Assays pending.
- **Conductor B** yet to be drill-tested and corresponds to a larger EM target of 300m x 100m in size, with conductance of up to 2,000S. This conductor is located next to, and is potentially related to Conductor A.
- **Conductor A** which was tested by a single drill hole by the previous explorer and reported 3m @ 0.7% Ni & 0.2% Cu. A rock chip at **Conductor A** returned an impressive result of **5.0% Ni, 1.3% Cu**, 0.1% Co & 104ppb Pt+Pd and **1.5% Ni, 0.4% Cu**, 0.7g/t Au & 137ppb Pt+Pd (3.8:1 Ni:Cu ratio). BUX's RC hole *DMRC001* drilled to tested Conductor A visually reported 6m of disseminated to stringer sulphides. Assays pending.

Savannah-style mineralisation

Project lies in the King Leopold Orogen, a Proterozoic mobile belt that encompasses the Kimberley Basin

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.

Savannah has been mined for over 10 years and still has reserves for another 3 years

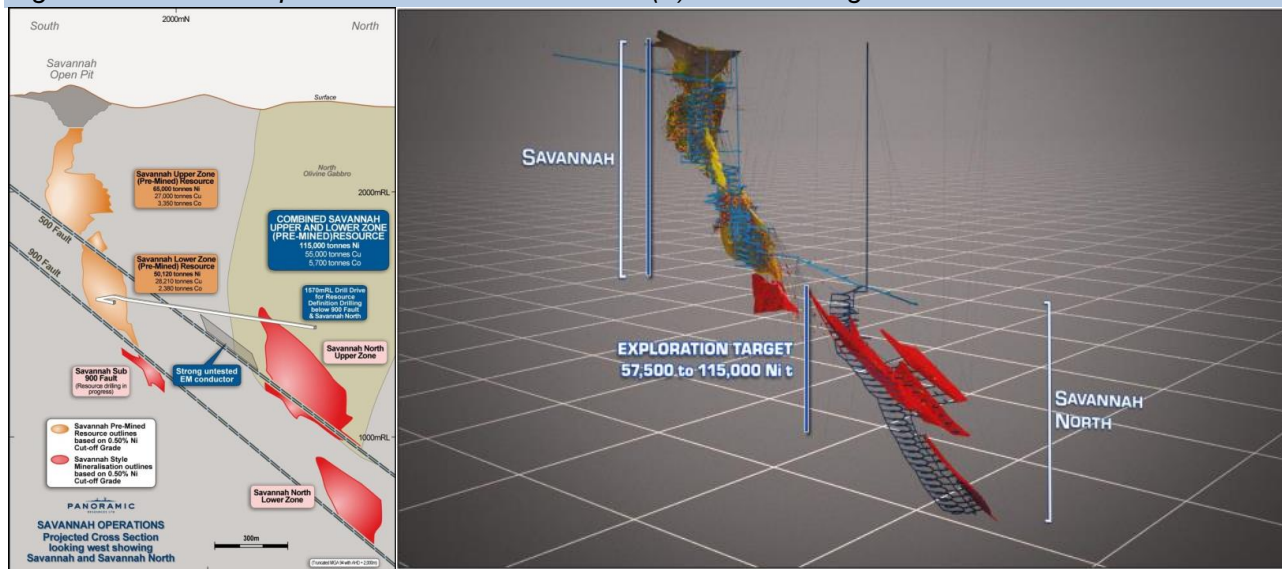
The Savannah (Sally Malay) nickel-copper deposit was discovered in 1973 by Anglo American and acquired by PAN in 2001. Open pit mining and processing to produce nickel-copper-cobalt concentrates commenced in 2004.

Savannah mineralisation is regarded as being typical magmatic nickel-copper in massive sulphides (with cobalt and platinum group metals). The ore is dominantly composed of pyrrhotite (iron sulphides), chalcopyrite (copper sulphides) and pentlandite (nickel sulphides) and occurs as steeply dipping lenses of massive sulphide (>40% total sulphide) of 3 to 40m in thickness, hosted by the basal norite zone within the layered ultramafic complex.

Recent exploration success at Savannah North is expected to extend mine life

After over 10 years of mining, the Savannah project reserves are still 2.75Mt @ 1.2% Ni, 0.7% Cu, 0.06% Co for 34Kt of Ni, 20.2Kt of Cu, and 1.6Kt of Co from larger project resources of ~8Mt @ 1.6% Ni, 0.85% Cu, 0.10% Co for 128.8Kt of Ni, 68.4Kt of Cu, and 7.8Kt of Co. Savannah is currently producing ~8-9Ktpa of nickel, ~5-5.5Ktpa of copper and ~400-450tpa of cobalt. At the current processing plant/concentrator rate of 900-950Ktpa. Mine life is just over 3 years but the recent Savannah North discovery is expected to extend mine life overtime, with the interim resource of +3Mt @ 1.75% Ni for 55.2Kt nickel added to resources, with more to come (exploration target up to 6.4Mt).

Fig. 4: Savannah Operations – Cross Section(s) with underground infrastructure



Source: Panoramic Resources Limited

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. 5: 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 ~\$2.1m. 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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