

BUXTON RESOURCES LTD (BUX)

West Kimberley Exploration Set to Recommence

Buxton Resources (BUX) anticipates that its strategic partner IGO Limited (IGO) will recommence field-based exploration activities in the West Kimberley this month (July'20). IGO is earning into the extensive West Kimberley Joint Venture (WKJV) project area, with BUX retaining a free-carried 16-20% interest through to either the completion of a feasibility study or a decision to mine. The restart of activities follows the recent lifting of regional travel restrictions relating to the COVID-19 pandemic. Proposed work, funded by IGO, includes deep diamond drilling at Merlin, ground EM in the neighbouring Quick Shears prospect and ground reconnaissance of EM targets from a regional survey over the region (within the WKJV).

Deep drilling at Merlin testing for extensions at depth

Merlin is still considered the most advanced prospect within the WKJV, following the discovery of magmatic (massive) nickel-copper sulphides by BUX back in Aug'15. Two deep diamond holes are proposed at Merlin, planned to be drilled each to a depth of ~1,100m. The holes will test the geological and structural model for the main mineralised (nickel-copper sulphide) system down-dip, and also be positioned to test the core of the gravity high and a weakly constrained high-powered (HT SQUID) EM conductor at depth. Drilling is expected to take place in the SepQ, with some of the costs to be funded by the state (WA) government's Exploration Incentive Scheme (EIS). The diamond holes will provide deep down-hole positions for EM, which could be key to unlocking significant value.

Quick Shears could be a prospect to watch

In late-May 2019, BUX made the discovery of fresh outcropping nickel-copper sulphides at the Quick Shears prospect. Quick Shears is adjacent to, and along strike of Merlin and contains a large gravity feature interpreted as a prospective package of mafic-ultramafic intrusions, considered highly fertile for more nickel-copper sulphide accumulations. In late 2019, IGO flew a regional Spectrem airborne EM survey over the ground, generating a number of conductors which are planned to be followed up. Some 13 EM targets were previously flagged for follow-up from the existing ground (SQUID) EM data, with a further 6 Spectrem targets within the immediate Quick Shears area to be followed up with ground EM to prioritise targets for later-date drill-testing.

Copper opportunities in the USA being assessed

With the West Kimberley and Fraser Range ground now being managed by IGO, BUX's attention has been drawn to the southwest US, where it has been actively pursuing copper opportunities. BUX has paid option fees to secure ground which contain previously identified copper resources. BUX has until the 15 Oct'20 exercise its option, upon which it can acquire a 100% interest via an initial US\$150k, grant a 0.5% NSR royalty on mineral products sold and pay a deferred consideration in the event of on-sale of the mining leases.

We maintain our **Speculative Buy** recommendation on BUX, with our latest price target of 12cps. BUX's cash position is ~A\$4m, which implies a cash backing of ~3cps. BUX retains minority exposure to any potential WKJV discoveries and being free-carried through to possible development decision appears sensible. BUX is using its current cash reserves to pursue new opportunities and to fund existing early-stage projects within its portfolio.

7 Jul 2020

Share Price (last): \$0.073
Price Target - 12 months: \$0.12

Brief Business Description

Junior explorer

Hartleys Brief Investment Conclusion

WKJV restructured. Strategic partner IGO managing exploration activities for a majority stake. BUX free-carried minority interest through to completion of FS. Exploration to be accelerated, with new targets generated.

Issued Capital

| | |
|-------------------|--------|
| - ord shares | 136.1m |
| - ITM ops diluted | 136.1m |
| - fully diluted | 141.6m |

Market Cap

| | |
|-------------------|---------|
| - ord shares | \$9.9m |
| - ITM ops diluted | \$9.9m |
| - fully diluted | \$10.3m |

Cash (est)

| | |
|--|--------|
| | \$4.1m |
|--|--------|

EV

| | |
|-------------------|--------|
| - ord shares | \$5.8m |
| - ITM ops diluted | \$5.8m |
| - fully diluted | \$3.7m |

Main Projects

| | |
|------------|----------------------|
| WKJV | Base Metals (Ni, Cu) |
| FRJV | Base Metals (Ni, Cu) |
| Yalbra | Graphite |
| Goldmember | Gold |

Board & Management

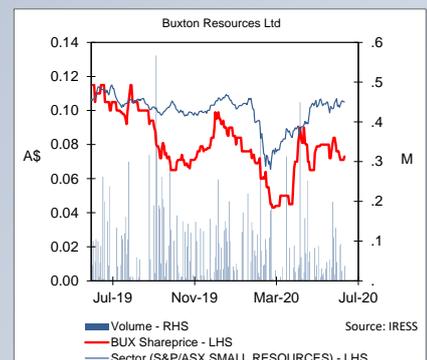
Seamus Cornelius (NE Chairman)
Eamon Hannon (MD)

Top Shareholders

| | |
|-------------------------------------|-------|
| Independence Group | 15.0% |
| National Business Holdings (VU) Ltd | 8.0% |
| Directors & Management | 2.4% |

Company Address

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Subiaco, WA, 6008



Author:

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Resources Analyst
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The analyst has a beneficial interest in BUX shares.

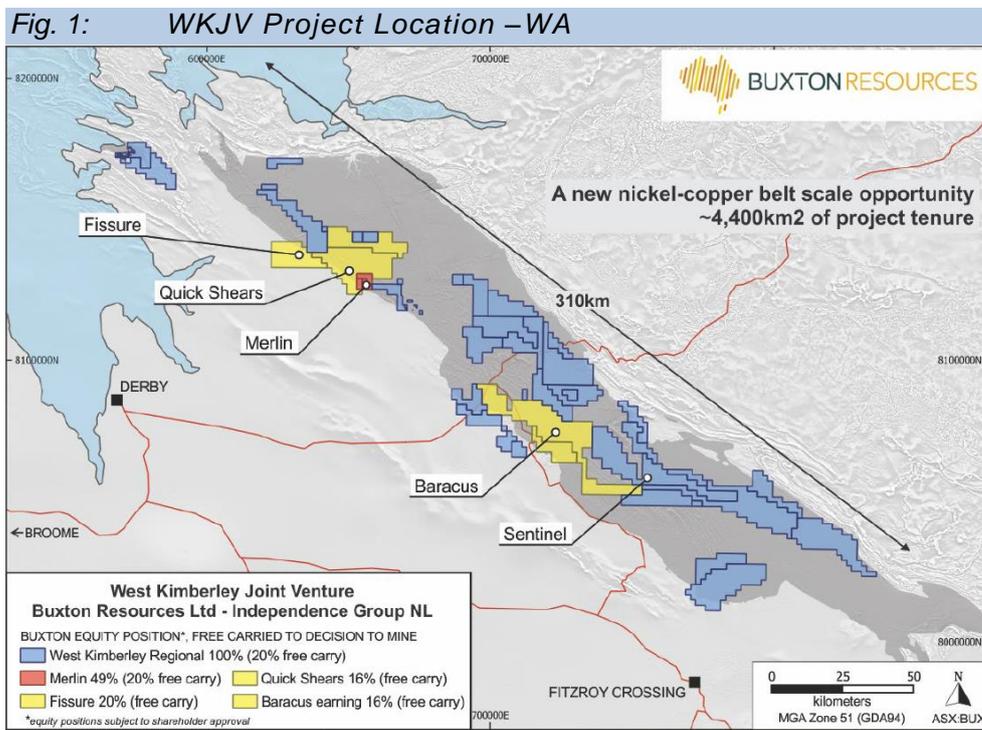
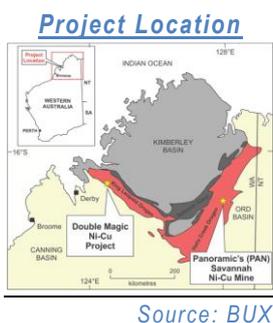
SUMMARY PAGE

| Buxton Resources Limited BUX | | Share Price \$0.073 | | Jul-20 Speculative Buy | |
|---|------------------|------------------------|--|---|---------|
| Key Market Information | | | Directors | | |
| Share Price | \$0.073 | | Company Details | | |
| Market Capitalisation | \$9.9m | | Seamus Cornelius (NE Chairman) 1st Floor, 14-16 Rowland St, Subiaco, WA, 6008 | | |
| Net Cash (debt) | \$4.1m | | Eamon Hannon (MD) +61 8 9380 6063 | | |
| Issued Capital | 136.1m | | Anthony Maslin (NED) www.buxtonresources.com.au | | |
| Issued Capital (fully diluted ITM options) | 136.1m | | Feng (Frank) Xue (NED) | | |
| Issued Capital (fully diluted) | 141.6m | | Stuart Fogarty (NED) | | |
| Options | 15.00m @ A\$0.16 | | | | |
| EV - ords | \$5.8m | | Top Shareholders (est) | | |
| EV - ITM options | \$5.8m | | Independence Group 20.41 15.0% | | |
| EV - fully diluted | \$3.7m | | National Business Holdings (VU) Ltd 10.84 8.0% | | |
| 12Mth Price Target | \$0.12 | | Directors & Management 3.23 2.4% | | |
| Projects | | | Investment Summary | | |
| | BUX | IGO | BUX (FC) | | |
| Commodity | | | | | |
| WKJV - Merlin | 49% | 51% | 20% | Ni, Cu | |
| WKJV - Quick Shears | | 64% | 16% | Ni, Cu | |
| WKJV - Fissure | | 80% | 20% | Ni, Cu | |
| WKJV - Baracus | | 64% | 16% | Ni, Cu | |
| WKJV - Regional | 100% | 80% | 20% | Ni, Cu | |
| FRJV - Zanthus | 10% | 90% | 10% | Ni, Cu, Fe | |
| FRJV - Widow maker | 10% | 90% | 10% | Ni, Cu | |
| Yalbra | 100% | 0% | | Graphite | |
| Goldmember | 100% | | | Gold | |
| Merlin: IGO initial 51%, sole funds A\$5M in 4 yrs for up to 80%, BUX 20% free carried to FS. Quick Shears: cash on milestones, deal completion BUX 16%, Tatterson 20%, IGO 64%. Fissure: deal completion BUX 20%, IGO 80%. FRJV: IGO 90%, BUX 10% free-carried to decision to mine. | | | | | |
| Resources | | | Newsflow | | |
| | Mt | Grade | Metal | Project | |
| Base Metals - no JORC resources | | | | | |
| Iron Ore - Magnetite | | | | | |
| Inferred | 103.6 | 26.5% | Fe | Oct-19 Restructures WKJV WKJV | |
| Graphite | | | | | |
| Inferred | 4.0 | 16.2% | TGC | Q1 CY20 BUX shareholder approval WKJV | |
| | | | | Q2 CY20 Soil sampling - gold in soil anomaly Goldmember | |
| | | | | Q3 CY20 Infill sampling for potential drilling Goldmember | |
| | | | | Q1/Q2 CY20 Quick Shear/Merlin/Regional target gen WKJV | |
| | | | | Q3/Q4 CY20 Mapping, geochem, ground EM, drilling, DHEM WKJV | |
| | | | | Q4 CY20 Assess targets for potential follow-up WKJV | |
| P&L | | | Unpaid Capital | | |
| | FY2017A | FY2018A | FY2019A | FY2020F | FY2021F |
| Net Revenue | 0.03 | 0.02 | 0.73 | na | na |
| Total Costs | -2.59 | -3.45 | -3.37 | na | na |
| EBITDA | -2.57 | -3.43 | -2.64 | na | na |
| Deprec/Amort | -0.02 | -0.02 | -0.03 | na | na |
| EBIT | -2.58 | -3.46 | -2.67 | na | na |
| Net Interest | 0.02 | 0.05 | 0.06 | na | na |
| Pre-Tax Profit | -2.56 | -3.41 | -2.61 | na | na |
| Tax Expense | 0.00 | 0.00 | 0.00 | na | na |
| NPAT | -2.56 | -3.41 | -2.61 | loss | loss |
| Abnormal Items | 1.50 | 0.15 | 0.00 | na | na |
| Reported Profit | -1.06 | -3.26 | -2.61 | loss | loss |
| Admin/Expl Ratio | 27% | 13% | 21% | | |
| | | | 20% | Ave | |
| Analyst: Mike Millikan | | | Last Updated: 07/07/2020 | | |
| Phone: +61 8 9268 2805 | | | | | |
| Sources: IRESS, Company Information, Hartleys Research | | | | | |

Belt-scale opportunities for nickel-copper sulphide deposits

WEST KIMBERLEY WA

The West Kimberley region offers belt-scale opportunities for nickel-copper-cobalt sulphide deposits, the project area is ~100 km NE of Derby and lies within a similar tectonic setting as Panoramic Resources (PAN) Savannah nickel-copper mine. Double Magic lies within the King Leopold Orogen, whereas, Savannah falls within the Halls Creek Orogen. The latest West Kimberley Joint Venture (WKJV) ownership structure is best summarised on Fig.1.



Source: Buxton Resources Limited

BUX discovered nickel-copper sulphides at Merlin in Aug'15

Exploration within the region over the last few years has been largely focused on the Merlin prospect, following the discovery of magmatic (massive) nickel-copper sulphides in Aug'15. While ore grade intercepts have been reported, to date no deposits have been delineated. Merlin exploration is currently focused on deeper, potentially larger systems, which may take some time to uncover.

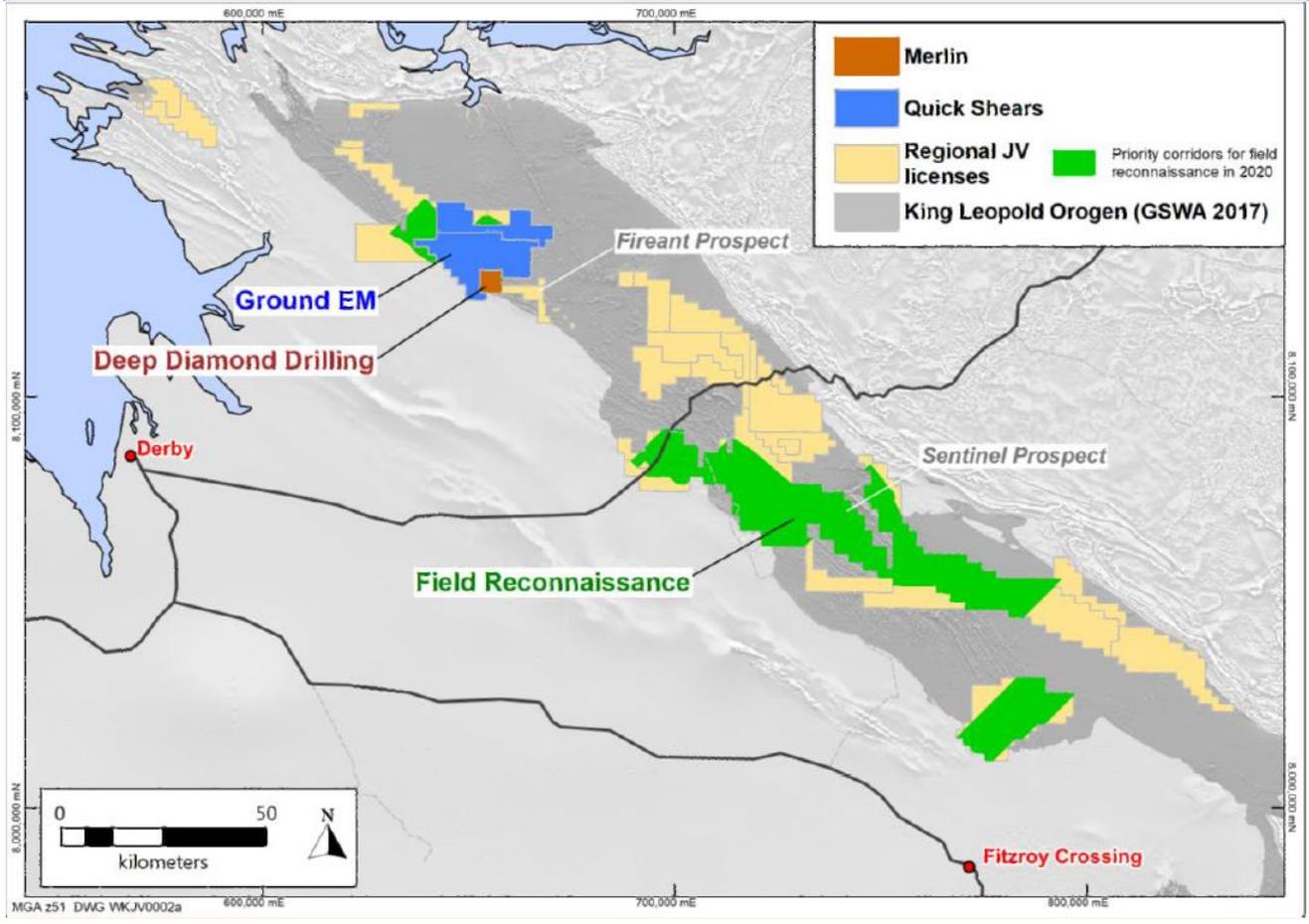
Fresh outcropping nickel-copper sulphides have been discovered at the Quick Shears prospect

In late-May 2019, BUX made the discovery of fresh outcropping nickel-copper sulphides at the Quick Shears prospect. Quick Shears is adjacent to, and along strike of Merlin and contains a large gravity feature interpreted as a prospective package of mafic-ultramafic intrusions (considered highly fertile).

BUX anticipates that its strategic partner IGO will recommence field-based exploration activities in the West Kimberley this month (July'20). The restart of activities follows the recent lifting of regional travel restrictions relating to the COVID-19 pandemic.

Proposed work, funded by IGO, includes deep diamond drilling at Merlin, ground EM in the neighbouring Quick Shears prospect and ground reconnaissance of EM targets from a regional survey over the region (within the WKJV).

Fig. 2: IGO Planned Work Programs - WKJV

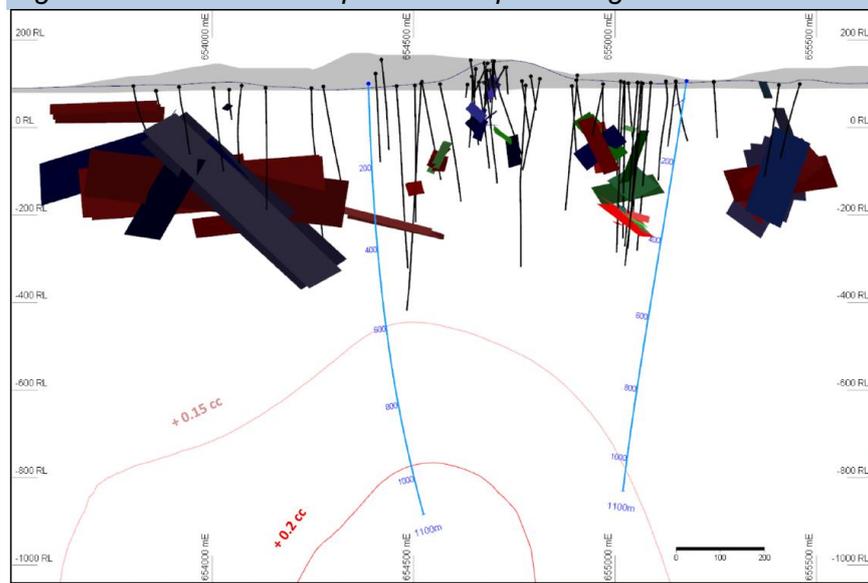


Source: Buxton Resources Limited

Two deep diamond holes are proposed at Merlin, planned to be drilled each to a depth of ~1,100m. The holes will test the geological and structural model for the main mineralised system down-dip, and also be positioned to test the core of the gravity high and a weakly constrained high-powered (HT SQUID) EM conductor at depth. The diamond holes will provide deep down-hole positions for EM, which could be key to unlocking significant value. Drilling is expected to take place in the SepQ.

Two deep diamond holes are proposed at Merlin, planned to be drilled each to a depth of ~1,100m

Fig. 3: Merlin – Proposed Deep Drilling

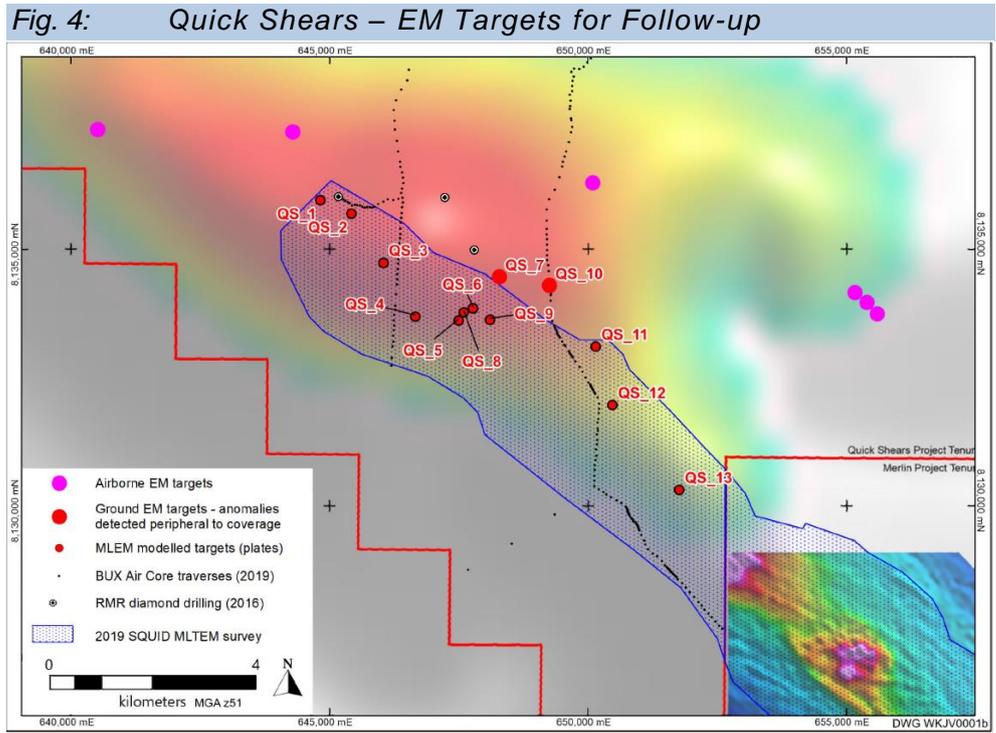


Source: Buxton Resources Limited

Quick Shears is adjacent to, and along strike of Merlin and contains a large gravity feature interpreted as a prospective package of mafic-ultramafic intrusions, considered highly fertile for more nickel-copper sulphide accumulations.

In late 2019, IGO flew a regional Spectrem airborne EM survey over the ground, generating a number of conductors which are planned to be followed up. Some 13 EM targets were previously flagged for follow-up from the existing ground (SQUID) EM data, with a further 6 Spectrem targets within the immediate Quick Shears area to be followed up with ground EM to prioritise targets for later-date drill-testing.

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Source: Buxton Resources Limited

PRICE TARGET – HIGHLY SPECULATIVE

Our BUX price target is considered highly speculative.

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The Company has highly prospective ground holdings in the Kimberley and Fraser Range regions of WA. Both areas contain quality base metal deposits, in particular the Panoramic Resources (PAN) Savannah nickel-copper mine (Kimberley) and Independence Group (IGO) Nova nickel-copper mine (Fraser Range), but are still considered under explored.

BUX's Fraser Range exploration tenure is considered early stage with prospective mafic-ultramafic units containing magmatic nickel sulphides (fertile) confirmed, but no economic deposits have as yet been defined. Exploration is managed by IGO and any exploration success could have a positive effect on BUX's share price, who retain a free-carried 10% interest through to a decision to mine.

BUX's West Kimberley ground is more extensive than tenure held in the Fraser Range, and BUX's ultimate project interest is higher (though still minority). Mineralisation at Merlin (discovered by BUX) is regarded as typical magmatic nickel-copper in massive sulphides (with cobalt) and lies within a similar tectonic setting to Savannah. Quick Shears appears to be an exciting new discovery, and we look forward to the report of aircore drill results and identified EM conductors which could generate new drill targets.

Our latest price target for BUX of 12cps is derived from a change in potential project interest, peer metric analysis and perception of exploration value in the search of new deposits. Current cash backing is around 3cps.

Latest price target of 12cps (from 20cps)

Fig. 5: Hartleys BUX Price Target

| Price Target Methodology | Weighting | 7/07/2020 | 12 Month |
|---|-----------|---------------|----------|
| Peer metric - Discovery Savannah-like operation 20% BUX | 35% | \$0.16 | \$0.17 |
| Peer metric - nickel prod/dev/expl (median) | 30% | \$0.05 | \$0.05 |
| Exploration value | 20% | \$0.16 | \$0.17 |
| Cash Backing | 15% | \$0.03 | \$0.03 |
| Risk weighted composite | | \$0.11 | |
| 12 Months Price Target | | \$0.12 | |
| Shareprice - Last | | \$0.073 | |
| 12 mth total return (% to 12mth target + dividend) | | 58% | |

Source: Hartleys Research

RISKS

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

Fig. 6: Key Risks

| Assumption | Risk of not realising assumption | Downside risk to share price if assumption is incorrect | Comment |
|---------------------------------|---|---|---|
| Funding for ongoing exploration | Low-Med | Med-High | BUX has a strategic partnership with IGO, with IGO earning in to a number of projects. We estimate BUX has a current cash position ~\$4M. 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). |
| Preliminary BUX price target | Med | Meaningful | We have made a number of large assumptions in our largely on peer metrics, based on incomplete information (ie no nickel resources, reserves or development studies). BUX has no production history. Any changes to our assumptions have both upside and downside risks. |
| Discovery Success | Med-High | Med | The Company has confirmed a new Ni-Cu sulphide discovery but with only a few holes into 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. We have a highly speculative valuation on BUX based on a number of large assumptions, but the Company's extensive project portfolio within highly prospective terrains and low current market cap, implies the Company is undervalued.</i> | | |

Source: Hartleys Research

HARTLEYS CORPORATE DIRECTORY

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| Australia | Perth WA 6001 |
| PH:+61 8 9268 2888 | FX: +61 8 9268 2800 |
| www.hartleys.com.au | info@hartleys.com.au |

Note: personal email addresses of company employees are structured in the following

manner:firstname.lastname@hartleys.com.au

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 | 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. |
| Buy | |

Institutional Sales

| | |
|--------------------|-----------------|
| Carrick Ryan | +61 8 9268 2864 |
| Justin Stewart | +61 8 9268 3062 |
| Simon van den Berg | +61 8 9268 2867 |
| Digby Gilmour | +61 8 9268 2814 |
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