

BUXTON RESOURCES LTD (BUX)

Eyes new nickel sulphide project in the Kimberley

Buxton Resources has entered into an agreement to acquire 100% of the Double Magic Nickel Project in the Kimberley region of WA. The project is located some 100km north east of Derby.

Under the terms of the agreement, Buxton can secure 100% interest in the four project tenements (covering ~93km²); through the issuance of ~1.67m BUX shares (current value +A\$165K) to the vendors. The project area contains prospective mafic intrusive rocks, magmatic nickel-copper sulphides (confirmed by historical drilling) and “walk-up” drill targets (strong EM conductors). The agreement is now subject to a 14 day due diligence period, prior to formalisation.

Previous work confirms prospectivity with walk-up drill targets

Historical exploration over the project concentrated largely on testing the Jack’s Hill gossan which contained surficial high-grade copper carbonate/oxide material. Small-scale mining of the gossan was undertaken in the mid 1950’s, with nickel mineralisation up to 0.4% Ni first reported in the late 1960’s around the gossan. Limited exploration was undertaken until the 2000’s, with activities in 2007 consisting of airborne magnetics, ground EM, and restricted drilling of seven RC holes reporting grades up to 3.7% Cu, 0.5% Ni along with anomalous gold, platinum and silver values.

More recent exploration was completed by Victory Mines (VIC.asx) in 2013. Victory flew a VTEM survey over a portion of the project area and identified several VTEM targets; five were followed up with ground EM and four RC holes were drilled. Two of the RC holes into two separate targets intersected encouraging nickel sulphide mineralisation with Target 1A reporting 6m @ 0.45% Ni and 0.13% Cu from 107m; and Target 2 reporting nickel-copper mineralisation from ~107m, with better zones including 3m @ 1.3% Ni and 0.21% Cu from 151m. The largest conductor and the most intense conductor could not be drill-tested at the time of the program. Upon completion of the drilling Victory had to pay A\$250K to maintain its option on the project and withdrew stating that the drilling had downgraded the project area, which appears unjustified.

Good geology and age; Potential analogue to Savannah

The project 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. The project area contains prospective mafic rocks (Ruins Dolerite) which is the known host for magmatic nickel-copper mineralisation. The Ruins Dolerite is similar in age to the layered mafic-ultramafic Savannah Intrusion.

New nickel ground complimentary to Fraser Range – Spec Buy

Nickel exploration remains the key focus for Buxton with the new nickel project in the Kimberley region adding to the portfolio of highly prospective ground within the Fraser Range region. Exploration by previous explorers over Double Magic has provided encouraging results and priority targets to systematically test over time.

Buxton has a low market cap of ~\$6.5m (EV of ~\$5.2m), and drill targets which could translate to a new nickel-copper discovery. Cash at the end of MarQ of ~\$1.3m, provides some funding for ongoing exploration.

28 Apr 2015

Share Price (last): \$0.100

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

Set to acquire an advanced nickel exploration project in the Kimberley region of WA. Adds to the prospective Fraser Range exploration ground. New EM targets to be tested.

Issued Capital

- ordinary + Double Magic aq shares	65.5m
- ITM diluted	66.0m

Market Cap

- ordinary	\$6.5m
- ITM diluted	\$6.6m

Cash (31 Mar '14a)

\$1.3m

EV

\$5.2m

- fully diluted \$5.3m

Main Projects

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

Board & Management

Seamus Cornelius (NE Chairman)

Eamon Hannon (CEO)

Top Shareholders

National Business Holdings (VU) Ltd	13.2%
Montezuma Mining Company	3.6%

Company Address

 1st Fl, 14-16 Rowland St,
 Subiaco, WA, 6008

* subject to due diligence


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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 \$0.100	Apr-15 Speculative Buy	
Key Market Information			Directors	
Share Price		\$0.100	Seamus Cornelius (NE Chairman) 1st Fl, 14-16 Rowland St, Subiaco, WA, 6008	
Market Capitalisation		\$6m	Eamon Hannon (CEO) +61 8 9380 6063	
Net Debt (cash)		-\$1.3m	Anthony Maslin (NED)	
Issued Capital		63.8m	Julian Stephens (NED)	
Issued Capital (fully diluted ITM options)		64.3m	Liu Xing Zhou (NED) www.buxtonresources.com.au	
Options		19.03m @ A\$0.39	Stuart Fogarty (NED)	
Issued Capital (fully diluted all options)		82.9m		
EV		\$5.0m		
Valuation		N/A		
12Mth Price Target		N/A		
Projects			Top Shareholders	
Interest	Location	Commodity	m shs	%
Zanthus 100%	WA	Ni, Cu, Fe	8.67	13.2%
Widowmaker 100%	WA	Ni, Cu	2.37	3.6%
Double Magic* 100%	WA	Ni, Cu	2.20	3.4%
Yalbra 85%	WA	Graphite		
Dempster 90%	WA	Au, Ni		
Northampton 100%	WA	Base Metals		
* subject to 14 days due diligence				
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	Project	
Net Revenue	na	na	Q1 CY15	Fraser Range full technical review - underway Zanthus
Total Costs	na	na	CY15	Fraser Range drill-testing new EM targets Zanthus
EBITDA	na	na	Q2 CY15	Due diligence (DD) and field planning Double Magic
Deprec/Amort	na	na	Q2 CY15	Field work - subject to DD Double Magic
EBIT	na	na		
Net Interest	na	na		
Pre-Tax Profit	na	na		
Tax Expense	na	na		
NPAT	loss	loss		
Abnormal Items	na	na		
Reported Profit	loss	loss		
			Unpaid Capital	
			No (m)	\$ (m)
			Ave Pr	% Ord
			In The Money (ITM) Options	
			30-Jun-14	0.000 0.00 0.00 0%
			30-Jun-15	0.000 0.00 0.00 0%
			30-Jun-16	0.000 0.00 0.00 0%
			30-Jun-17	0.000 0.00 0.00 0%
			Performance Rights	0.500 0.00 0.00 1%
			Comments	
			Drill-testing priority EM targets in CY15. Leveraged to exploration success/improved market sentiment.	
Analyst: Mike Millikan				
Phone: +61 8 9268 2805				
Last Updated: 28/04/2015				
Sources: IRESS, Company Information, Hartleys Research				

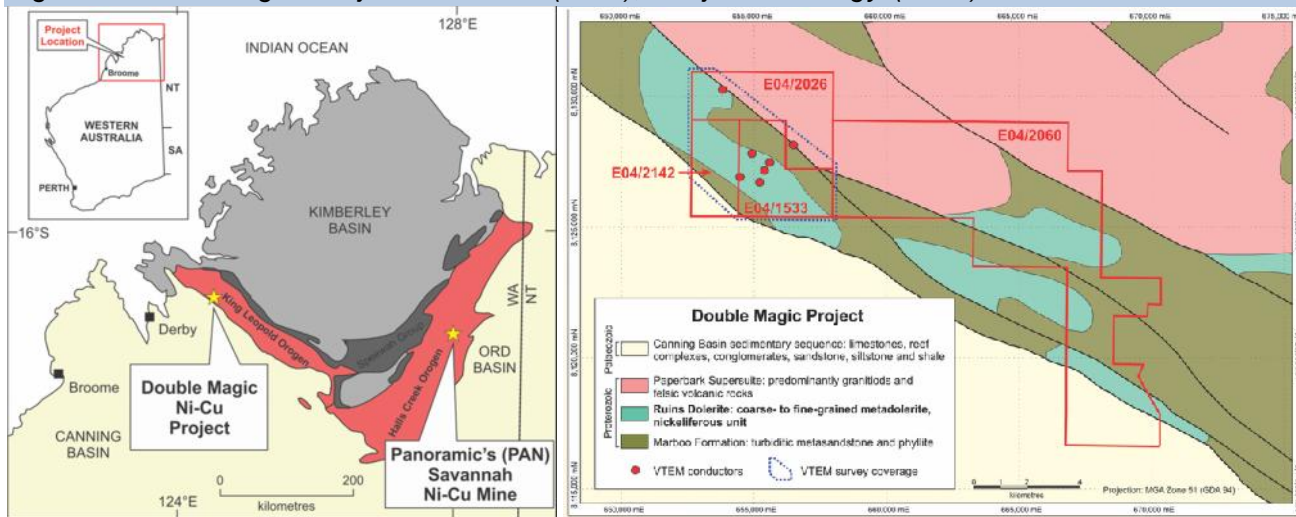
Located ~100 km north-east from Derby in the Kimberley Region of Western Australia

Location, Geology and Previous Work

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 the Double Magic are Tenements E04/1533, E04/2026 and E04/2142, and E04/2060.

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



Source: Buxton Resources Limited

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

The project area lies within the King Leopold Orogen, which includes altered sediments of the Marboo Formation, which have been intruded by the Ruins Dolerite and subsequently by coarse-grained granitoids. All these geological units are considered to be Palaeoproterozoic in age. The southwestern part of the project is dominated by steep-sided ridges and hills, which are composed of quartz-mica schists of the Marboo Formation. The Marboo Formation has been intruded by dolerite/gabbro dykes and sills of the Ruins Dolerite. To the northeast, a major northwest trending shear zone in the Marboo Formation rocks separates high granitic hills.

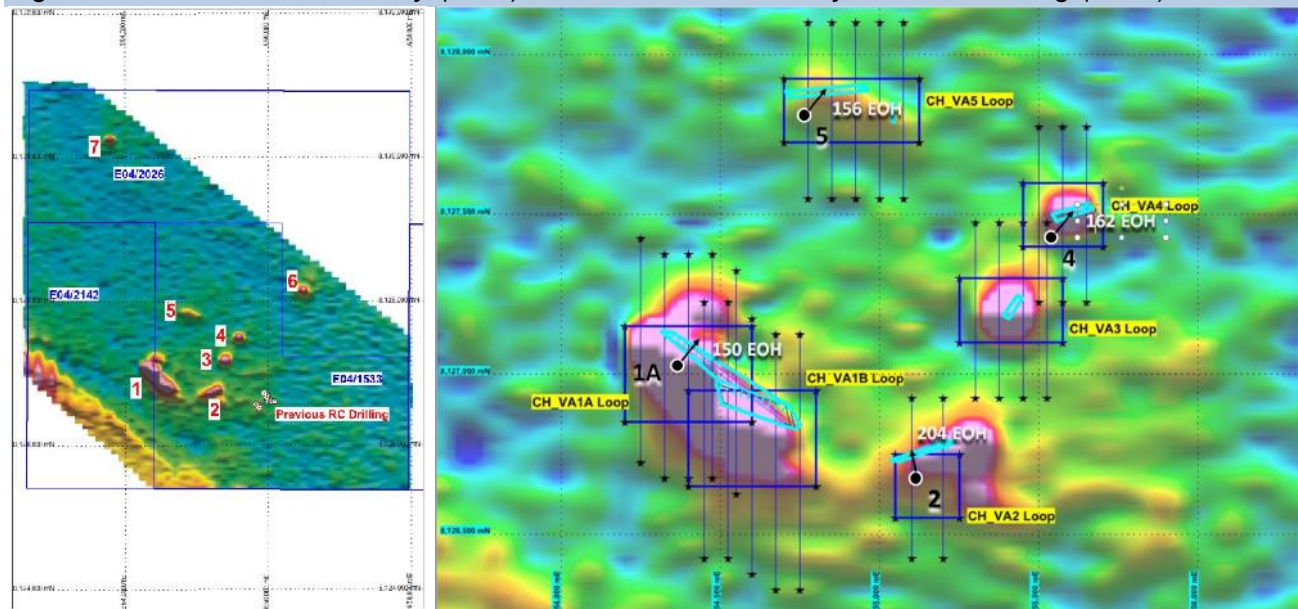
The project area contains the Jack's Hill gossan, a surficial high-grade copper occurrence

The project area contains the Jack's Hill gossan, which was discovered in 1902. Historical exploration over the project concentrated largely on testing this gossan, which contains surficial high-grade copper carbonate/oxide material. Small-scale mining of the gossan was undertaken in the mid 1950's, with nickel mineralisation (7.6m @ 0.4% Ni, 0.2% Cu) first reported in the late 1960's around the gossaneous outcrop, but failed to locate more significant mineralisation. Limited exploration was undertaken until the 2000's, with activities in 2007 consisting of airborne magnetics, ground EM, and limited drilling (7 RC holes) reported grades up to 3.7% Cu, 0.5% Ni along with anomalous gold (+1g/t Au), platinum (+0.7g/t Pt) and silver (+14g/t Ag) values. The EM survey did not identify a conductive response under the gossan but highlighted an anomalous conductive response some ~150m to the west along strike.

Exploration in 2013 involved a VTEM survey, ground EM and drilling

More recent exploration was completed by Victory Mines (VIC.asx, currently trading suspension) in 2013. Victory flew a VTEM survey over a portion of the project area and identified several VTEM targets; five were followed up with ground EM and four RC holes were drilled.

Fig. 2: Airborne VTEM Survey (LHS); Ground FLEM Survey and RC drilling (RHS)



Source: Victory Mines ASX releases 2013; EM image annotated by Hartleys Research

The VTEM survey identified several EM targets; five were followed up with ground EM and four RC holes were drilled

Two of the RC holes into two separate targets intersected encouraging nickel sulphide mineralisation with Target 1A reporting 6m @ 0.45% Ni and 0.13% Cu from 107m; and Target 2 reporting 2m @ 0.22% Ni, 0.07% Cu from 148m; 3m @ 1.3% Ni and 0.21% Cu from 151m; 2m @ 0.3% Ni and 0.24% Cu from 156m and 12m @ 0.39% Ni and 0.14% Cu from 191m.

Nickel sulphide mineralisation was encountered

With no significant results reported from the single holes into Targets 4 and 5. The largest conductor and the most intense conductor could not be drill-tested at the time of the program. Upon completion of the drilling Victory had to pay A\$250K to maintain its option on the project and withdrew stating “drilling results downgrade the project significantly”, which appears baseless.

Fig. 3: Double Magic Project – Ruins Dolerite



Site photo standing on top of the Ruins Dolerite the prospective host for nickel-copper sulphide mineralisation

Source: Hartleys Research field visit image - 2015

Tectonic setting a potential analogue to Savannah

Double Magic is in a similar geological setting to PAN's Savannah nickel-copper mine

The Double Magic Nickel Project is located within a tectonic setting, in similar aged rocks as Panoramic Resources Ltd (PAN.asx) Savannah nickel-copper mine. Double Magic lies within the King Leopold Orogen, whereas, Savannah lies within the Halls Creek Orogen (Fig.1).

Savannah was originally called Sally Malay

Australia's nickel sulphide deposits have been described to be associated with ultramafic and/or mafic igneous rocks in 3 major geo-tectonic settings (information sourced from to GSWA and Geoscience Australia):

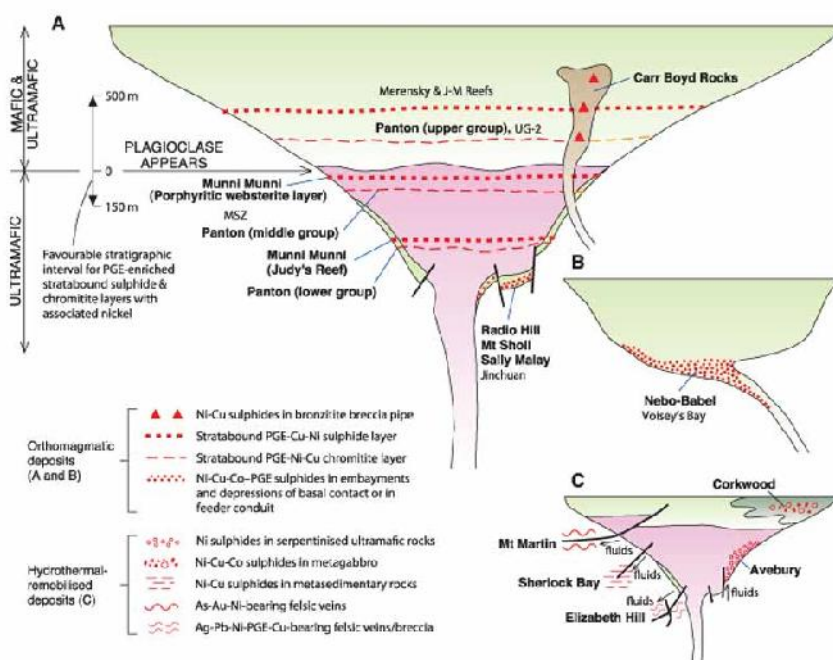
- 1) Archaean komatiites emplaced in rift zones of granite–greenstone belts;
- 2) Precambrian tholeiitic mafic–ultramafic intrusions emplaced in rift zones of Archaean cratons or Proterozoic orogens;
- 3) Hydrothermal-remobilised occurrences with no apparent age or tectonic constraints.

The Savannah nickel-copper-cobalt deposit, which was originally called Sally Malay falls within Group 2) mafic-ultramafic intrusion emplaced within a Proterozoic orogen (Halls Creek Orogen). The orebody is represented by an accumulation of massive and disseminated sulphides in a depression along the basal contact of the mafic-ultramafic intrusion, as displayed in Fig. 4.

Buxton's exploration model for accumulations of nickel-copper sulphides at Double Magic will be largely built around Savannah-style mineralisation

Savannah provides a good geological analogue and model for Double Magic

Fig. 4: Tholeiitic and hydrothermal mineralising systems



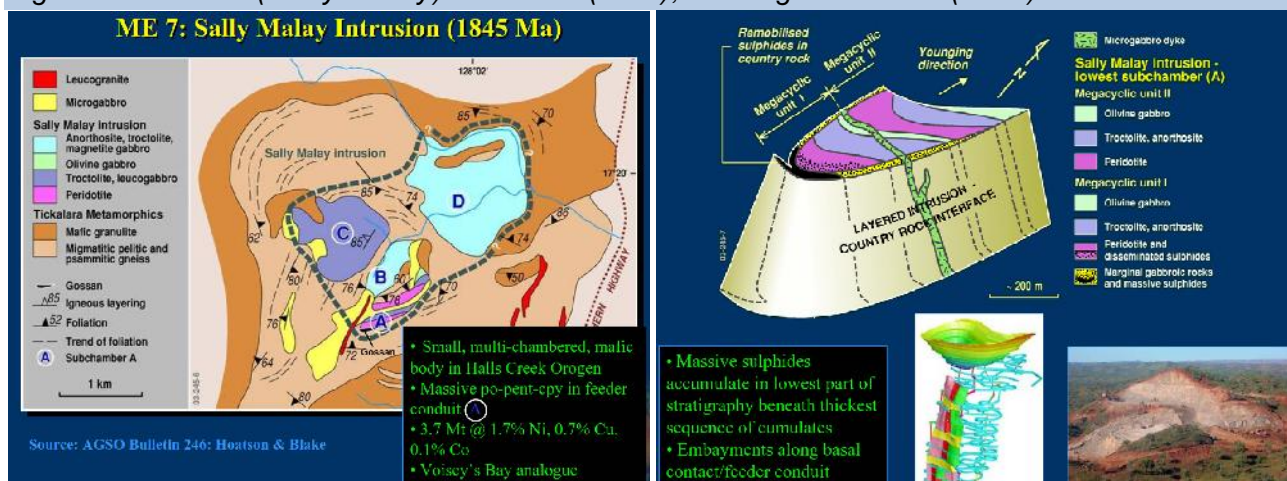
Savannah was discovered in 1973 by Anglo American and acquired by PAN in 2001

Open pit mining and processing to produce nickel-copper-cobalt concentrates commenced in 2004

Source: Geoscience Australia; **A.** Massive and disseminated sulphides in feeder conduit and/or depressions along basal contacts of mafic±ultramafic intrusions

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.

Fig. 5: Savannah (Sally Malay) Intrusion (LHS); Geological Model (RHS)



Source: Geoscience Australia

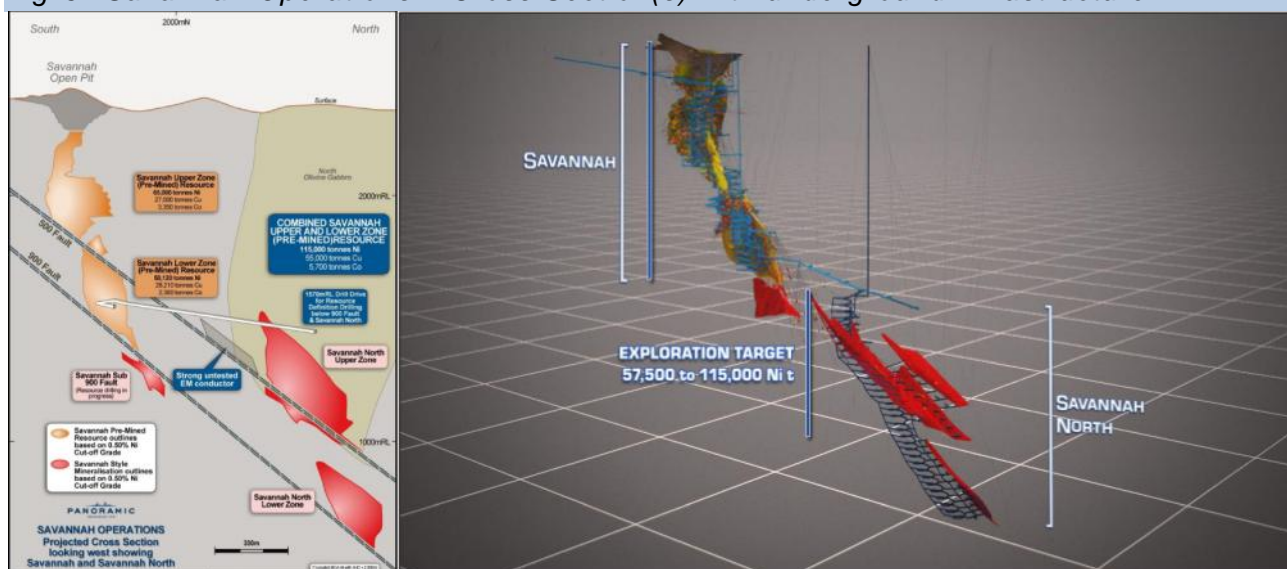
Savannah has been mined for over 10 years and still has reserves for another 3 years

Recent exploration success at Savannah North should extend mine life

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.

After over 10 years of mining, the Savannah project reserves are 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 3.91Mt @ 1.4% Ni, 0.9% Cu, 0.07% Co for 56.3Kt of Ni, 34.3Kt of Cu, and 2.8Kt 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.

Fig. 6: Savannah Operations – Cross Section(s) with underground infrastructure



Source: Panoramic Resources Limited

Further Work

Finalisation of the project acquisition is now subject to a 14-day due diligence period. During this time, Buxton plans to undertake an additional review of historical exploration and commence planning of field-based activities.

Assuming a favourable outcome of due diligence, exploration is expected to commence in the coming weeks

We would anticipate, due to the extensive outcrop across the project area that initial works will include geological mapping and sampling, more detailed ground-based EM prior to drilling. Buxton has airborne VTEM and ground-based EM data to reprocess and reinterpret. The Company already has untested conductors (walk-up targets) to drill, providing discovery potential of more significant nickel-copper sulphides.

Nickel exploration remains the key focus for Buxton with the new nickel project in the Kimberley region adding to the Company's portfolio of prospective ground within the Fraser Range region.

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. 7: 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 ~\$1.3m. 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.
Discovery Success	Med-High	Low-Med	Though the Company has some good targets this does not guarantee success. 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.

Conclusion

At this stage we consider the assumptions have a low 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.

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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