

BUXTON RESOURCES LTD (BUX)

More magmatic nickel sulphides confirmed at Zanthus

Buxton Resources recently completed a second phase of RC drilling at the Zanthus project in the Fraser Range. A total of six reverse circulation (RC) holes for 1,128m were drilled testing a number of electromagnetic (EM) conductors. The majority of the conductors were explained by graphite or iron sulphide accumulations.

A number of mafic-ultramafic units containing magmatic nickel sulphides were encountered in the drilling, but no economic grades have as yet been defined. Drilling at the Oaktree North prospect reported a nickel sulphide zone of 1m @ 0.11% Ni, 63ppm Cu from 202m (ZRC090) but the conductor tested was likely explained by a graphite horizon intersected at 134-158m. The highest nickel values were reported from drilling of target ZV07 with 7m @ 0.13% Ni from 158m; including 3m @ 0.19% Ni from 162m. The finely disseminated nickel mineralisation encountered further highlights a fertile magmatic system which has the potential to host higher grade mineralisation.

With the prospectivity of the project area further enhanced, Buxton recently completed moving loop electromagnetic (MLEM) surveys and detailed airborne magnetic surveys to generate new targets for drill-testing.

EM surveys define 7 new conductors for further work

The recently completed ground-based EM survey has identified seven new conductors at Zanthus, with two of these conductors considered to be high-priority targets. Conductors ZM07 and ZM02 have been assigned as priority one targets with moderate to high conductance, which have the potential to be caused by massive sulphide accumulations.

Anomaly ZM07 represents a large conductor (conductance of 850S) modelled at a depth of ~550m which is coincident to a magnetic and gravity anomaly potentially related to an intrusion. Anomaly ZM02 represents a discrete target of high conductance (1000S) modelled at a depth of ~200m below surface. The new conductors are planned to be tested by drilling in the first half of 2015.

Petrographic analysis confirm early "primary" magmatic Ni-Cu

Petrographic analysis on the mafic and ultramafic rocks recently intersected has confirmed the presence of early "primary" magmatic nickel-copper sulphides at several locations within the project area. Further, more-detailed studies are underway on these areas to better understand the magmatic system and assist in the process of locating potentially economic mineralisation.

Fraser Range still a good address for nickel

Buxton has highly prospective ground within the Fraser Range which has been further validated by recent drilling and new EM surveys. Further work is now required to locate potential zones of massive sulphide (higher-grade areas). New priority EM conductors will be drill-tested in the New Year.

Buxton has a low market capitalisation of ~\$6m (EV of ~\$4m), and priority targets which could translate to a new nickel-copper discovery. We estimate cash at the end of DecQ to be ~\$1.6m, providing some funding for ongoing exploration. We maintain our Speculative Buy recommendation.

16 Dec 2014

Share Price (last): \$0.090

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

Base metal explorer in the Fraser Range WA. Drilling has confirmed magmatic nickel sulphides. New EM conductors to be tested in next phase of work. Also has exposure to a high-grade graphite project in WA.

Issued Capital

- ordinary	63.8m
- ITM diluted	64.3m

Market Cap

- ordinary	\$5.7m
- ITM diluted	\$5.8m

Cash (31 Dec '14e) \$1.6m

EV \$4.1m

- fully diluted	\$4.2m
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Main Projects

<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)	13.6%
Montezuma Mining Company	3.7%

Company Address

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

Author:

Mike Millikan

Resources Analyst

Ph: +61 8 9268 2805

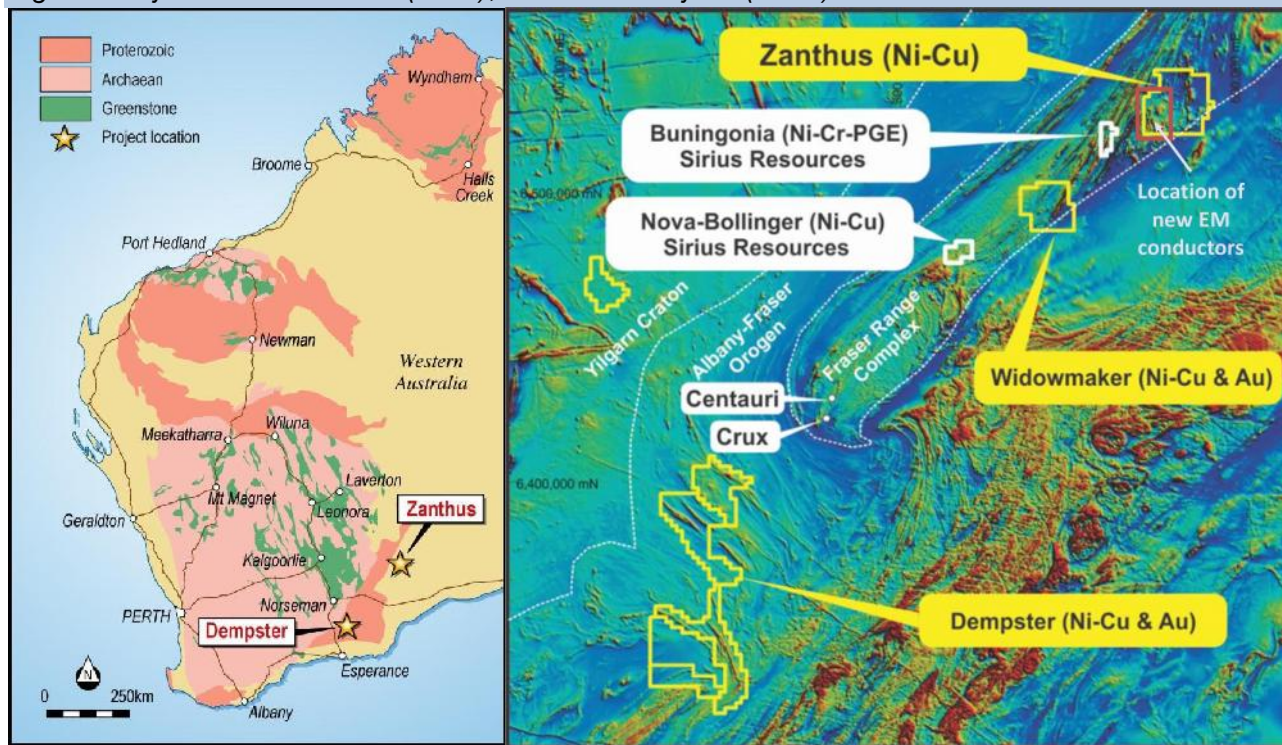
 E: mike_millikan@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Buxton Resources, 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

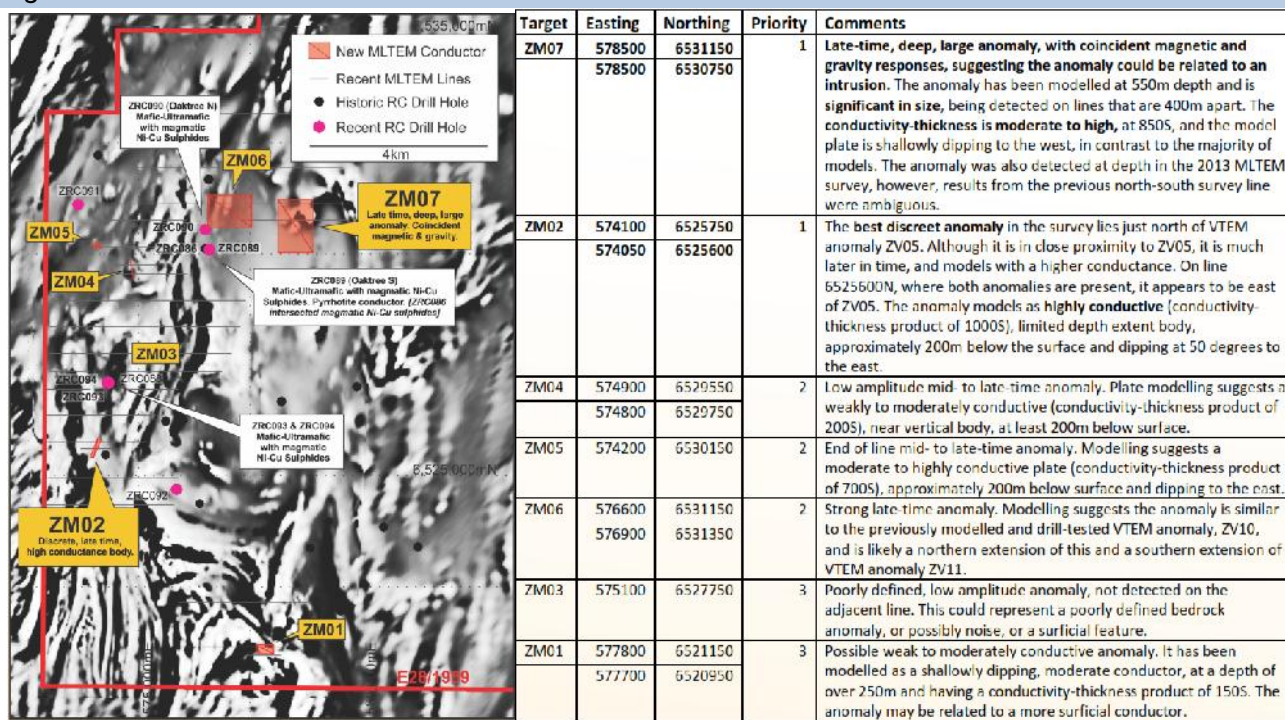
Buxton Resources Limited		Share Price		Dec-14	
BUX		\$0.090		Speculative Buy	
Key Market Information				Directors	
Share Price		\$0.090		Company Details	
Market Capitalisation		\$6m		1st Fl, 14-16 Rowland St, Subiaco, WA, 6008	
Net Debt (cash)		-\$1.6m		+61 8 9380 6063	
Issued Capital		63.8m		www.buxtonresources.com.au	
Issued Capital (fully diluted ITM options)		64.3m			
Options	19.03m @ A\$0.39				
Issued Capital (fully diluted all options)		82.9m			
EV		\$4.1m			
Valuation		N/A			
12Mth Price Target		N/A			
Projects				Top Shareholders	
Interest	Location	Commodity		m shs	%
Zanthus	100%	WA	Ni, Cu, Fe	8.67	13.6%
Widowmaker	100%	WA	Ni, Cu	2.37	3.7%
Yalbra	85%	WA	Graphite	2.20	3.4%
Dempster	90%	WA	Au, Ni		
Northampton	100%	WA	Base Metals		
Resources				Investment Summary	
Mt	Grade	Metal	Attr.	Exposure to early-stage base metal exploration in the Fraser Range. Multiple drill-ready targets providing strong newsflow and potential for discovery. Portfolio of opportunities including an high-grade graphite project.	
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	Q4 CY14	Graphite resource update - completed Yalbra
Total Costs	na	na	na	Q4 CY14	Appoints new CEO
EBITDA	na	na	na	Q4 CY14	Drill-testing EM targets - completed Zanthus
Deprec/Amort	na	na	na	Q4 CY14	Zanthus drill results - reported Zanthus
EBIT	na	na	na	Q4 CY14	Defines new EM targets - reported Zanthus
Net Interest	na	na	na	Q1 CY15	Zanthus full technical review - underway Zanthus
Pre-Tax Profit	na	na	na	H1 CY15	Drill-testing new EM targets - planning Zanthus
Tax Expense	na	na	na		
NPAT	loss	loss	loss	Unpaid Capital	
Abnormal Items	na	na	na	No (m)	\$ (m)
Reported Profit	loss	loss	loss	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 H1 CY15. Leveraged to exploration success/improved market sentiment.	
Analyst: Mike Millikan				Last Updated: 16/12/2014	
Phone: +61 8 9268 2805					
Sources: IRESS, Company Information, Hartleys Research					

Fig. 1: Project Location WA (LHS); Zanthus Project (RHS)



Source: Buxton Resources Limited

Fig. 2: New MLEM Conductors at Zanthus



Source: Buxton 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. 3: Key Risks

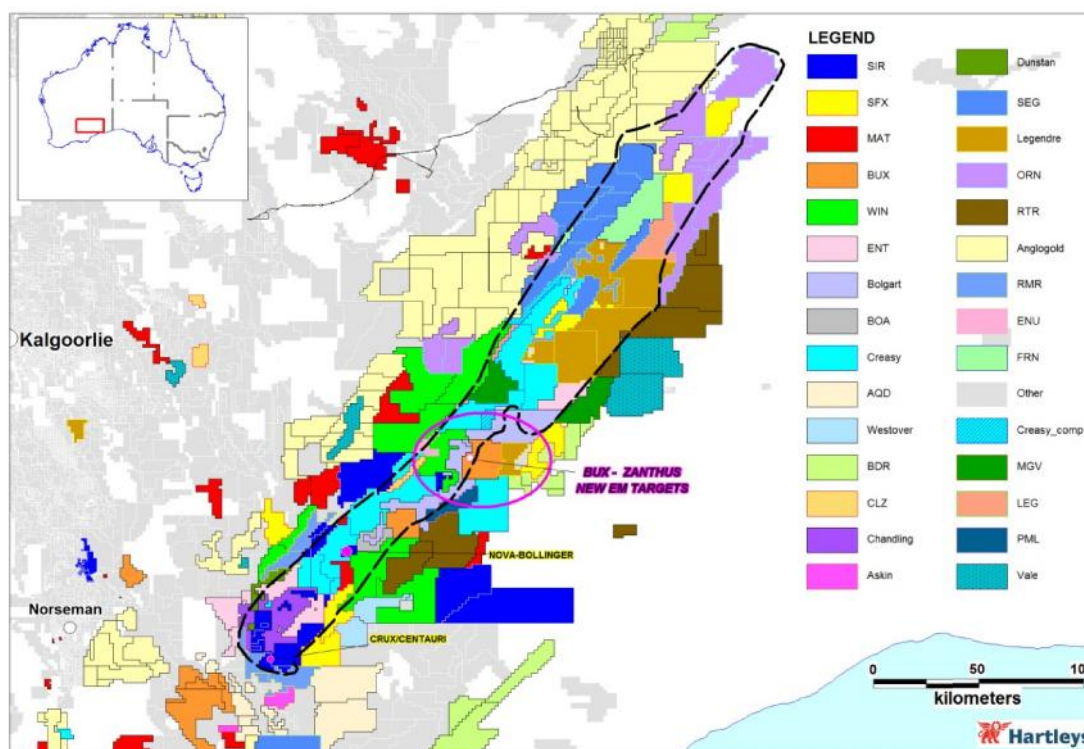
Assumption	Risk of not realising assumption	Downside risk to share price if assumption is incorrect	Comment
Funding for ongoing exploration	Med	Med-High	We estimate BUX has a current cash position ~\$1.6m. The Company has a number of options to raise additional funds for future exploration, including 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

Fig. 4: Fraser Range Tenure Map – BUX Ground



Source: Hartleys Research

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
Scott Williamson	Resources Analyst	+61 8 9268 3045
Simon Andrew	Energy Analyst	+61 8 9268 3020
Alex Mazzeqa	Jnr Research Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Head of Corp Fin.	+61 8 9268 2851
Richard Simpson	Director –Corp. Fin.	+61 8 9268 2824
Paul Fryer	Director–Corp. Fin.	+61 8 9268 2819
Dale Bryan	Director–Corp. Fin.	+61 8 9268 2829
Ben Wale	Snr Mgr–Corp. Fin.	+61 8 9268 3055
Ben Crossing	Snr Mgr – Corp.Fin.	+61 8 9268 3047
Stephen Kite	Snr Mgr- Corp. Fin.	+61 8 9268 3050
Scott Weir	Snr Mgr- Corp. Fin.	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges Tce Postal Address:

PerthWA 6000 GPO Box 2777
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 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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Samuel Williams	+61 8 9268 3041