

BUXTON RESOURCES LTD (BUX)

West Kimberley and Fraser Range Targets to Test

Buxton Resources (BUX) continues to work with its strategic partner and major shareholder Independence Group (IGO) on exploration within the highly prospective West Kimberley and Fraser Range Provinces of WA. Exploration has a key focus on the discovery and definition of magmatic nickel (copper-cobalt) sulphides, to capitalise on the anticipated surge in growth from the lithium-ion battery sector, driven largely from electric vehicles (EV).

BUX secured its latest arrangement with IGO over the West Kimberley ground in late CY18, with IGO taking a 15% stake in the Company (\$4M at 20cps), an earn-in option to form a JV over the Merlin (Double Magic) ground and earn-in JV over the regional West Kimberley ground (outside Double Magic). Previous exploration by BUX has confirmed significant nickel-copper sulphide mineralisation at Merlin, with drilling completed in CY18 returning some of the best results to date for the project. With technical and financial support from IGO exploration activities at Merlin are now planned to be accelerated.

Unfinished business in the West Kimberley

West Kimberley exploration is expected to recommence in Q2 CY19, consisting of deep penetrating ground EM (SQUID), followed by drilling (target-testing) and downhole EM potentially in early Q3 CY19. IGO has a 24 month option period over the Double Magic/Merlin project area, in which time to decide on formalising a 70:30 JV. BUX remains managers during the earn-in period, and if successful will have a 30% free-carried interest through the completion of development studies (FS). Over the greater West Kimberley project area, in which IGO are earning in for 80% interest and are managers (BUX free carried through to mine decision) aerial geophysics, mapping and sampling are proposed to be completed in CY19.

Priority drill targets along strike of the Silver Knight discovery

BUX and IGO formed an exploration JV over 2 tenements (Widowmaker and Zanthus) within the Fraser Range in 2016, with BUX retaining a 10% free-carried interest through to a decision to mine. All exploration is funded and managed by IGO, with recent activities defining 5 priority drill targets (Solar, Ecliptic, Celestial, Nebula and Quasar) within the Widowmaker ground.

Two of these targets (Solar and Ecliptic) are along trend from the neighbouring Creasy Group Silver Knight discovery, which appears to be a significant new nickel-copper sulphide discovery within the belt. Silver Knight has a JORC resource (maiden) of 4.2Mt grading 0.8% Ni 0.6% Cu and 0.04% Co, with 0.2Mt grading 3.0% Ni, 1.9% Cu and 0.17% Co contained within massive sulphides. Silver Knight is located ~25km north-east of Nova. Aircore drilling by IGO has confirmed anomalous nickel and copper values within prospective ultramafic rocks at Ecliptic, and a large, but deep EM conductor (+2km long plate at depths of +1,100m) has been identified at Solar. Deep diamond drilling to test this conductor at Solar is planned this quarter (MarQ).

We maintain our **Speculative Buy** recommendation on BUX, with a latest price target of 26cps. BUX has cash of +A\$5M, some of which will be used for Merlin exploration in CY19, while IGO funds West Kimberley regional and Fraser Range exploration (ongoing target testing). While BUX's interest in future (potential) production is diminished, it appears to be sensible funding option, being largely free-carried through to potential development decisions.

19 Mar 2019

Share Price (last):	\$0.125
Price Target - 12 months:	\$0.26

Brief Business Description

Junior nickel-copper explorer

Hartleys Brief Investment Conclusion

Looking to accelerate Ni-Cu exploration at Double Magic/Merlin, with IGO earn-in option. IGO also funding West Kimberley and Fraser Range work, with BUX free-carried interest through to completion of FS. Further target-testing planned for CY19.

Issued Capital

- ord shares	136.1m
- ITM ops diluted	143.4m
- fully diluted	155.9m

Market Cap

- ord shares	\$17.0m
- ITM ops diluted	\$17.9m
- fully diluted	\$19.5m

Cash (est)

	\$5.4m
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EV

- ord shares	\$11.6m
- ITM ops diluted	\$11.6m
- fully diluted	\$11.1m

Main Projects

Double Magic/Merlin	Base Metals (Ni, Cu)
West Kimberley	Base Metals (Ni, Cu)
Zanthus (FRJV)	Base Metals (Ni, Cu)
Widowmaker (FRJV)	Base Metals (Ni, Cu)
Yalbra	Graphite

Board & Management

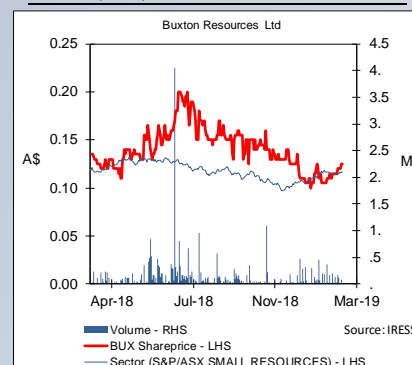
Seamus Cornelius (NE Chairman)
Eamon Hannon (MD)

Top Shareholders

Independence Group	15.0%
National Business Holdings (VU) Ltd	8.0%
Directors & Management	2.0%

Company Address

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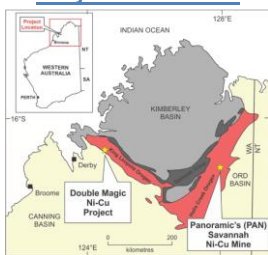
The analyst has a beneficial interest in BUX shares.

SUMMARY PAGE

Buxton Resources Limited BUX		Share Price \$0.125		Mar-19 Speculative Buy	
Key Market Information					
Share Price	\$0.125				
Market Capitalisation	\$17.0m				
Net Cash (debt)	\$5.4m				
Issued Capital	136.1m				
Issued Capital (fully diluted ITM options)	143.4m				
Issued Capital (fully diluted)	155.9m				
Options	19.80m @ A\$0.15				
EV - ords	\$11.6m				
EV - ITM options	\$11.6m				
EV - fully diluted	\$11.1m				
12Mth Price Target	\$0.26				
Projects					
	BUX	IGO	Location	Commodity	
Double Magic/Merlin*	100%	0%	WA	Ni, Cu	
West Kimberley**	100%	0%	WA	Ni, Cu	
Zanthus (FRJV) ***	10%	90%	WA	Ni, Cu, Fe	
Widowmaker (FRJV)***	10%	90%	WA	Ni, Cu	
Yalbra	100%	0%	WA	Graphite	
* <i>Double Magic/Merlin</i> : option for IGO to earn 70% by spending A\$8M in 4 yrs, after interest earned, BUX free carried to completion of DFS.					
** <i>West Kimberley</i> : IGO can earn 80% by spending A\$3M in 4 yrs, after interest earned, BUX free-carried to completion of DFS.					
*** <i>Fraser Range JV</i> : IGO 90%, BUX 10% free-carried to decision to mine.					
Resources					
	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					
	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F
Net Revenue	0.03	0.02	na	na	na
Total Costs	-2.59	-3.45	na	na	na
EBITDA	-2.57	-3.43	na	na	na
Deprec/Amort	-0.02	-0.02	na	na	na
EBIT	-2.58	-3.46	na	na	na
Net Interest	0.02	0.05	na	na	na
Pre-Tax Profit	-2.56	-3.41	na	na	na
Tax Expense	0.00	0.00	na	na	na
NPAT	-2.56	-3.41	loss	loss	loss
Abnormal Items	1.50	0.15	na	na	na
Reported Profit	-1.06	-3.26	loss	loss	loss
Directors					
Seamus Cornelius (NE Chairman)			1st Floor, 14-16 Rowland St,		
Eamon Hannon (MD)			Subiaco, WA, 6008		
Anthony Maslin (NED)			+61 8 9380 6063		
Feng (Frank) Xue (NED)					
Stuart Fogarty (NED)			www.buxtonresources.com.au		
Company Details					
Top Shareholders (est)					
	m shs		%		
Independence Group	20.41		15.0%		
National Business Holdings (VU) Ltd	10.84		8.0%		
Directors & Management	2.72		2.0%		
Investment Summary					
Exposure to base metal (nickel-copper) exploration in the West Kimberley and Fraser Range of WA.					
Multiple drill-ready targets providing strong newsflow and has already discovered potentially significant nickel-copper mineralisation.					
Portfolio of opportunities including high-grade graphite project.					
Newsflow					
	Project				
Q1 CY19	Solar drill-testing		Widowmaker (FR)		
Q2 CY19	SQUID Ground EM		Merlin (WK)		
Q3 CY19	Target drill-testing		Merlin (WK)		
Q3/Q4 CY19	Review results, follow-up activities		Merlin (WK)		
CY19	Ongoing target generation		WK and FR		
Unpaid Capital					
	No (m)	\$ (m)	Ave Pr	% Ord	
Options					
30-Jun-19	1.50	0.2	0.13	1%	
30-Jun-20	12.95	1.7	0.13	10%	
30-Jun-21	5.35	1.0	0.19	4%	
Total	19.80	2.9	0.15	15%	
Comments					
Looking to accelerate Ni-Cu exploration at Double Magic/Merlin, with IGO earn-in option. IGO also funding West Kimberley and Fraser Range work, with BUX free-carried interest through to completion of FS. Further target-testing planned for CY19.					
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Last Updated: 20/03/2019					
Sources: IRESS, Company Information, Hartleys Research					

BUX secured a 100% interest in the initial Double Magic Project in April 2015

Project Location



Source: BUX

All EM conductors (airborne, ground and down-hole) drill-tested to date at Merlin have proven to be related to nickel-copper sulphide mineralisation

BUX recently secured some additional ground from New World Cobalt, which are adjacent to the Merlin project area, paying 1.3M BUX shares and future milestone payments should drilling achieve certain thickness and grade, and a JORC resource is ultimately defined

WEST KIMBERLEY WA

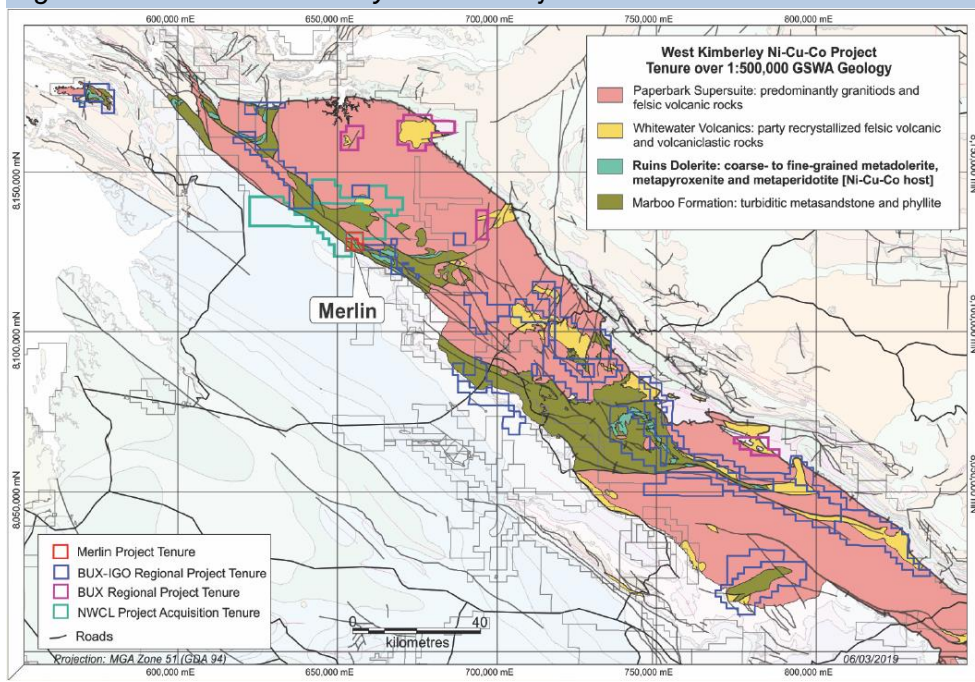
BUX's West Kimberley ground holdings offers belt-scale opportunities for nickel-copper-cobalt sulphide deposits, with the Merlin prospect (Double Magic) the most advanced. Double Magic is situated ~100 km NE of Derby and lies within a similar tectonic setting as Panoramic Resources (PAN) Savannah Ni-Cu-Co mine. Double Magic lies within the King Leopold Orogen, whereas, Savannah falls within the Halls Creek Orogen.

BUX entered into binding agreements with IGO to advance the exploration of Merlin (Double Magic) and the greater West Kimberley ground in late Nov'18. Under the terms of the deal, IGO subscribed to 15% of BUX via the placement of 20.4M shares at 20cps to raise ~A\$4M. IGO also committed to BUX to underwrite any rights issue to the value of \$2.28M within 12 months. The majority of the proceeds will be used to fund the next round of exploration at the Merlin.

Furthermore, BUX granted IGO a 24-month option, whereby IGO can earn-in and ultimately achieve a 70% JV interest in the Merlin (Double Magic) by spending A\$8M over 4 years, and then BUX is free-carried to a completion of Feasibility Study.

An additional agreement has signed between the two companies, where IGO can earn in and achieve an 80% interest in BUX's regional ground in the West Kimberley (outside of the Merlin (Double Magic) via spend of A\$3M also over 4 years. Once the 80% interest has been reached, BUX will be free carried through to Feasibility.

Fig. 1: West Kimberley Ni-Cu Project Location –WA



Source: Buxton Resources Limited

West Kimberley exploration is expected to recommence in Q2 CY19, consisting of deep penetrating ground EM (SQUID), followed by drilling (target-testing) and downhole EM potentially in early Q3 CY19.

Over the greater West Kimberley project area, aerial geophysics, mapping and sampling are proposed to be completed in CY19.

FRASER RANGE WA

BUX and IGO formed a JV over BUX's Fraser Range tenure in 2016

In August 2016, BUX entered into a JV arrangement with IGO, whereby IGO acquired 90% interest in BUX's Fraser Range tenements (Zanthus and Widowmaker) by paying A\$1.5M cash. IGO covers all exploration expenditure, and if successful, and warranted, finances full feasibility studies through to a decision to mine, while BUX retains a free-carried project interest of 10%.

If the decision to mine is achieved, BUX may elect to participate, sell its interest to IGO at market value, or dilute to an undisclosed NSR. IGO is the owner of the only nickel and copper processing infrastructure (Nova) within the Fraser Range region, which has strategic significance in our opinion, providing a clear pathway to potential commercialisation, if further exploration success can be delivered.

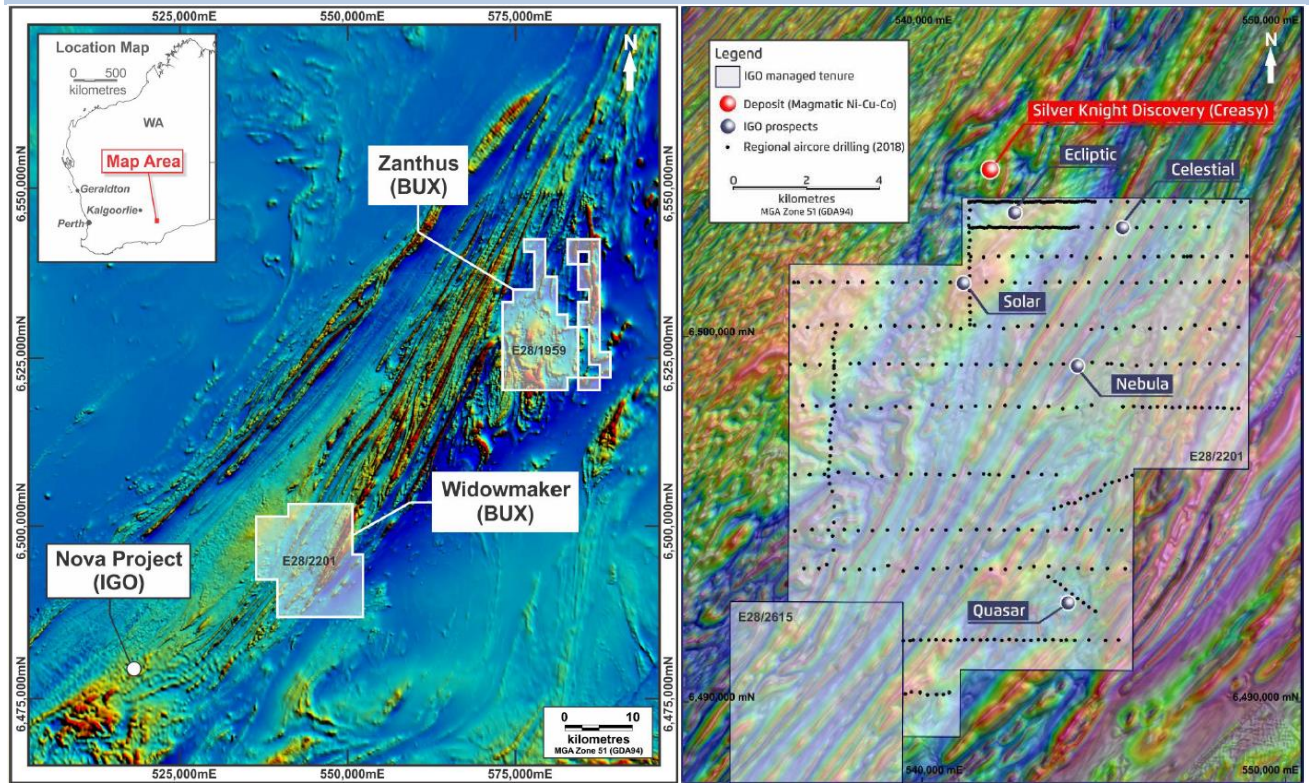
Exploration has been early stage but some priority targets are now being tested by drilling

BUX's exploration tenure is however, early stage with previous exploration confirming prospective mafic-ultramafic units containing magmatic nickel sulphides (fertile) from previous drilling, but no economic grades have as yet been defined.

Recent exploration activities completed by IGO, defined 5 priority drill targets (Solar, Ecliptic, Celestial, Nebula and Quasar) within the Widowmaker ground. Two of these targets (Solar and Ecliptic) are along trend from the neighbouring Creasy Group Silver Knight discovery (located ~25km north-east of Nova), which appears to be a significant new nickel-copper sulphide discovery within the belt.

Aircore drilling by IGO has confirmed anomalous nickel and copper values within prospective ultramafic rocks at Ecliptic, and a large, but deep EM conductor (+2km long plate at depths of +1,100m) has been identified at Solar. Deep diamond drilling to test this conductor at Solar is planned this quarter (MarQ).

Fig. 2: Fraser Range Exploration – JV Tenure (LHS) and Widowmaker prospects (RHS)



Source: Buxton Resources Limited

PRICE TARGET – HIGHLY SPECULATIVE

Our BUX price target is considered highly speculative.

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.

Our BUX price target is considered highly speculative

BUX's Fraser Range exploration tenure (Zanthus and Widowmaker) is considered early stage with prospective mafic-ultramafic units containing magmatic nickel sulphides (fertile) confirmed, but no economic grades have as yet been defined. Recently completed exploration by IGO has defined 5 priority targets within the Widowmaker ground, with one of these targets (Solar) currently being drill-tested. 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 has current estimated cash of ~A\$5.4M

The Savannah nickel-copper mine (owned by PAN) is considered a good potential exploration analogue for comparison purposes to Merlin (Double Magic). Double Magic is currently 100%-owned by BUX and the mineralisation at Merlin is regarded as typical magmatic nickel-copper in massive sulphides (with cobalt) and lies within a similar tectonic setting to Savannah. Savannah has now been restarted and has targeted annual production of 10.8kt nickel, 6.1kt copper and 0.8kt cobalt over a +8 year mine life.

Prospectivity remains high

Our latest price target for BUX of 26cps is derived from a change in potential project interest, a heavily risked cashflow analysis of a Savannah-like nickel-copper operation at Merlin (assuming discovery), peer metric analysis and perception of exploration value in the search of new deposits.

Current cash backing is around 4cps.

Latest price target of 26cps (down from 40cps)

Fig. 3: Hartleys BUX Price Target

Price Target Methodology	Weighting	19/03/2019	12 Month
Peer metric - Discovery Savannah-like operation 30% BUX	10%	\$0.64	\$0.67
Peer metric - nickel prod/dev/expl (median)	50%	\$0.23	\$0.24
Exploration value	35%	\$0.19	\$0.20
Cash Backing	5%	\$0.04	\$0.04
Risk weighted composite		\$0.25	
12 Months Price Target		\$0.26	
Shareprice - Last		\$0.125	
12 mth total return (% to 12mth target + dividend)		107%	

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. 4: 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 +\$5M. 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 appears funded for ongoing exploration, and its strategic partner IGO has agreed to underwrite any future capital raised within the next 12 months, up to ~A\$2.3M.
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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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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