

BUXTON RESOURCES LTD (BUX)

Strong gravity feature at the heart of Merlin

Buxton Resources (BUX) has identified a large gravity high, centrally located to the key Merlin prospect, contained within the 100%-owned Double Magic Nickel-Copper Project in WA.

The strong gravity feature highlights that the depth potential of the mineralised system is yet to be tested and importantly that the magmatic system appears intact. In addition, recently completed ground electromagnetics (EM) has better defined multiple conductors, extending some known targets and identifying new anomalies which are yet to be tested.

All of the EM conductors correlate well with gravity highs (dense rocks) and to date, all EM targets drilled at Merlin have been associated with nickel-copper sulphide mineralisation, which bodes well for drilling.

Drilling to commence in July vectoring in on massive sulphides

BUX expects drilling to commence in July, with planning now underway to refine drill positions and target depths. The drill program will test extensions to know mineralisation, new conductors at depth, potential EM "blind spots" and key gravity features. Completed drill holes will also be followed up with downhole electromagnetics (DHEM) to identify additional conductive features (additional mineralised zones).

Largest gravity high located below EM detection limits

The strongest and largest gravity high has been interpreted to sit below the current detection limits of the completed EM and further modelling is required to determine depth to the top of this priority feature.

It is also interesting to note, that all of the conductors identified thus far appear to be plunging towards this untested target, which has been interpreted by the Company to be a possible source (or feeder zone) for the magmatic nickel-copper sulphides. Ground EM is thought to have effective penetration of <400m depths in the project area, but EM blind spots are also present below or near existing high conductive targets.

Belt scale potential for the Ruins Dolerite provides upside

BUX now controls over 820km² of tenure (100% owned) along some 250km of strike of the highly prospective Ruins Dolerite (host unit). The new nickel-copper belt offers province-scale potential but remains under explored.

BUX plans to complete airborne magnetics and helicopter-borne EM over the Sentinel Project in the SepQ, with field mapping and sampling to follow. Sentinel has seen no modern exploration but contains extensive mapped Ruins Dolerite with confirmed mafic and ultramafic lithologies. The project area also has major structures which could provide the right geological setting for further nickel-copper sulphide mineralisation.

High-impact drill-testing of targets to start = Speculative Buy

We maintain our Speculative Buy on BUX, with a price target of 35cps. BUX's current cash position is ~A\$2.4M, which provides some funding for planned exploration. Double Magic Project, and in particular the Merlin prospect contains all the right ingredients for significant nickel-copper sulphide deposit(s) and we look forward to the commencement of (high impact) drilling. BUX has a tight capital structure with only 110M shares currently on issue, which provides good leverage to exploration success.

20 Jun 2018

Share Price (last):	\$0.125
Price Target - 12 months:	\$0.35

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

Nickel-copper discoveries made at Double Magic, West Kimberley. Exploration JV with IGO in the Fraser Range. More quality target to test at Double Magic.

Issued Capital

- ord shares	110.9m
- ITM ops diluted	118.2m
- fully diluted	130.7m

Market Cap

- ord shares	\$13.9m
- ITM ops diluted	\$14.8m
- fully diluted	\$16.3m

Cash (est)

\$2.4m

EV

- ord shares	\$11.5m
- ITM ops diluted	\$11.5m
- fully diluted	\$10.8m

Main Projects

<i>Double Magic</i>	Base Metals (Ni, Cu)
<i>Fraser Range JV</i>	Base Metals (Ni, Cu)
<i>Yalbra</i>	Graphite
<i>Dempster</i>	Gold, Nickel

Board & Management

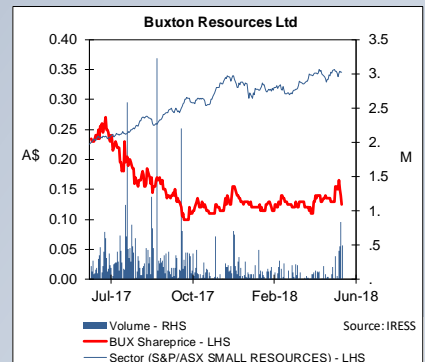
Seamus Cornelius (NE Chairman)
Eamon Hannon (MD)

Top Shareholders

National Business Holdings (VU) Ltd	9.8%
Directors & Management	2.6%

Company Address

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



Author:

Mike Millikan
Resources Analyst
Ph: +61 8 9268 2805
E: mike.millikan@hartleys.com.au

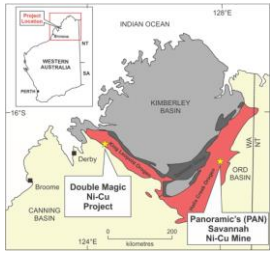
Hartleys has provided corporate advice within the past 12 months to Buxton Resources Ltd (BUX), for which it has earned fees. The analyst has a beneficial interest in BUX shares.

SUMMARY PAGE

Buxton Resources Limited BUX		Share Price \$0.125				Jun-18 Speculative Buy						
Key Market Information						Directors						
Share Price	\$0.125						Company Details					
Market Capitalisation	\$13.9m						1st Floor, 14-16 Rowland St, Subiaco, WA, 6008 +61 8 9380 6063					
Net Cash (debt)	\$2.4m						www.buxtonresources.com.au					
Issued Capital	110.9m											
Issued Capital (fully diluted ITM options)	118.2m											
Issued Capital (fully diluted)	130.7m											
Options	19.87m @ A\$0.16											
EV - ords	\$11.5m						Top Shareholders (est)					
EV - ITM options	\$11.5m						m shs %					
EV - fully diluted	\$10.8m						National Business Holdings (VU) Ltd 10.84 9.8%					
12Mth Price Target	\$0.35						Directors & Management 2.84 2.6%					
Projects						Investment Summary						
Projects	Interest	Location	Commodity			Exposure to base metal (nickel-copper) exploration in the West Kimberley and Fraser Range of WA.						
Double Magic	100%	WA	Ni, Cu			Multiple drill-ready targets providing strong newsflow and has already discovered potentially significant nickel-copper mineralisation.						
Zanthus*	10%	WA	Ni, Cu, Fe			Portfolio of opportunities including high-grade graphite project.						
Widowmaker*	10%	WA	Ni, Cu									
Yalbra	100%	WA	Graphite									
Dempster	90%	WA	Au, Ni									
* Fraser Range JV with IGO (90%), BUX free-carried to decision to mine						Newsflow						
Resources						Project						
Resources	Mt	Grade	Metal	Attr.		Q2 CY18 MLEM/Gravity Survey Double Magic						
Base Metals - no JORC resources						Q3 CY18 Target drill-testing Double Magic						
Iron Ore - Magnetite						Q3/Q4 CY18 Review results, follow-up activities Double Magic						
Inferred	103.6	26.5%	Fe	100%		CY18 Ongoing target generation Double Magic						
Graphite												
Inferred	4.0	16.2%	TGC	85%								
P&L						Unpaid Capital						
	FY2016F	FY2017F	FY2018F			No (m)	\$ (m)	Ave Pr	% Ord			
Net Revenue	na	na	na			Options						
Total Costs	na	na	na			30-Jun-18 0.00 0.0 0.00 0%						
EBITDA	na	na	na			30-Jun-19 6.92 1.4 0.21 6%						
Deprec/Amort	na	na	na			30-Jun-20 12.95 1.7 0.13 12%						
EBIT	na	na	na			Total 19.87 3.2 0.16 18%						
Net Interest	na	na	na									
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									
Analyst: Mike Millikan						Comments						
Phone: +61 8 9268 2805						Exploration success already demonstrated at Double Magic. Priority targets to be drill-tested. IGO JV partner for Fraser Range tenure. Ground geophysics now completed with drilling expected to commence in July.						
Sources: IRESS, Company Information, Hartleys Research						Last Updated: 20/06/2018						

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

Project Location



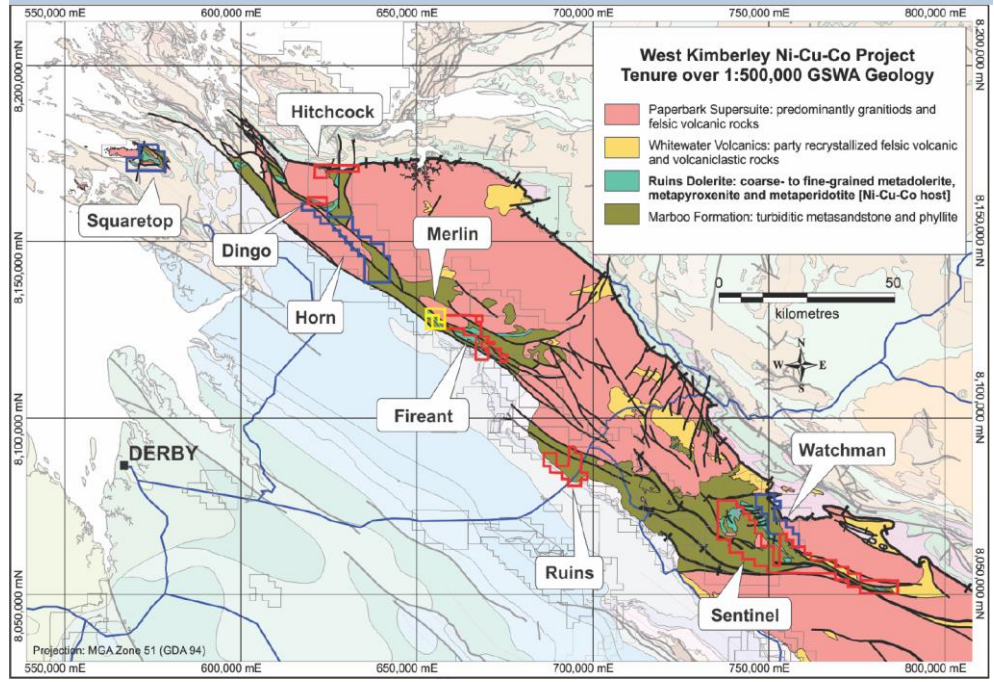
Source: BUX

All EM conductors (airborne, ground and down-hole) drill-tested to date at Merlin have proven to be related to nickel-copper sulphide mineralisation, which could bode well for the expanded EM survey

DRILLING SET TO COMMENCE AT MERLIN

BUX's West Kimberley nickel-copper-cobalt project tenure now spans ~820km², with the Double Magic project (Merlin prospect) the most advanced. Double Magic is situated ~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 lies within the Halls Creek Orogen.

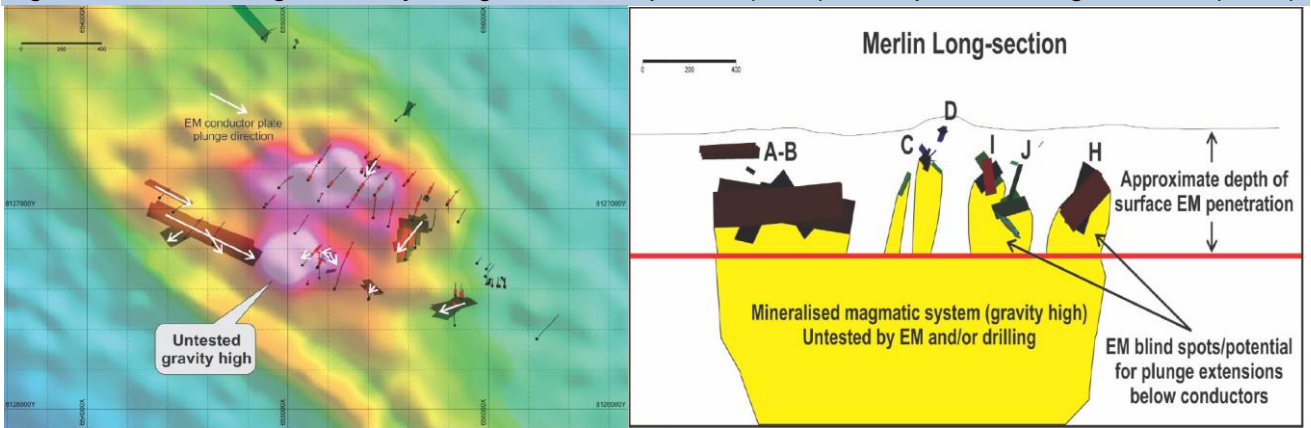
Fig. 1: West Kimberley Ni-Cu Project Location –WA



Source: Buxton Resources Limited

Final gravity and moving loop electromagnetic (MLEM) survey data was recently received by BUX and a large gravity high, centrally located to the key Merlin prospect has been identified. In addition, the MLEM has better defined multiple conductors, extending some known targets and identifying new anomalies which are yet to be tested. All of the EM conductors correlate well with gravity highs (dense rocks) and to date, all EM targets drilled at Merlin have been associated with nickel-copper sulphide mineralisation, which bodes well for drill-testing.

Fig. 2: Merlin – Large Gravity Target and EM plates (LHS); Interpreted Long Section (RHS)



Source: Buxton Resources Limited

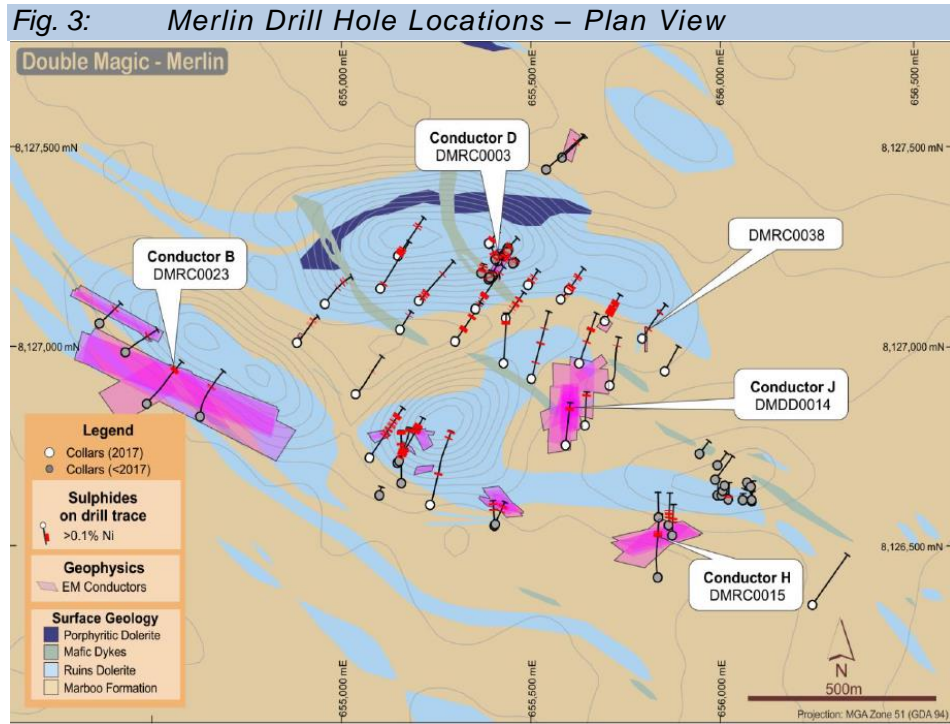
MORE DETAILED DRILLING PROPOSED

The CY17 drill program was successful in identifying a potential high-grade trend and second feeder zone within the large magmatic nickel-copper sulphide system. This new trend remains open to the south and south-west and is expected to be tested by more-detailed drilling in this field season (CY18). Drilling is expected to commence in July.

The second zone of mineralisation is ~450m south-east of the original discovery area and the refined conductor remains open to the south and south-west (down-dip)



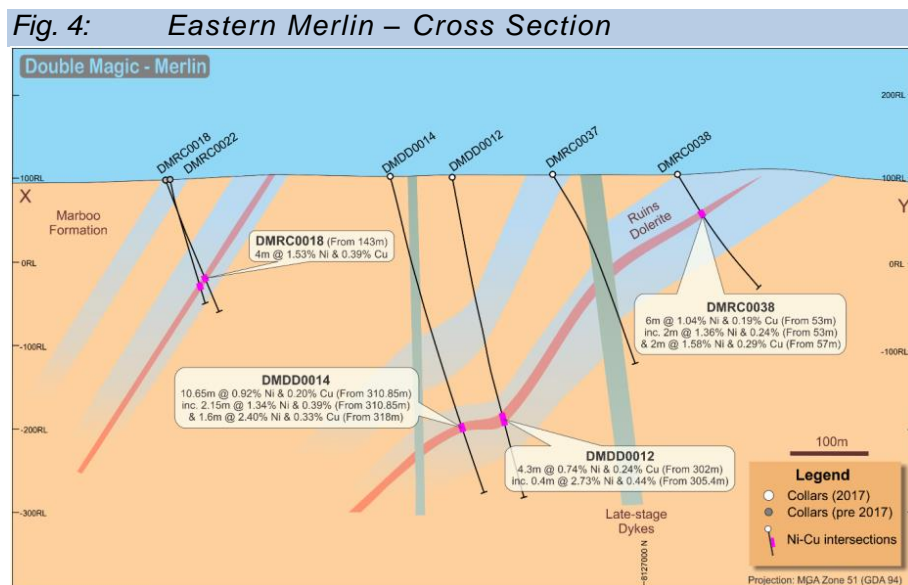
Primary brecciated, massive sulphides in DMDD0014 - sulphides in the form of pyrrhotite (Fe), pentlandite (Ni) and chalcopyrite (Cu)



Source: Buxton Resources Limited

Reported mineralisation from within the trend consists of broad disseminated zones, higher grade stringer/net textured sulphides (+1.3% Ni), and massive/brecciated sulphides (+3% Ni from the more massive zones) from three separate targets. It is important to note that nickel sulphide orebodies are closely associated with magmatic feeder zones and the identification of more massive (high-energy emplacement) sulphides provide further encouragement that the system contains ore grades and has potential for economic widths (for critical mass).

Extensional drilling along strike and down-dip of Conductor J (DMDD0014) is planned for the CY18 field season, with drilling likely to commence in June



Source: Buxton Resources Limited

The biggest breakthrough for the advancement of the project, took place at the end of the CY17 field season, when step-out hole DMDD0014 intersected a second magmatic sulphide zone containing primary net-textured and brecciated massive (nickel-copper-cobalt) sulphides while drill-testing Conductor J (modelled plate 150m x 50m). The second interpreted feeder zone is located ~450m south-east of the original discovery at Conductor D.

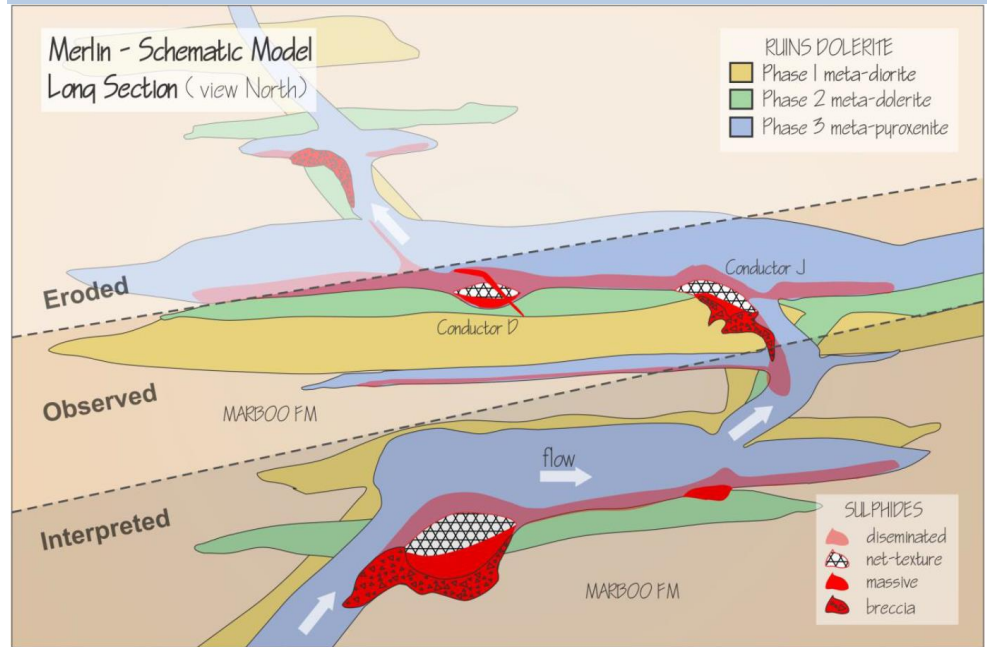
Conductor D was the discovery zone at Merlin

The mineralised zones reported 4.8m @ 1.0% Ni, 0.3% Cu and 0.03% Co from 311m (incl. **2.2m @ 1.3% Ni, 0.4% Cu and 0.04% Co**) and 3.5m @ 1.4% Ni, 0.2% Cu and 0.04% Co from 318m (incl. **1.6m @ 2.4% Ni, 0.3% Cu and 0.06% Co**). BUX recently resampled DMDD0014 as part of a metal tenor study and returned short interval results of up to 7.1% Ni, 1.4% Cu and 0.19% Co reflective of a high tenor magmatic system.

Extensional drilling along strike and down-dip of Conductor J (DMDD0014) is planned for the CY18 field season.

The discovery of primary sulphide mineralisation at Conductor J is significant and potentially provides a vector for more detailed exploration in CY18

Fig. 5: Merlin – Schematic Model – Long Section

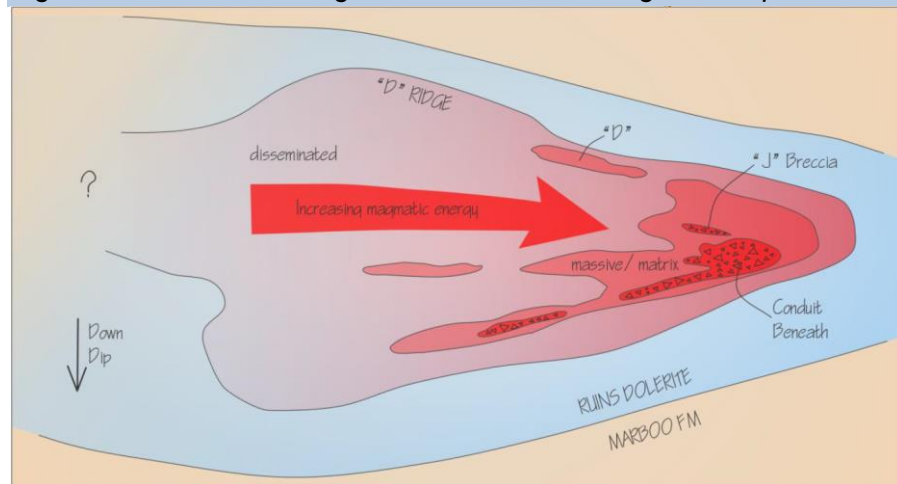


Source: Buxton Resources Limited

BUX has developed a simple model to summarise the latest interpretation of the magmatic system at Merlin.

The magmatic system is potentially increasing in energy to the east and down-dip, with the feeder zone remains the most prospective part of the system to target

Fig. 6: Merlin – Magmatic vectors for targeted exploration



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

In August 2016, BUX entered into a JV arrangement with IGO, whereby IGO acquired 90% interest in BUX's Fraser Range exploration tenure by paying A\$1.5M cash. IGO covers all exploration expenditure, and if successful, and warranted, finances full feasibility studies 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. BUX's exploration tenure (Zanthus and Widowmaker) 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.

BUX has current estimated cash of ~A\$2.4M

Prospectivity remains high

The Savannah nickel-copper mine (owned by PAN) is considered a good potential exploration analogue for comparison purposes to Double Magic. Double Magic is 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 was discovered in 1973 by Anglo American and acquired by PAN in 2001. Open pit mining and processing to produce a nickel-copper-cobalt concentrate commenced in 2004. The mine operated for over 12 years and is currently in care and maintenance. PAN is looking to restart operations, with key infrastructure already in place, a short lead time to production is anticipated. Pre-production capital costs remain light (<A\$40M), and annual production of 10.8kt nickel, 6.1kt copper and 0.8kt cobalt over a +8 year mine life, makes Savannah a significant base metal project.

Latest price target of 35cps

Our latest price target of 35cps is derived from a heavily risked cashflow analysis of a Savannah-like nickel-copper operation at Double Magic, peer metric analysis and perception of exploration value in the search of new deposits (which we regard as high). Current cash backing is just over 2cps.

Fig. 7: Hartleys BUX Price Target

Price Target Methodology	Weighting	20/06/2018	12 Month
Peer metric - Savannah-like operation (risked by 75%)	35%	\$0.53	\$0.55
Peer metric - nickel prod/dev/expl (median)	30%	\$0.28	\$0.29
Exploration value	30%	\$0.21	\$0.22
Cash Backing	5%	\$0.02	\$0.02
Risk weighted composite		\$0.33	
12 Months Price Target		\$0.35	
Shareprice - Last		\$0.125	
12 mth total return (% to 12mth target + dividend)		179%	

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. 8: 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 ~\$2.4M. 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). The Company appears currently funded for ongoing exploration.
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. 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

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
John Macdonald	Resources Analyst	+61 8 9268 3020
Paul Howard	Resources Analyst	+61 8 9268 3045
Aiden Bradley	Research Analyst	+61 8 9268 2876
Oliver Stevens	Research Analyst	+61 8 9268 2879
Michael Scantlebury	Junior Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Dale Bryan	Director & Head of Corp Fin.	+61 8 9268 2829
Richard Simpson	Director	+61 8 9268 2824
Ben Crossing	Director	+61 8 9268 3047
Ben Wale	Director	+61 8 9268 3055
Stephen Kite	Director	+61 8 9268 3050
Scott Weir	Director	+61 8 9268 2821
Scott Stephens	Associate Director	+61 8 9268 2819
Rhys Simpson	Associate Director	+61 8 9268 2851

Registered Office

Level 6, 141 St Georges Tce Postal Address:

Perth WA 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: first.name.last.name@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.

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has provided corporate advice within the past 12 months to Buxton Resources Ltd (BUX), for which it has earned fees.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

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
Jayne Walsh	+61 8 9268 2817
Veronika Tkacova	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Matthew Parker	+61 8 9268 2826
Charlie Ransom	+61 8 9268 2868
Mark Sandford	+61 8 9268 3066
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041