

### BUXTON RESOURCES LTD (BUX)

#### Unlocking the magic of a new Nickel-Copper Province

Buxton Resources (BUX) first commenced exploration in the West Kimberley region of WA in 2015, following the identification of prospective mafic intrusive rocks and reports of nickel-copper sulphide mineralisation in historical drilling. Early drill success followed, with massive, net-textured and disseminated nickel-copper sulphides confirmed over the project area in the Company's very first drill campaign.

In the next two field seasons, BUX added to the technical merits of the project, confirming the right age and type of intrusives (Proterozoic), geological setting (Craton margin), geochemistry (fertile host rocks), and mineralisation (high nickel tenor) to tick the boxes for a significant nickel-copper deposit. The Company now needs to tick the final box and prove economic accumulations of nickel-copper sulphides are present within the large magmatic system.

The work completed to date provides province scale potential for the host unit (Ruins Dolerite), with BUX now controlling over 820km<sup>2</sup> of tenure (100% owned) along some 250km of strike extent to systematically explore. The new nickel-copper belt remains under explored and provides substantial exploration upside.

#### Unfinished business around DMDD0014, key target for CY18

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.

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, with drilling likely to commence in June.

#### Ground EM and Gravity for additional targets to test

Data acquisition from a ground EM survey over the greater Merlin prospect is now well underway and a proposed ground gravity survey expected to commence soon. The detailed geophysical surveys will be used to identify new anomalies which may well be related to new nickel-copper sulphide accumulations. The interpretation of survey results are expected to be completed mid-June, upon which time drilling is planned to commence.

#### High-impact drill-testing of targets = Speculative Buy

We maintain our Speculative Buy on BUX, with a price target of 31cps. BUX's current cash position is ~A\$2.6M, which provides some funding for planned exploration. There is no doubt that the 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 results from the CY18 exploration program, which is now well underway.

21 May 2018

Share Price (last):	\$0.140
Price Target - 12 months:	\$0.31

#### 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	120.2m
- fully diluted	130.7m

#### Market Cap

- ord shares	\$15.5m
- ITM ops diluted	\$16.8m
- fully diluted	\$18.3m

#### Cash (est)

	\$2.6m
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#### EV

- ord shares	\$12.9m
- ITM ops diluted	\$13.1m
- fully diluted	\$12.5m

#### Main Projects

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

#### Board & Management

Seamus Cornelius (NE Chairman)

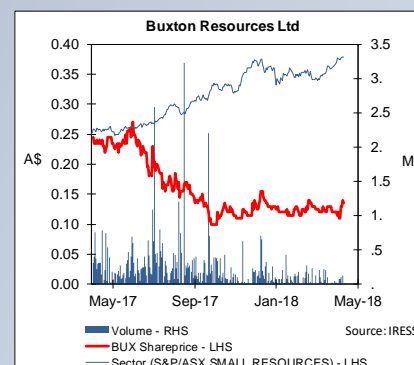
Eamon Hannon (MD)

#### Top Shareholders

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

#### Company Address

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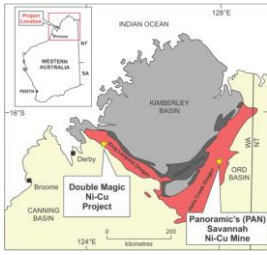
Hartleys has completed a capital raising in the past 12 months for Buxton Resources Limited ("BUX"), for which it has earned gross fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to BUX for which it has earned fees and continues to earn fees. The analyst has a beneficial interest in BUX shares.

# SUMMARY PAGE

Buxton Resources Limited BUX		Share Price \$0.140			May-18 Speculative Buy		
<b>Key Market Information</b>			<b>Directors</b>				
Share Price		\$0.140	Seamus Cornelius (NE Chairman)				
Market Capitalisation		\$15.5m	Eamon Hannon (MD)				
Net Cash (debt)		\$2.6m	Anthony Maslin (NED)				
Issued Capital		110.9m	Feng (Frank) Xue (NED)				
Issued Capital (fully diluted ITM options)		120.2m	Stuart Fogarty (NED)				
Issued Capital (fully diluted)		130.7m	www.buxtonresources.com.au				
Options		19.87m @ A\$0.16					
EV - ords		\$12.9m					
EV - ITM options		\$13.1m					
EV - fully diluted		\$12.5m					
12Mth Price Target		\$0.31					
<b>Projects</b>			<b>Company Details</b>				
Interest	Location	Commodity	National Business Holdings (VU) Ltd				
Double Magic	100%	WA	Ni, Cu	m shs	%		
Zanthus*	10%	WA	Ni, Cu, Fe	10.84	9.8%		
Widowmaker*	10%	WA	Ni, Cu	Directors & Management	2.84	2.6%	
Yalbra	100%	WA	Graphite				
Dempster	90%	WA	Au, Ni				
* Fraser Range JV with IGO (90%), BUX free-carried to decision to mine							
<b>Resources</b>			<b>Investment Summary</b>				
Mt	Grade	Metal	Exposure to base metal (nickel-copper) exploration in the West Kimberley and Fraser Range of WA.				
		Attr.	Multiple drill-ready targets providing strong newsflow and has already discovered potentially significant nickel-copper mineralisation.				
Base Metals - no JORC resources							
Iron Ore - Magnetite							
Inferred	103.6	26.5%	Fe	100%			
Graphite							
Inferred	4.0	16.2%	TGC	85%			
<b>P&amp;L</b>			<b>Newsflow</b>				
	FY2016F	FY2017F	FY2018F	Project			
Net Revenue	na	na	na	Q2 CY18	MLEM/Gravity Survey	Double Magic	
Total Costs	na	na	na	Q3 CY18	Target drill-testing	Double Magic	
EBITDA	na	na	na	Q3/Q4 CY18	Review results, follow-up activities	Double Magic	
Deprec/Amort	na	na	na	CY18	Ongoing target generation	Double Magic	
EBIT	na	na	na				
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				
			<b>Unpaid Capital</b>				
			No (m)	\$ (m)	Ave Pr	% Ord	
			<b>Options</b>				
			30-Jun-18	0.00	0.0	0.00	0%
			30-Jun-19	6.92	1.4	0.21	6%
			30-Jun-20	12.95	1.7	0.13	12%
			<b>Total</b>	<b>19.87</b>	<b>3.2</b>	<b>0.16</b>	<b>18%</b>
			<b>Comments</b>				
			Exploration success already demonstrated at Double Magic. Priority targets to be drill-tested. IGO JV partner for Fraser Range tenure. Ground geophysics to be completed prior to the restart of drilling.				
Analyst: Mike Millikan			Last Updated: 21/05/2018				
Phone: +61 8 9268 2805							
Sources: IRESS, Company Information, Hartleys Research							

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

**Project Location**



Source: BUX

*Merlin contains a very large magmatic Ni-Cu sulphide system which remains open in all directions*

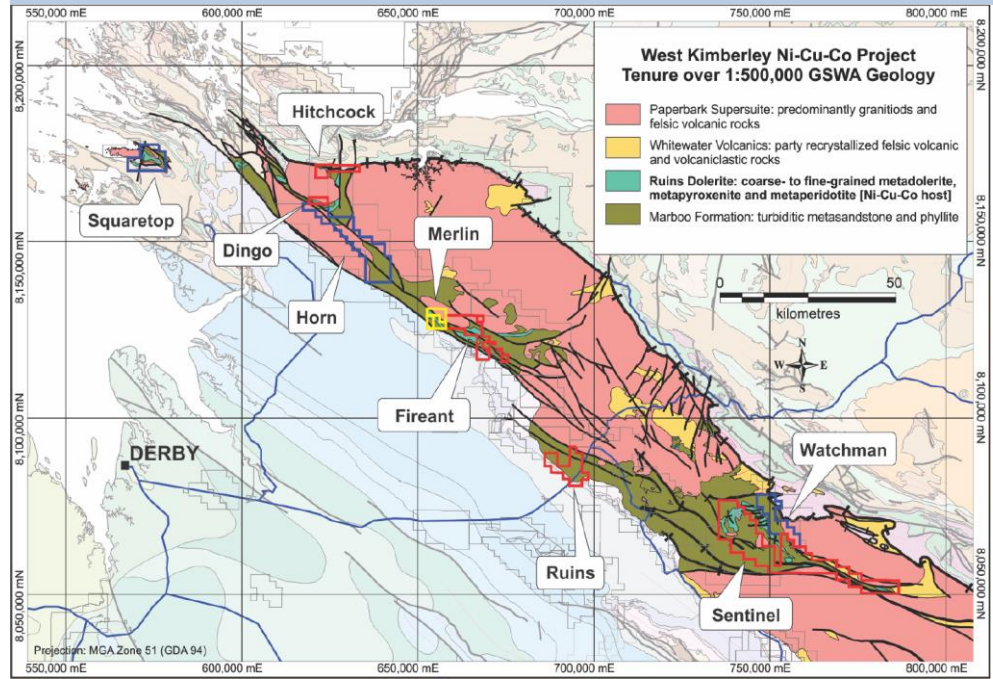
*The sulphide system currently spans +1.5km of strike and has been confirmed down to depths +600m*

*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*

**LOOKING FOR MORE MERLIN MAGIC**

BUX's West Kimberley nickel-copper-cobalt project tenure now spans ~820km<sup>2</sup>, 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.

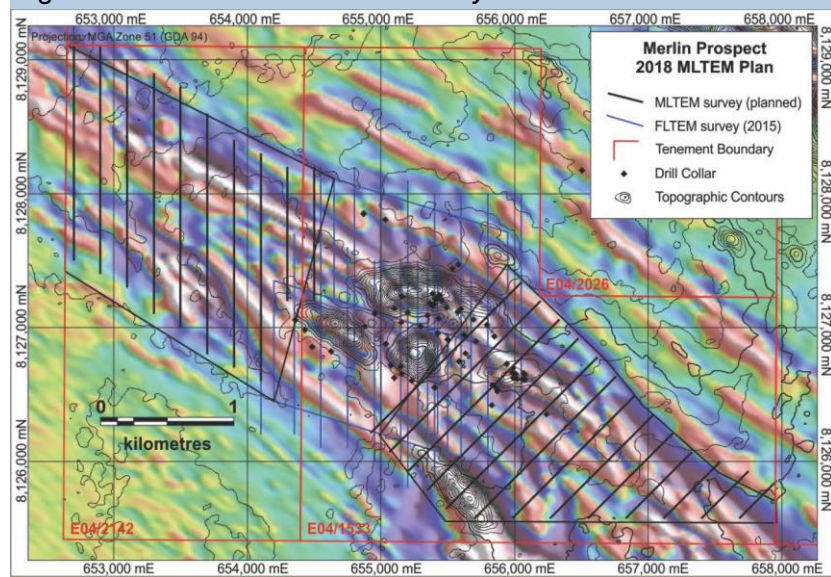
**Fig. 1: West Kimberley Ni-Cu-Co Project Location – WA**



Source: Buxton Resources Limited

A moving loop electromagnetic (MLEM) survey is currently underway and planned to cover the greater Merlin prospect area. The Ruins Dolerite host stratigraphy is interpreted to extend along strike some 6km within this area and any generated anomalies (conductors) will likely be drill-tested in the next phase of drilling. Priority targets may prove to be related to further nickel-copper sulphides, with a very strong correlation between conductive responses and sulphide mineralisation.

**Fig. 2: Planned MLEM survey over the Merlin area**

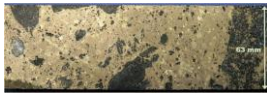


Source: Buxton Resources Limited

## MORE DETAILED DRILLING PROPOSED

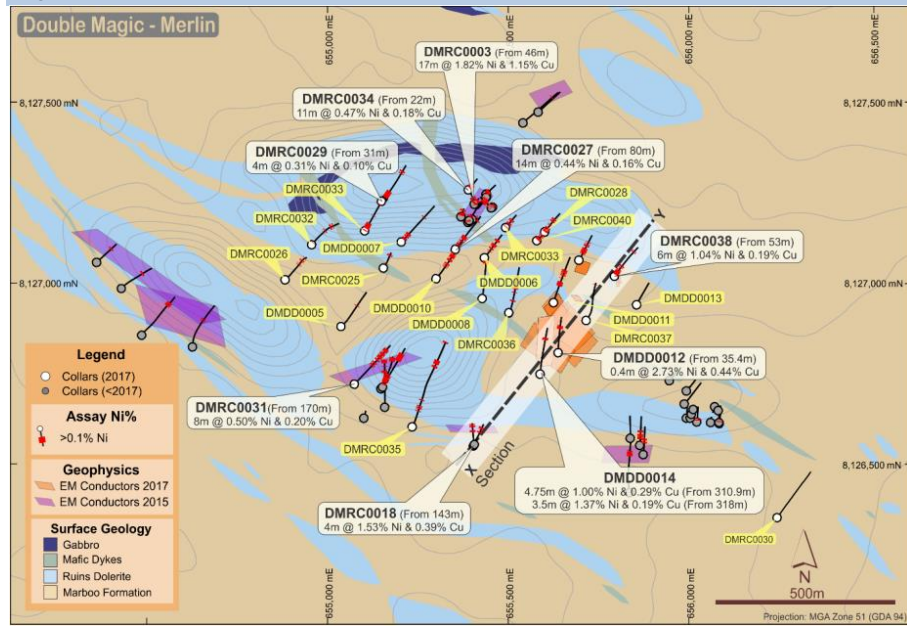
The CY17 drill program was successful in identifying a potential high-grade trend and second feeder zone within the large magmatic nickel-copper sulphide system. This new trend remains open to the south and south-west and is expected to be tested by more-detailed drilling in this field season (CY18). Drilling is expected to commence upon completion of the ground EM and gravity surveys and interpretation, likely in mid-June.

*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)*

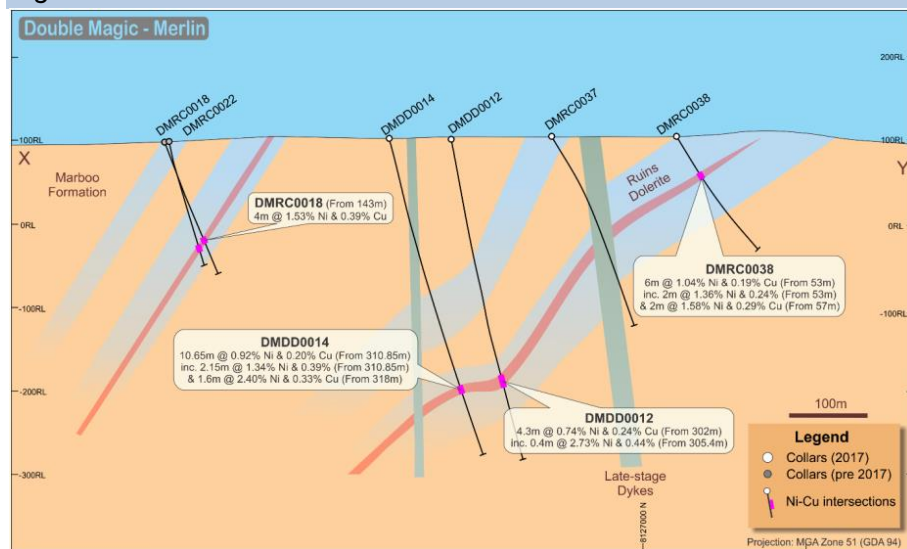
**Fig. 3: Merlin Drill Hole Locations – Plan View**



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).

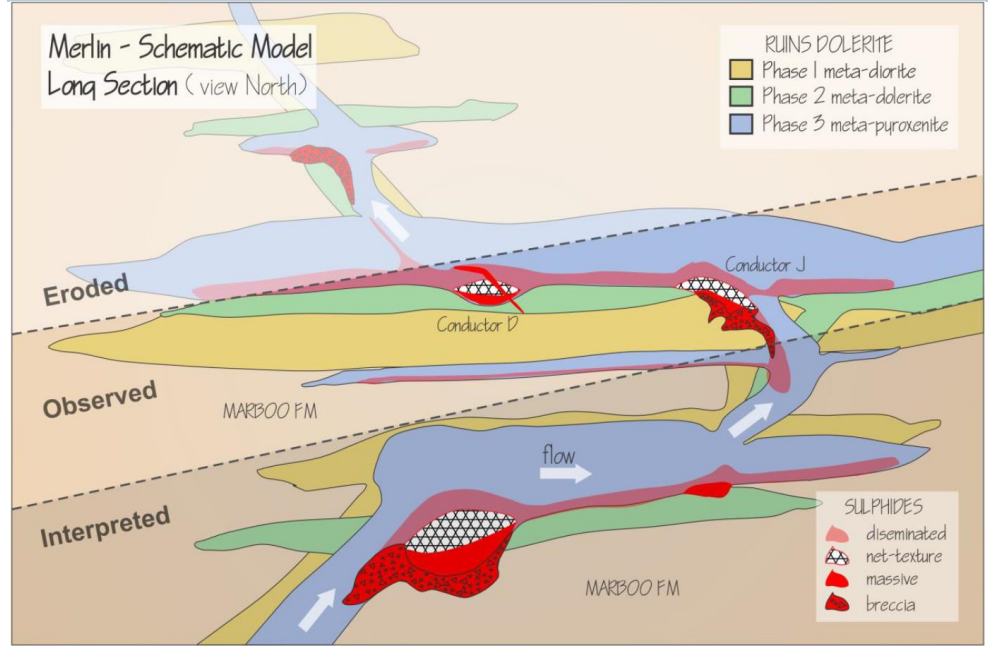
**Fig. 4: Eastern Merlin – Cross Section**



Source: Buxton Resources Limited

*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*

**Fig. 5: Merlin – Schematic Model – Long Section**



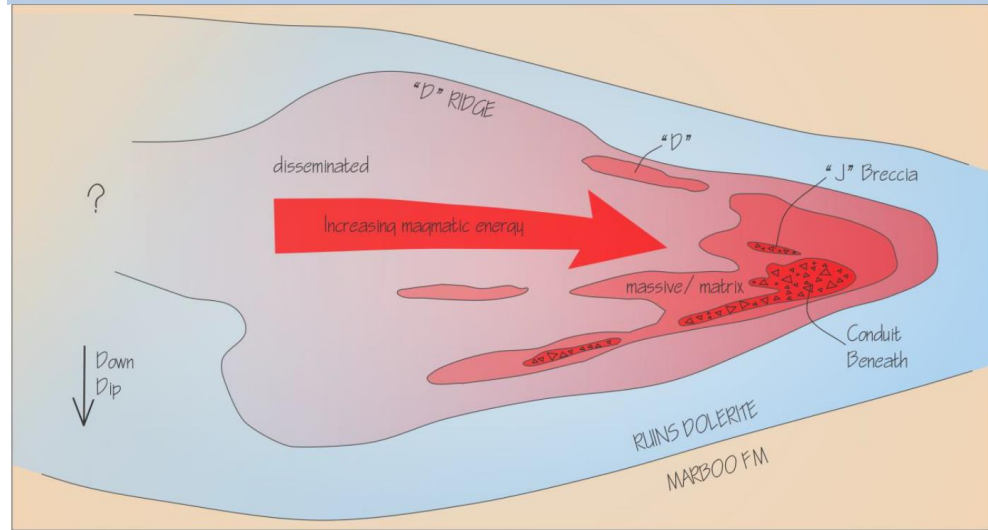
Conductor D was the discovery zone at Merlin

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

Source: Buxton Resources Limited

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

**Fig. 6: Merlin – Magmatic vectors for targeted exploration**



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

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\$2.6M*

*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 31cps*

Our latest price target of 31cps 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	21/05/2018	12 Month
Peer metric - Savannah-like operation (risked by 75%)	35%	\$0.44	\$0.46
Peer metric - nickel prod/dev/expl (median)	30%	\$0.24	\$0.25
Exploration value	30%	\$0.21	\$0.22
Cash Backing	5%	\$0.02	\$0.02
<b>Risk weighted composite</b>		<b>\$0.29</b>	
<b>12 Months Price Target</b>		<b>\$0.31</b>	
Shareprice - Last		\$0.140	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>118%</b>	

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 ~\$2.6M. 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 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

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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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