

BUXTON RESOURCES LTD (BUX)

Three zone of massive sulphides at Conductor J

Buxton Resources (BUX) has intersected more “significant brecciated massive sulphides” containing visible nickel and copper (sulphides) in the first step out hole at **Conductor J**, Merlin prospect, West Kimberley.

Diamond drill hole, DMDD0015 was drilled some 40m away (step out) from DMDD0014 (a CY17 drill-hole which reported up to 7% Ni in brecciated massive sulphide), and positioned to further test Conductor J. Importantly Conductor J remains open and appears to be plunging towards a substantial gravity high, which is yet to be tested by drilling.

BUX has already confirmed Merlin to be a high tenor, large magmatic system, with the latest drilling enhancing the prospect, in which, we anticipate are ore grade intervals. Assays are pending and due in the coming weeks. Drilling is ongoing, with multiple priority targets to test.

Abundant coarse nickel and copper sulphides observed

Hole DMDD0015 contains three separate zones of brecciated massive sulphides within a broader +44m mineralised sequence containing disseminated and stringer sulphides. The massive sulphide (brecciated) zones have estimated down-hole thickness of ~7.5m (from 309m), ~0.9m (from 326.5m) and ~1.5m (from 342m). Visible coarse-grained pentlandite (nickel sulphide) with associated pyrrhotite (iron sulphide) and chalcopyrite (copper sulphide) intersected. We look forward to the report of results.

Conductor A-B could provide additional scale

Along with drilling at Conductor J, which has clearly been successful to date, BUX plans to test **Conductor A-B** in the current drill program. Conductor B represents a large (+600m) target, in which previous limited (only two RC holes drilled to date) work returned high-grade nickel and copper sulphide mineralisation. Conductor A-B is also plunging towards the gravity high, and represents unfinished business in our opinion.

Other priority targets to be tested in the current program includes **Conductor C/Gravity High**, which is interpreted to contain the thickest section of mineralised host intrusive and previous drilling reported substantial disseminated nickel-copper sulphides. In addition, **Conductor H** requires follow-up, having previously reported high-grade nickel-copper massive sulphides on a footwall contact and has a +100-250m conductor to drill-test.

The current drill program will test extensions to know mineralisation, new conductors at depth, potential EM “blind spots” and key gravity features. With the intersected of (high-grade) massive sulphide mineralisation in the first hole, the exploration program is off to great start. Completed drill holes are planned to be followed up with downhole electromagnetics (DHEM).

Tight capital, leveraged to drill success: Speculative Buy

Merlin contains all the right ingredients for significant nickel-copper sulphide deposit(s). BUX has a tight capital structure with only ~111M shares currently on issue, which provides very good leverage to exploration success, which continues to be demonstrated.

We maintain our **Speculative Buy** on BUX, with a price target of 38cps. BUX retains cash of ~A\$2.4M and has a “drill for equity” deal with DDH1 to conserve cash, along with an EIS grant of A\$150k for direct drilling costs.

23 Jul 2018

Share Price (last):	\$0.170
Price Target - 12 months:	\$0.38

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

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

Issued Capital

- ord shares	110.9m
- ITM ops diluted	125.8m
- fully diluted	130.7m

Market Cap

- ord shares	\$18.8m
- ITM ops diluted	\$21.4m
- fully diluted	\$22.2m

Cash (est)

\$2.4m

EV

- ord shares	\$16.4m
- ITM ops diluted	\$17.0m
- fully diluted	\$16.7m

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

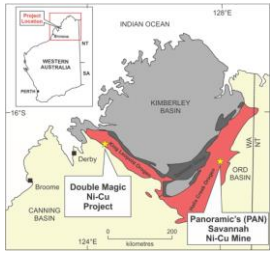
Hartleys has provided corporate advice within the past 12 months to Buxton Resources Ltd (BUX), for which it has earned fees. The analyst has a beneficial interest in BUX shares.

SUMMARY PAGE

Buxton Resources Limited		Share Price		Jul-18		
BUX		\$0.170		Speculative Buy		
Key Market Information				Directors		
Share Price	\$0.170	Seamus Cornelius (NE Chairman)		1st Floor, 14-16 Rowland St,		
Market Capitalisation	\$18.8m	Eamon Hannon (MD)		Subiaco, WA, 6008		
Net Cash (debt)	\$2.4m	Anthony Maslin (NED)		+61 8 9380 6063		
Issued Capital	110.9m	Feng (Frank) Xue (NED)				
Issued Capital (fully diluted ITM options)	125.8m	Stuart Fogarty (NED)		www.buxtonresources.com.au		
Issued Capital (fully diluted)	130.7m					
Options	19.87m @ A\$0.16					
EV - ords	\$16.4m	Top Shareholders (est)				
EV - ITM options	\$17.0m	National Business Holdings (VU) Ltd		m shs	%	
EV - fully diluted	\$16.7m	Directors & Management		10.84	9.8%	
12Mth Price Target	\$0.38					
Projects				Investment Summary		
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						
Resources				Newsflow		
Mt	Grade	Metal	Attr.	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				Unpaid Capital		
	FY2016F	FY2017F	FY2018F	No (m)	\$ (m)	
Net Revenue	na	na	na	Ave Pr	% Ord	
Total Costs	na	na	na	Options		
EBITDA	na	na	na	30-Jun-18	0.00	
Deprec/Amort	na	na	na	30-Jun-19	6.92	
EBIT	na	na	na	30-Jun-20	12.95	
Net Interest	na	na	na	Total	19.87	
Pre-Tax Profit	na	na	na		3.2	
Tax Expense	na	na	na		0.16	
NPAT	loss	loss	loss		18%	
Abnormal Items	na	na	na	Comments		
Reported Profit	loss	loss	loss	Exploration success already demonstrated at Double Magic. Priority targets to be drill-tested. IGO JV partner for Fraser Range tenure. Drilling underway testing high priority conductors. More massive sulphides intersected at Conductor J.		
Analyst: Mike Millikan				Last Updated: 23/07/2018		
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



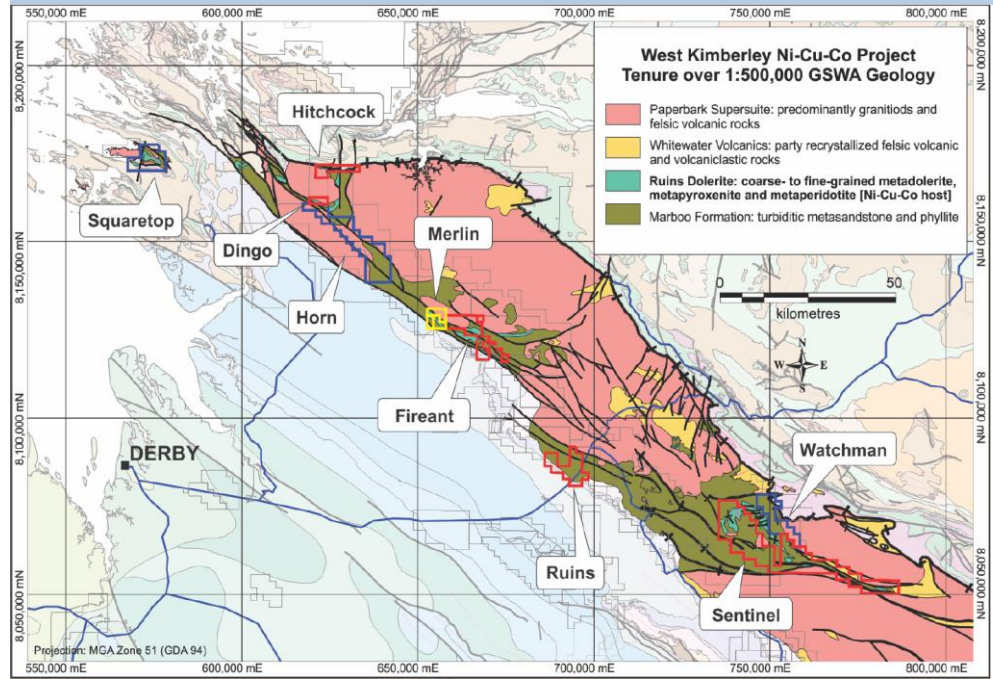
Source: BUX

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

MORE DRILL SUCCESS 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.

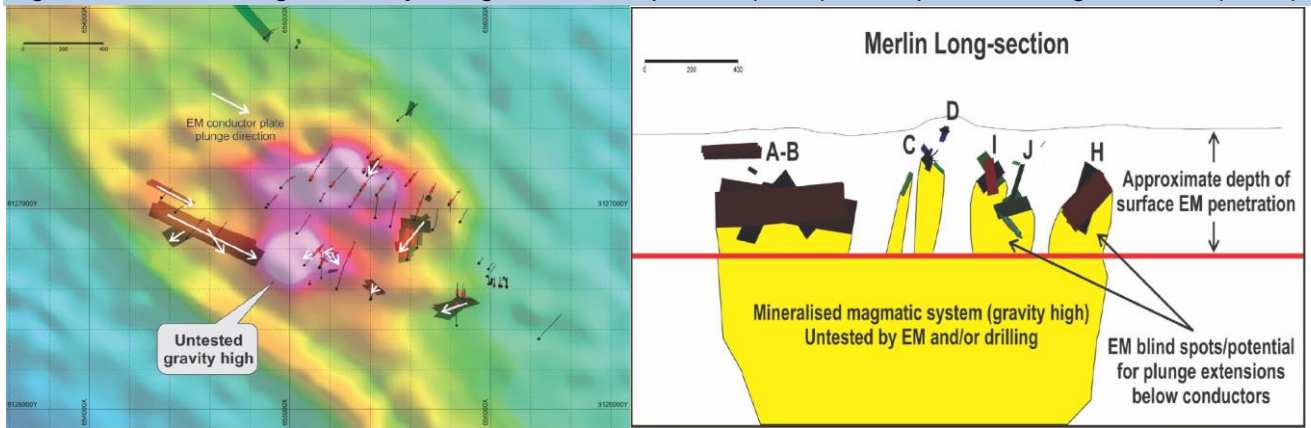
Fig. 1: West Kimberley Ni-Cu Project Location –WA



Source: Buxton Resources Limited

Final gravity and moving loop electromagnetic (MLEM) survey data highlights a large gravity high, centrally located to the key Merlin prospect. 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

MASSIVE NI-CU SULPHIDES CONDUCTOR J

Drilling commenced mid-July, with the first hole (DMDD0015) drilled to step out from DMDD0014 (a CY17 drill-hole which reported up to 7% Ni in brecciated massive sulphide) at **Conductor J**. Importantly Conductor J remains open and appears to be plunging towards a substantial gravity high, which is yet to be tested by drilling.

Hole DMDD0015 intersected three separate zones of brecciated massive sulphides within a broader +44m mineralised sequence containing disseminated and stringer sulphides.

The massive sulphide (brecciated) zones have estimated down-hole thickness of ~7.5m (from 309m), ~0.9m (from 326.5m) and ~1.5m (from 342m). Visible coarse-grained pentlandite (nickel sulphide) with associated pyrrhotite (iron sulphide) and chalcopyrite (copper sulphide) intersected. Assays are pending at the time of writing.

*Extensional drilling along strike and down-dip at **Conductor J** is planned*

*Drilling underway at **Conductor J**, followed by target testing at **Conductor A-B**, **Conductor C/Gravity High** and **Conductor H***

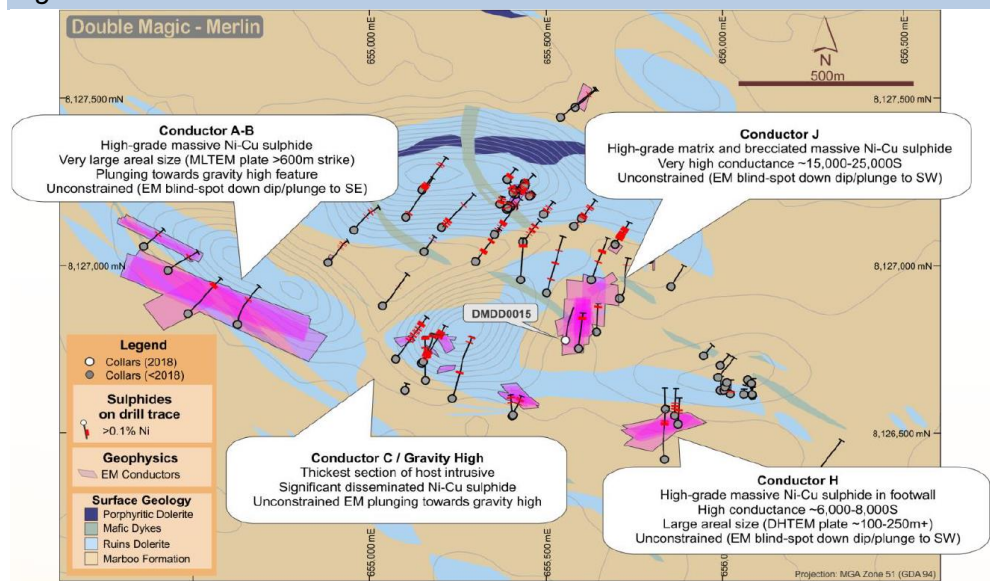
Three separate zones of brecciated massive sulphides within a broad ~44m mineralised sequence (disseminated and stringer sulphides):

Zone 1: 308.96 to 316.43m downhole (7.47m)

Zone 2: 326.50 to 327.40m downhole (0.9m)

Zone 3: 342.24 to 343.70m downhole (1.46m)

Fig. 3: Merlin Drill Hole Locations – Plan View



Source: Buxton Resources Limited

Fig. 4: DMDD0015 – Brecciated Massive Sulphide Zones



Source: Buxton Resources Limited: Zone 1 (LHS) and Zone 3 (RHS)

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 Merlin (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. The mine operated for over 12 years and 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.

Latest price target of 38cps (up from 35cps)

Our latest price target of 38cps is derived from a heavily risked cashflow analysis of a Savannah-like nickel-copper operation at Merlin, 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. 5: Hartleys BUX Price Target

Price Target Methodology	Weighting	23/07/2018	12 Month
Peer metric - Savannah-like operation (risked by 75%)	35%	\$0.62	\$0.65
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		\$0.37	
12 Months Price Target		\$0.38	
Shareprice - Last		\$0.170	
12 mth total return (% to 12mth target + dividend)		126%	

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. 6: 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.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.

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
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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

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