

BUXTON RESOURCES LTD (BUX)

West Kimberley JVs Restructured

Buxton Resources (BUX) and its strategic partner Independence Group (IGO) have restructured joint ventures over ground held in the West Kimberley.

Under the terms of the new binding agreements, the remaining BUX tenements within the West Kimberley region are proposed to be added to the West Kimberley Joint Venture (WKJV), and in doing so, BUX can receive a cash consideration for ~A\$1.3M from IGO. The latest agreements remain subject to BUX shareholder approvals, which are expected to be sought next month (likely late Nov'19).

The way the deals have been structured, BUX will have minority interests in the JV tenements and be free carried through to completion of a Feasibility Study (FS). Whereas, IGO will have majority interests, and access to another belt-scale exploration opportunity. The West Kimberley region has proven prospectivity, with massive nickel-copper sulphides identified, but as yet no ore deposits delineated. The region is still considered largely under explored, and IGO plans to accelerate exploration activities within the WKJV.

We maintain our **Speculative Buy** recommendation on BUX, with a latest price target of 20cps. Assuming shareholder approvals are received, BUX's cash position will increase to ~A\$6M, which implies a cash backing of ~4.4cps. BUX retains minority exposure to any potential WKJV discoveries and being free-carried through to possible development decision appears sensible. BUX intends to use the current cash reserves to pursue new resource projects and to fund existing projects within the Company's portfolio.

Merlin contains a high metal tenor Ni-Cu sulphide system

Under the Merlin Project Agreement, IGO can acquire an initial 51% interest (BUX 49%), and IGO has the right to sole fund exploration activities up to A\$5M over 4 years to earn up to 80% (BUX 20%). During the earn-in period, BUX remains free-carried until completion of a FS. IGO will manage all activities under the JV. The Merlin ground has proven nickel-copper (massive) sulphide mineralisation with individual assays returning grades up to 8% Ni and 5% Cu. A detailed ground (moving loop) EM survey was recently completed over the ground, covering ~17km². The aim of the survey was to detect new deep conductive sources. The survey has confirmed previous targets and identified a new conductor, which appears deep and will need to be resolved through deeper drilling and likely down-hole EM.

Aircore drilling and Ground EM completed at Quick Shears

Upon full deal completion, BUX's interest in the Quick Shears tenements will be 16% (free carried to FS completion), with IGO earning 64%, and Tatterson retaining 20% (free carried to decision to mine). BUX was previously earning an 80% interest in the ground, and made the discovery of fresh outcropping nickel-copper sulphides in May 2019. Quick Shears is adjacent to, and along strike of Merlin and contains a large gravity feature interpreted as a prospective package of mafic-ultramafic intrusions (considered highly fertile).

Recently completed exploration has included over 3,000m of aircore drilling over the gravity high, and ~26km² of ground EM which is currently being interpreted to generate drill targets. All exploration activities continue to be managed by IGO. In addition, IGO has just completed a regional airborne EM survey covering 1,900km², with numerous conductors identified for follow-up.

7 Oct 2019

Share Price (last):	\$0.094
Price Target - 12 months:	\$0.20

Brief Business Description

Junior explorer

Hartleys Brief Investment Conclusion

WKJV restructured. Strategic partner IGO managing exploration activities for a majority stake. BUX free-carried minority interest through to completion of FS. Exploration to be accelerated, with new targets generated.

Issued Capital

- ord shares	136.1m
- ITM ops diluted	136.1m
- fully diluted	154.6m

Market Cap

- ord shares	\$12.8m
- ITM ops diluted	\$12.8m
- fully diluted	\$14.5m

Cash (est)	\$5.4m
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EV

- ord shares	\$7.4m
- ITM ops diluted	\$7.4m
- fully diluted	\$6.3m

Main Projects

WKJV	Base Metals (Ni, Cu)
FRJV	Base Metals (Ni, Cu)
Yalbra	Graphite
Woodline West	Gold

Board & Management

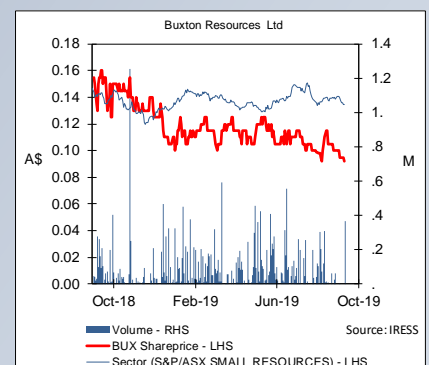
Seamus Cornelius (NE Chairman)
 Eamon Hannon (MD)

Top Shareholders

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

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 Subiaco, WA, 6008



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The analyst has a beneficial interest in BUX shares.

SUMMARY PAGE

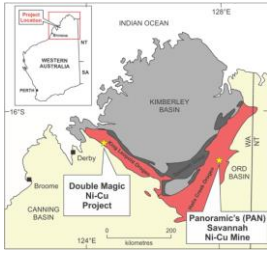
Buxton Resources Limited BUX		Share Price \$0.094		Oct-19 Speculative Buy	
Key Market Information					
Share Price	\$0.094				
Market Capitalisation	\$12.8m				
Net Cash (debt)	\$5.4m				
Issued Capital	136.1m				
Issued Capital (fully diluted ITM options)	136.1m				
Issued Capital (fully diluted)	154.6m				
Options	18.50m @ A\$0.15				
EV - ords	\$7.4m				
EV - ITM options	\$7.4m				
EV - fully diluted	\$6.3m				
12Mth Price Target	\$0.20				
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 targets being generated, some of which to be tested and has already discovered potentially significant nickel-copper mineralisation.					
Portfolio of opportunities including high-grade graphite project.					
Newsflow					
	Project				
Oct-19	Restructures WKJV				WKJV
Nov-19	BUX shareholder vote				WKJV
Q4 CY19	Quick Shear/Merlin results review				WKJV
Q4 CY19	Regional airborne EM interp/target gen				WKJV
Q4 CY19	Quick Shear/Merlin/Regional target gen				WKJV
Q4 CY19	Regional airborne magnetics				WKJV
CY20	Mapping, geochem, ground EM, drilling, DHEM				WKJV
CY20	Assess targets for potential follow-up				FRJV
Unpaid Capital					
	No (m)	\$ (m)	Ave Pr	% Ord	
Options					
30-Jun-20	12.95	1.7	0.13	10%	
30-Jun-21	5.35	1.0	0.19	4%	
30-Jun-22	0.00	0.0	0.00	0%	
30-Jun-23	0.20	0.0	0.15	0%	
Total	18.50	2.8	0.15	14%	
Comments					
WKJV restructured. Strategic partner IGO managing exploration activities for a majority stake. BUX free-carried minority interest through to completion of FS. Exploration to be accelerated, with new targets generated.					
Projects					
	BUX	IGO	BUX(FC)	Commodity	
WKJV - Merlin	49%	51%	20%	Ni, Cu	
WKJV - Quick Shears		64%	16%	Ni, Cu	
WKJV - Fissure		80%	20%	Ni, Cu	
WKJV - Baracus		64%	16%	Ni, Cu	
WKJV - Regional	100%	80%	20%	Ni, Cu	
FRJV - Zanthus	10%	90%	10%	Ni, Cu, Fe	
FRJV - Widowmaker	10%	90%	10%	Ni, Cu	
Yalbra	100%	0%		Graphite	
Woodline West	100%			Gold	
Merlin: IGO initial 51%, sole funds A\$5M in 4 yrs for up to 80%, BUX 20% free carried to FS.					
Quick Shears: cash on milestones, deal completion BUX 16%, Tatterson 20%, IGO 64%.					
Fissure: deal completion BUX 20%, IGO 80%.					
FRJV: 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					
	FY2017A	FY2018A	FY2019A	FY2020F	FY2021F
Net Revenue	0.03	0.02	0.73	na	na
Total Costs	-2.59	-3.45	-3.37	na	na
EBITDA	-2.57	-3.43	-2.64	na	na
Deprec/Amort	-0.02	-0.02	-0.03	na	na
EBIT	-2.58	-3.46	-2.67	na	na
Net Interest	0.02	0.05	0.06	na	na
Pre-Tax Profit	-2.56	-3.41	-2.61	na	na
Tax Expense	0.00	0.00	0.00	na	na
NPAT	-2.56	-3.41	-2.61	loss	loss
Abnormal Items	1.50	0.15	0.00	na	na
Reported Profit	-1.06	-3.26	-2.61	loss	loss
Admin/Expl Ratio	27%	13%	21%		
			20%	Ave	
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Sources: IRESS, Company Information, Hartleys Research					
Last Updated: 07/10/2019					

WEST KIMBERLEY WA

Belt-scale opportunities for nickel-copper sulphide deposits

The West Kimberley region offers belt-scale opportunities for nickel-copper-cobalt sulphide deposits, the project area is ~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 falls within the Halls Creek Orogen. The latest West Kimberley Joint Venture (WKJV) ownership structure is best summarised on Fig.1.

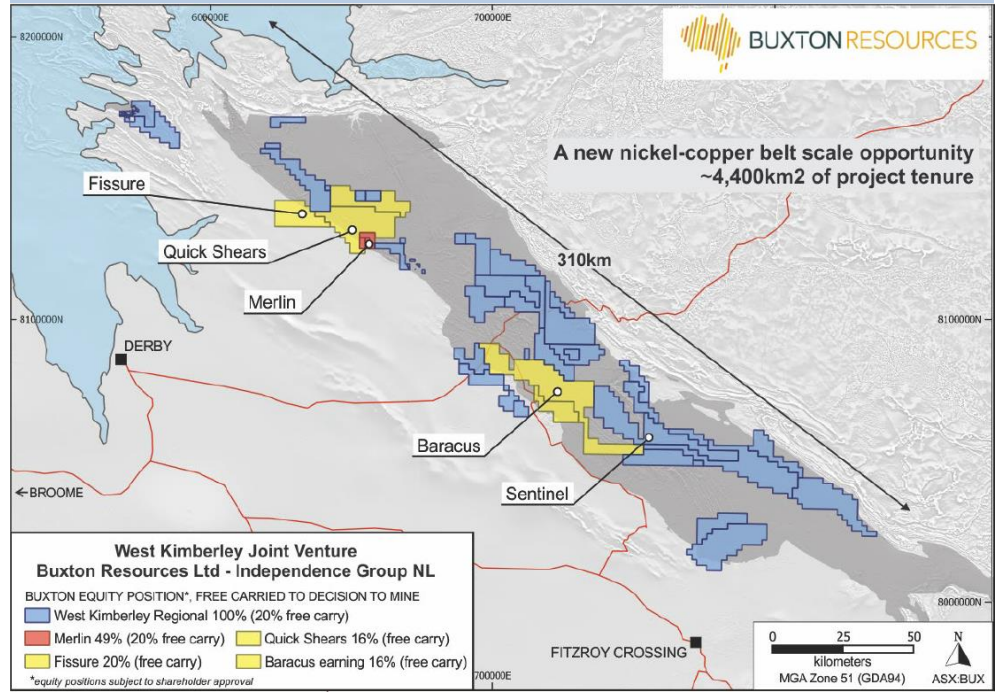
Project Location



Source: BUX

Under the terms of the new binding agreements, the remaining BUX tenements within the West Kimberley region are proposed to be added to the WKJV

Fig. 1: WKJV Project Location – WA

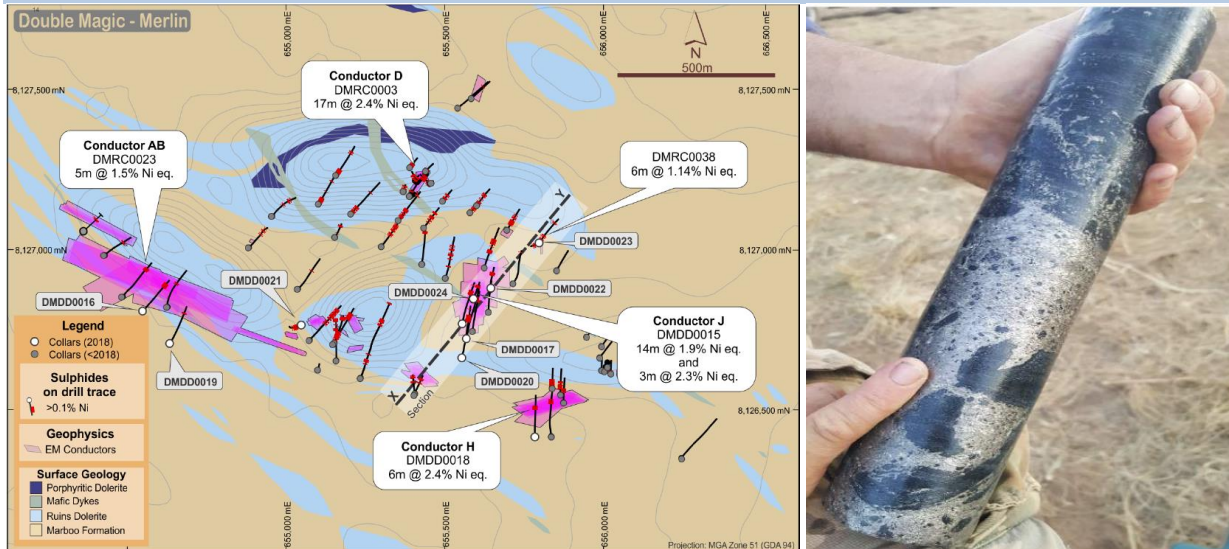


Source: Buxton Resources Limited

Exploration within the region over the last few years has been largely focused on the Merlin prospect, following the discovery of magmatic (massive) nickel-copper sulphides. While ore grade intercepts have been reported, to date no deposits have been delineated. Merlin exploration is currently focused on deeper, potentially larger systems, which may take some time to uncover.

The transaction remains subject to BUX shareholder approvals

Fig. 2: Merlin – Drilling and EM Targets (LHS) and Massive Ni-Cu Sulphides (RHS)



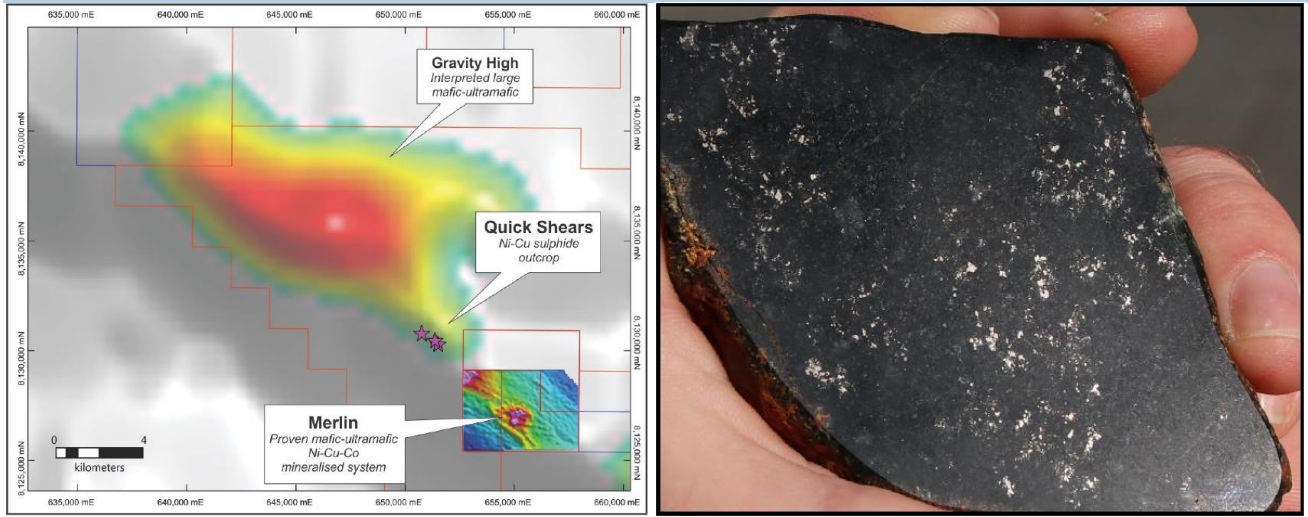
Source: Buxton Resources Limited

Fresh outcropping nickel-copper sulphides have been discovered at the Quick Shears prospect

In late-May 2019, BUX made the discovery of fresh outcropping nickel-copper sulphides at the Quick Shears prospect. Quick Shears is adjacent to, and along strike of Merlin and contains a large gravity feature interpreted as a prospective package of mafic-ultramafic intrusions (considered highly fertile).

Recently completed exploration has included over 3,000m of aircore drilling over the gravity high, and ~26km² of ground EM which is currently being interpreted to generate drill targets. All exploration activities continue to be managed by IGO.

Fig. 3: Quick Shears – Ni-Cu Discovery over Gravity (LHS) and Ni-Cu Sulphides (RHS)

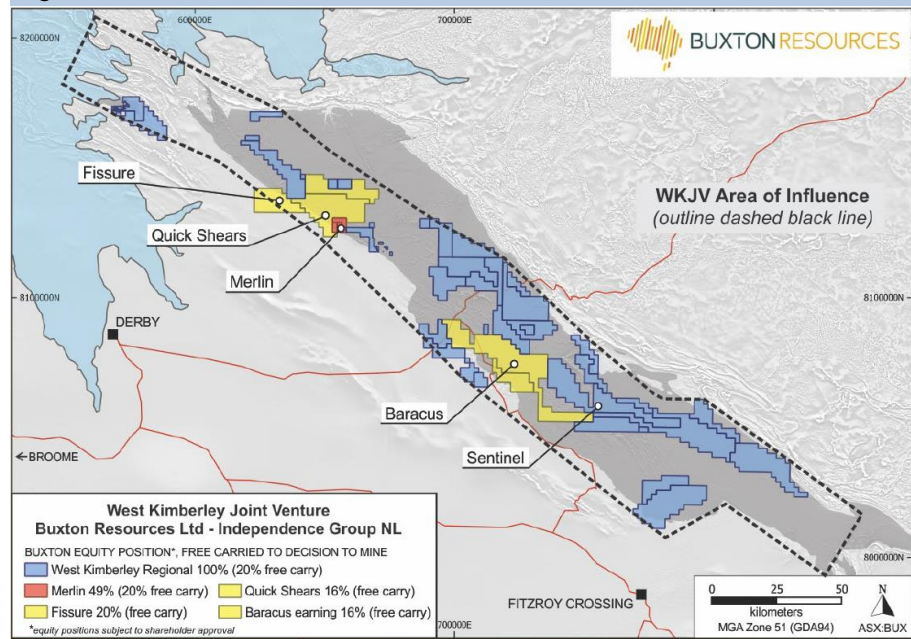


Source: Buxton Resources Limited

WKJV Area of Influence covers the vast majority of the considered prospective rocks for magmatic nickel-copper sulphides within the West Kimberley

BUX and IGO have also agreed to a provision to the current Area of Influence (AOI) within the WKJV, whereby BUX and its wholly owned subsidiary Alexander Creek Pty Ltd (ACPL) will collectively be granted a free-carried 0.5% NSR on any further tenements pegged by IGO within WKJV AOI (as highlighted below) in the next 4 years. BUX and ACPL will collectively be granted a free-carried 0.25% NSR on IGO's interest in any existing properties acquired by IGO within the WKJV AOI in the next 4 years. In addition, BUX (and ACPL) must not apply for or acquire, directly or indirectly, any tenements within the WKJV AOI in the next 4 years.

Fig. 4: WKJV Area of Influence – WA



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 is considered early stage with prospective mafic-ultramafic units containing magmatic nickel sulphides (fertile) confirmed, but no economic deposits have as yet been defined. Exploration is managed by IGO and any 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's West Kimberley ground is more extensive than tenure held in the Fraser Range, and BUX's ultimate project interest is higher (though still minority). Mineralisation at Merlin (discovered by BUX) is regarded as typical magmatic nickel-copper in massive sulphides (with cobalt) and lies within a similar tectonic setting to Savannah. Quick Shears appears to be an exciting new discovery, and we look forward to the report of aircore drill results and identified EM conductors which could generate new drill targets.

Assuming shareholder approvals BUX will have a cash position of ~A\$6M

Our latest price target for BUX of 20cps is derived from a change in potential project interest, peer metric analysis and perception of exploration value in the search of new deposits. Current cash backing is around 4.4cps.

Fig. 5: Hartleys BUX Price Target

Price Target Methodology	Weighting	7/10/2019	12 Month
Peer metric - Discovery Savannah-like operation 20% BUX	30%	\$0.30	\$0.31
Peer metric - nickel prod/dev/expl (median)	30%	\$0.20	\$0.21
Exploration value	20%	\$0.17	\$0.18
Cash Backing	20%	\$0.04	\$0.04
Risk weighted composite		\$0.19	
12 Months Price Target		\$0.20	
Shareprice - Last		\$0.094	
12 mth total return (% to 12mth target + dividend)		113%	

Latest price target of 20cps (down from 26cps)

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	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 ~\$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).
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

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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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