

BUXTON RESOURCES LTD (BUX)

Completes Kimberley Nickel Project Acquisition

Buxton Resources has acquired 100% of the Double Magic Nickel Project in the Kimberley region of WA, following completion of due diligence. The project spans four tenements covering ~93km² and is located some 100km north east of Derby. The project area contains highly prospective mafic intrusive rocks, magmatic nickel-copper sulphides and “walk-up” drill targets. The project also lies within a similar tectonic setting as Panoramic Resources Savannah nickel-copper mine.

The Company expects that the drill-testing of targets (including three high priority conductors) will commence in the coming weeks; following drilling approvals and more-detailed geological mapping.

New under-explored nickel terrain with drill-ready targets

As mentioned in our previous [BUX Note](#), the project is considered under-explored. More recent exploration by Victory Mines (VIC) in 2013, involved the flying of a VTEM survey, ground EM follow-up and limited RC drilling.

Buxton has reviewed the historical exploration data and reinterpreted the available geophysical information to confirm seven discrete bedrock conductors (A to G). Three (Conductors B, C and D) are considered to represent high-priority drill targets. These conductors were either untested or poorly tested by the previous explorer and importantly, the drilling that was completed confirmed the presence of nickel-copper sulphides, with no barren sulphides or graphite encountered.

Conductor D is yet to be tested by drilling and is defined by a discrete (100m x 30m) target of high conductance up to ~15,000S within ~100m of surface. Conductor C was partially drill-tested by VIC, intersecting nickel and copper sulphides (3m @ 1.3% Ni & 0.2% Cu and 6m @ 0.5% Ni & 0.2% Cu from ~150m). The modelled plate has dimensions of ~300m x 50m with a conductance of up to ~1,500S, with the highest EM response not drilled. Conductor B is also yet to be drill-tested and corresponds to a larger EM target of 300m x 100m in size, with conductance of up to 2,000S. This conductor is located next to, and is potentially related to Conductor A, which was tested by a single drill hole and reported 3m @ 0.7% Ni & 0.2% Cu.

Rock chips up to 5% nickel and +1% copper

As part of due diligence, Buxton’s geologists visited the project area and identified and sampled gossaneous outcrop in the interpreted up-plunge projections of Conductors A and C. A rock chip at Conductor A returned an impressive result of **5.0% Ni, 1.3% Cu**, 0.1% Co & 104ppb Pt+Pd and **1.5% Ni, 0.4% Cu**, 0.7g/t Au & 137ppb Pt+Pd (3.8:1 Ni:Cu ratio). A rock chip at Conductor C returned 0.4% Ni, 0.3% Cu & 32ppb Pt+Pd. The gossans are considered derived from primary nickel sulphides and we expect more will be found through the planned detailed geological mapping and sampling.

Complimentary to Fraser Range ground – Spec Buy

Base metal exploration remains the key focus for Buxton with the new nickel-copper project in the Kimberley region adding to the portfolio of highly prospective ground within the Fraser Range region.

Buxton is undervalued (low market cap of ~\$7.9m (EV of ~\$6.5m)), and drill targets which could translate to a new nickel-copper discovery. Cash at the end of MarQ of ~\$1.3m only provides some funding for ongoing exploration.

13 May 2015

Share Price (last): \$0.120

Brief Business Description

Junior base metal explorer

Hartleys Brief Investment Conclusion

Acquired an advanced nickel exploration project in the Kimberley region of WA. Adds to the prospective Fraser Range exploration ground. New EM targets to be tested.

Issued Capital

- ord + acq shares 65.5m
- ITM ops diluted 66.0m

Market Cap

- ord + acq shares \$7.9m
- ITM ops diluted \$7.9m

Cash (31 Mar '14a) \$1.3m

EV

- fully diluted \$6.5m
- ITM ops diluted \$6.6m

Main Projects

Zanthus	Base Metals (Ni, Cu)
Widowmaker	Base Metals (Ni, Cu)
Yalbra	Graphite
Dempster	Gold, Nickel
Northampton	Base Metals
Double Magic	Base Metals (Ni, Cu)

Board & Management

Seamus Cornelius (NE Chairman)
Eamon Hannon (CEO)

Top Shareholders

National Business Holdings (VU) Ltd	13.2%
Montezuma Mining Company	2.7%

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

SUMMARY PAGE

Buxton Resources Limited		Share Price		May-15	
BUX		\$0.120		Speculative Buy	
Key Market Information				Directors	
Share Price	\$0.120			Company Details	
Market Capitalisation	\$8m			1st Floor, 14-16 Rowland St, Subiaco, WA, 6008	
Net Debt (cash)	-\$1.3m			+61 8 9380 6063	
Issued Capital	63.8m			www.buxtonresources.com.au	
Issued Capital (fully diluted ITM options)	64.3m				
Options	19.03m @ A\$0.39				
Issued Capital (fully diluted all options)	82.9m				
EV	\$6.3m				
Valuation	N/A				
12Mth Price Target	N/A				
Projects				Top Shareholders	
Interest	Location	Commodity	m shs		%
Zanthus	100%	WA	Ni, Cu, Fe	8.67	13.2%
Widowmaker	100%	WA	Ni, Cu	1.79	2.7%
Double Magic	100%	WA	Ni, Cu	2.11	3.2%
Yalbra	85%	WA	Graphite		
Dempster	90%	WA	Au, Ni		
Northampton	100%	WA	Base Metals		
Resources				Investment Summary	
Mt	Grade	Metal	Attr.	Exposure to base metal (nickel-copper) exploration in the Fraser Range and in the Kimberley region of WA.	
No JORC resources					
Iron Ore - Magnetite					
Inferred	103.6	26.5%	Fe	Multiple drill-ready targets providing strong newsflow and potential for discovery. Portfolio of opportunities including high-grade graphite project.	
Graphite					
Inferred	4.0	16.2%	TGC		
P&L				Newsflow	
	FY2013F	FY2014F	FY2015F	Project	
Net Revenue	na	na	na	Mid Q2 CY15	Detailed mapping and sampling
Total Costs	na	na	na	Early Q3 CY15	RC drilling ~3,000m, target testing
EBITDA	na	na	na	Mid Q3 CY15	Diamond drilling ~1,200m, target testing
Deprec/Amort	na	na	na	Q3/Q4 CY15	EM and follow-up drilling
EBIT	na	na	na	Q3/Q4 CY15	Sampling, EM and aircore drilling
Net Interest	na	na	na	CY15	Flowsheet design and marketing
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		
				Unpaid Capital	
				No (m)	\$ (m)
				Ave Pr	% Ord
				Options	
				30-Jun-16	7.394 2.38 0.32 12%
				30-Jun-17	7.385 4.07 0.55 12%
				30-Jun-18	3.755 1.05 0.28 6%
				30-Jun-19	0.000 0.00 0.00 0%
				Performance Rights	0.500 0.00 0.00 1%
				Total	19.034 7.50 0.39 30%
				Comments	
				Drill-testing priority EM targets in CY15. Leveraged to exploration success and improved market sentiment.	
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Last Updated: 13/05/2015					
Sources: IRESS, Company Information, Hartleys Research					

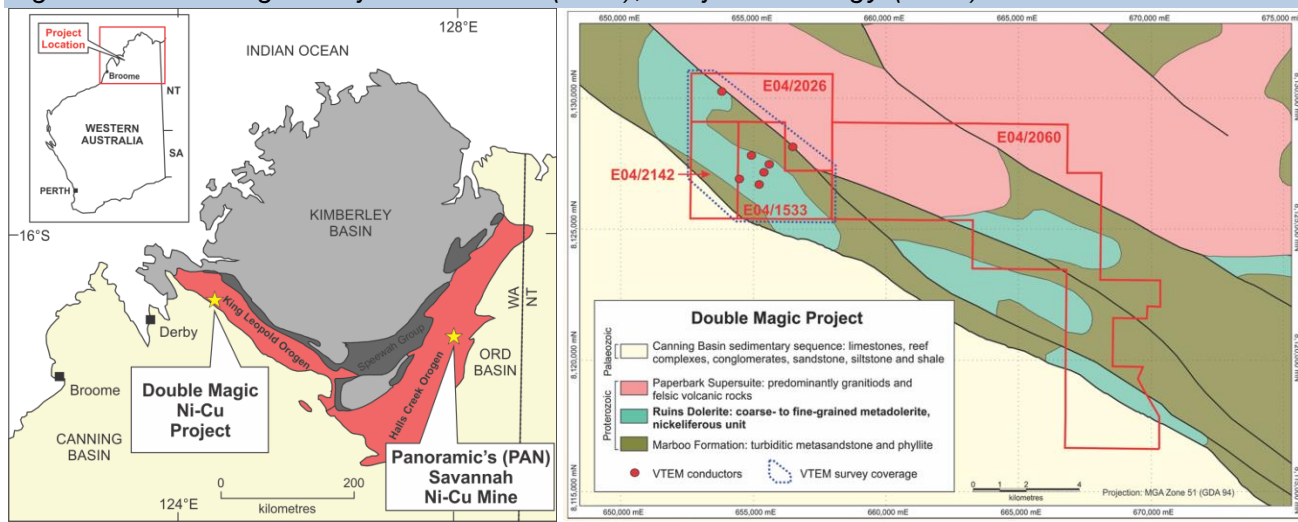
Located ~100 km north-east from Derby in the Kimberley Region of Western Australia

Newly recognised nickel terrain to explore

The Double Magic Nickel Project is situated ~100 km north-east of Derby in the Kimberley Region of Western Australia.

Access to the project is via the Gibb River Road to Napier Downs Station and use of station tracks. The properties which comprise Double Magic are Tenements E04/1533, E04/2026 and E04/2142, and E04/2060. Buxton secured a 100% interest in the project tenements (covering ~93km²); through the issuance of ~1.67m BUX shares (current value ~A\$200K) to the vendors.

Fig. 1: Double Magic Project Location (LHS); Project Geology (RHS)



Source: Buxton Resources Limited

Project lies in the King Leopold Orogen, a Proterozoic mobile belt that encompasses the Kimberley Basin

The project area lies within the King Leopold Orogen, which includes altered sediments of the Marboo Formation, which have been intruded by the Ruins Dolerite and subsequently by coarse-grained granitoids. All these geological units are considered to be Palaeoproterozoic in age. The southwestern part of the project is dominated by steep-sided ridges and hills, which are composed of quartz-mica schists of the Marboo Formation. The Marboo Formation has been intruded by dolerite/gabbro dykes and sills of the Ruins Dolerite. To the northeast, a major northwest trending shear zone in the Marboo Formation rocks separates high granitic hills.

The project area contains the Jack's Hill gossan, a surficial high-grade copper occurrence

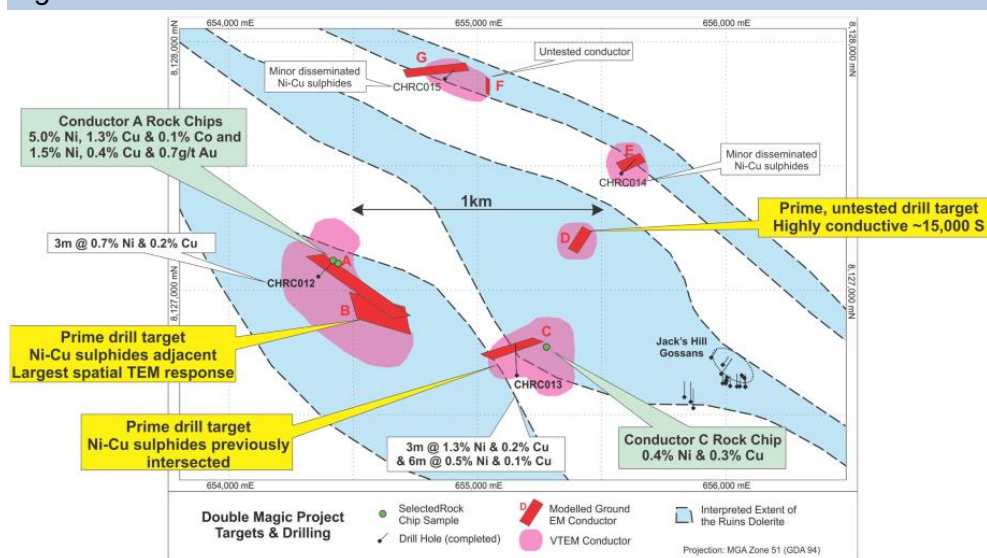
The project area contains the Jack's Hill gossan, which was discovered in 1902. Historical exploration over the project concentrated largely on testing this gossan, which contains surficial high-grade copper carbonate/oxide material. Small-scale mining of the gossan was undertaken in the mid 1950's, with nickel mineralisation (7.6m @ 0.4% Ni, 0.2% Cu) first reported in the late 1960's around the gossaneous outcrop, but failed to locate more significant mineralisation. Limited exploration was undertaken until the 2000's, with activities in 2007 consisting of airborne magnetics, ground EM, and limited drilling (7 RC holes) reported grades up to 3.7% Cu, 0.5% Ni along with anomalous gold (+1g/t Au), platinum (+0.7g/t Pt) and silver (+14g/t Ag) values. The EM survey did not identify a conductive response under the gossan but highlighted an anomalous conductive response some ~150m to the west along strike.

Exploration in 2013 involved a VTEM survey, ground EM and drilling

The VTEM survey identified several EM targets; five were followed up with ground EM and four RC holes were drilled

More recent exploration was completed by Victory Mines in 2013. Victory flew a VTEM survey over a portion of the project area and identified several VTEM targets; five were followed up with ground EM and four RC holes were drilled (as summarised below). Upon completion of the drilling Victory had to pay A\$250K to maintain its option on the project and withdrew stating “drilling results downgrade the project significantly”, which appears baseless.

Fig. 2: EM conductors over Ruins Dolerite host-rock



Source: Buxton Resources Limited

Buxton has reviewed the historical exploration data and reinterpreted the available geophysical information to confirm seven discrete bedrock conductors (A to G). Three (Conductors B, C and D) are considered to represent high-priority drill targets. These conductors were either untested or poorly tested by the previous explorer and importantly, the drilling that was completed confirmed the presence of nickel-copper sulphides, with no barren sulphides or graphite encountered.

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Three high-priority conductors will be tested

Buxton's geologists have visited the project and identified and sampled gossan outcrop in the interpreted up-plunge projections of Conductors A and C.

- A rock chip at **Conductor A** returned an impressive result of **5.0% Ni, 1.3% Cu, 0.1% Co & 104ppb Pt+Pd** and **1.5% Ni, 0.4% Cu, 0.7g/t Au & 137ppb Pt+Pd** (3.8:1 Ni:Cu ratio).
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Fig. 3: Summary of Double Magic Targets

VTEM	Ground EM Conductor	Previous Drilling	Comments
1 - strong	A - ~1,500-2,000S	CHRC012 – successfully intersected Ni-Cu sulphides (3m @ 0.7% Ni & 0.2% Cu)	Downhole EM recommended. Further drill testing recommended
	B - ~1,000-2,000S largest spatial extent. Prime target.	<u>Untested to date</u>	Likely related to Conductor A. Drill testing recommended
2 - strong	C - ~1,500S poorly constrained conductor, open to the east and south-east. Prime target.	CHRC013 – successfully intersected Ni-Cu sulphides (3m @ 1.3% Ni & 0.2% Cu and 6m @ 0.5% Ni & 0.2% Cu)	Highest amplitude conductance to the east untested. Additional ground EM recommended to better constrain the conductor. Further drill testing recommended
3 - strong	D - ~10,000-15,000S highly conductive source potentially indicative of strongly developed massive sulphides. Prime target.	<u>Untested to date</u>	Highest conductance recorded. Drill testing strongly recommended
4 - strong	E - ~2,000S	CHRC014 – minor disseminated Ni-Cu sulphides intersected	Further drilling and downhole EM recommended
5 - moderate	G - ~750-1,000S	CHRC015 – minor disseminated Ni-Cu sulphides intersected	Further drilling and downhole EM recommended
	F - ~1,000-1,250S	<u>Untested to date</u>	Drilling and downhole EM recommended
6 - moderate	No ground EM to date	<u>Untested to date</u>	Ground EM recommended
7 - moderate	No ground EM to date	<u>Untested to date</u>	Ground EM recommended

Summary of targets to investigate

High grade nickel-copper (5.0% Ni, 1.3% Cu) gossan identified at Conductor A

Source: Buxton Resources Limited

Fig. 4: Nickel gossans @ Conductor A (LHS) and Conductor C (RHS)



Source: Buxton Resources Limited (LHS image); Hartleys Research (RHS field visit image)

Further Work

More detailed exploration has commenced with mapping/sampling with drilling expected to commence in late June/early July 2015

The Company expects that the drill-testing of targets (including three high priority conductors) will commence in the coming weeks (likely in late June/early July), following drilling approvals and more-detailed field investigations. Due to the extensive outcrop across the project area initial works will include geological mapping and sampling. The Company already has untested conductors (walk-up targets) to drill, providing discovery potential of more significant nickel-copper sulphides.

Nickel exploration remains the key focus for Buxton with the new nickel project in the Kimberley region adding to the Company's portfolio of prospective ground within the Fraser Range region.

Risks

Key risks for Buxton include making an economic discovery and obtaining funding for ongoing exploration. Weather, land access, drill rig availability, retaining key people are all risks.

Fig. 5: 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 ~\$1.3m. 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 is funded for planned exploration.
Discovery Success	Med-High	Low-Med	Though the Company has some good targets this does not guarantee success. 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 low 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
Scott Williamson	Resources Analyst	+61 8 9268 3045
Simon Andrew	Energy Analyst	+61 8 9268 3020
Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Director & Head of Corp Fin.	+61 8 9268 2851
Richard Simpson	Director	+61 8 9268 2824
Paul Fryer	Director	+61 8 9268 2819
Dale Bryan	Director	+61 8 9268 2829
Ben Wale	Associate Director	+61 8 9268 3055
Ben Crossing	Associate Director	+61 8 9268 3047
Stephen Kite	Associate Director	+61 8 9268 3050
Scott Weir	Associate Director	+61 8 9268 2821

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.

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Digby Gilmour	+61 8 9268 2814
Veronika Tkacova	+61 8 9268 3053
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Nicola Bond	+61 8 9268 2840
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Shane Lehmann	+61 8 9268 2897
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Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Damir Mikulic	+61 8 9268 3027
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Charlie Ransom	+61 8 9268 2868
Brenton Reynolds	+61 8 9268 2866
Conlie Salvemini	+61 8 9268 2833
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