

25 Nov 2014

Share Price	\$0.355
Price Target	Under Review

### Brief Business Description:

Recent IPO, focused on nickel and gold exploration/development.

### Hartleys Brief Investment Conclusion

Strong potential to grow nickel resources and make new nickel, gold and other base metal discoveries. Well funded for planned exploration. Great nickel and gold address, considered largely underexplored.

### Chairman & MD

Seamus Cornelius (Non-Exec Chairman)  
Stuart Fogarty (Managing Director)

### Top Shareholders

Directors 11.0%

### Company Address

31 Ventnor Avenue  
West Perth, WA 6005

**Issued Capital** 82.5m  
- fully diluted 115.8m

**Market Cap** A\$29.3m  
- fully diluted A\$41.1m

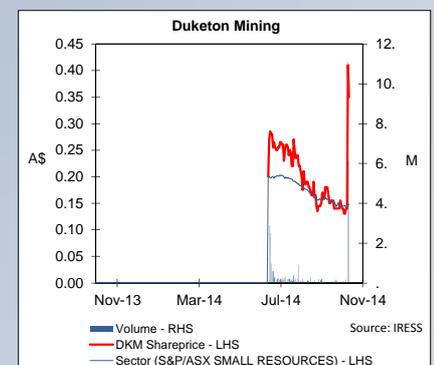
**Cash (30 Sep 14)** A\$7.8m

**Debt (30 Sep 14)** A\$0.0m

**EV** A\$21.5m

**EV - full diluted, option cash** A\$24.6m

	Mt	Ni (%)	Cu (%)
Reserves	-	-	-
Resources - 1% Ni LC	1.9	1.7	0.4



### Analyst

Mike Millikan  
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mike\_millikan@hartleys.com.au

Hartleys has completed a capital raising in the past 12 months for Duketon Mining Limited ("Duketon") for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Duketon, for which it has earned fees and continues to earn fees. Hartleys has a beneficial interest in 3m DKM options.

## DUKETON MINING (DKM)

### New massive nickel-copper sulphide zone discovered

Duketon Mining recently intersected a new massive sulphide zone, at the "Nariz Prospect", which contains visible nickel and copper mineralisation. Assays are pending (expected in the coming weeks), but visual estimates of the core indicates that this zone contains high-grade nickel, with intervals of good-grade copper and potentially platinum group metals (PGM).

The Nariz Prospect is located ~120m from the most southerly intersection of nickel-copper mineralisation at Rosie, well outside of the current resource envelope. Though early in discovery, with the new zone yet to be fully delineated, we see potential for high-grade resource additions from this area. Drilling is ongoing with a further five holes planned as part of initial follow-up.

### New zone remains open with delineation drilling underway

Hole DKMDD-005 intersected 5.8m (we estimate ~5m true width) of massive sulphides from a drill depth of 438.4m, overlain by broader disseminated sulphides over 28.4m from 410m. Mineralisation remains open and is located in a fold nose, which is why the new prospect has been named Nariz, which is Spanish for nose.

Clearly visible pentlandite (nickel sulphide) and chalcopyrite (copper sulphide) have been logged in the core, with the hole visually described as one of the best holes drilled to date within the project area. Some previous massive sulphide zones within the Rosie deposit have reported nickel grades above 9% Ni and copper grades exceeding 1% Cu, so we look forward to the release of results, which could be as early as next week.

The belt's prospectivity has already been confirmed by nickel sulphide mineralisation at Rosie and C2. Rosie currently hosts a resource estimate of 1.94Mt grading 1.7% Ni, 0.4% Cu and 1.9g/t PGE for 33Kt of contained nickel, 8Kt of contained copper and 118Koz of platinum and palladium. Rosie, C2 and the new nickel zone at Nariz are all contained within a granted mining lease 100%-Duketon owned.

As part of the follow-up drill program, Duketon has just re-entered Hole DKMRC-005, located over 300m to the east of DKMDD-005 where previously drilling failed to reach target depth while testing a large conductor. Following the completion of this hole, four holes are planned in and around DKMDD-005 at Nariz.

### Funded for more exploration success; Speculative Buy

The intersection of massive sulphides (containing nickel and copper) within the Nariz Prospect has seen our previous price target of 32cps exceeded. With assays pending and drilling ongoing we would expect momentum to continue in the stock. A maiden resource estimate for the C2 nickel deposit is also pending, due to be released this quarter (DecQ), providing an additional catalyst for potential share price appreciation.

Our price target for DKM is now under review, pending the release of assays. We expect extreme short-term share price volatility. With a current estimated cash position of ~\$8m, the Company remains well funded for planned exploration activities.

We maintain our Speculative Buy recommendation.

# SUMMARY MODEL

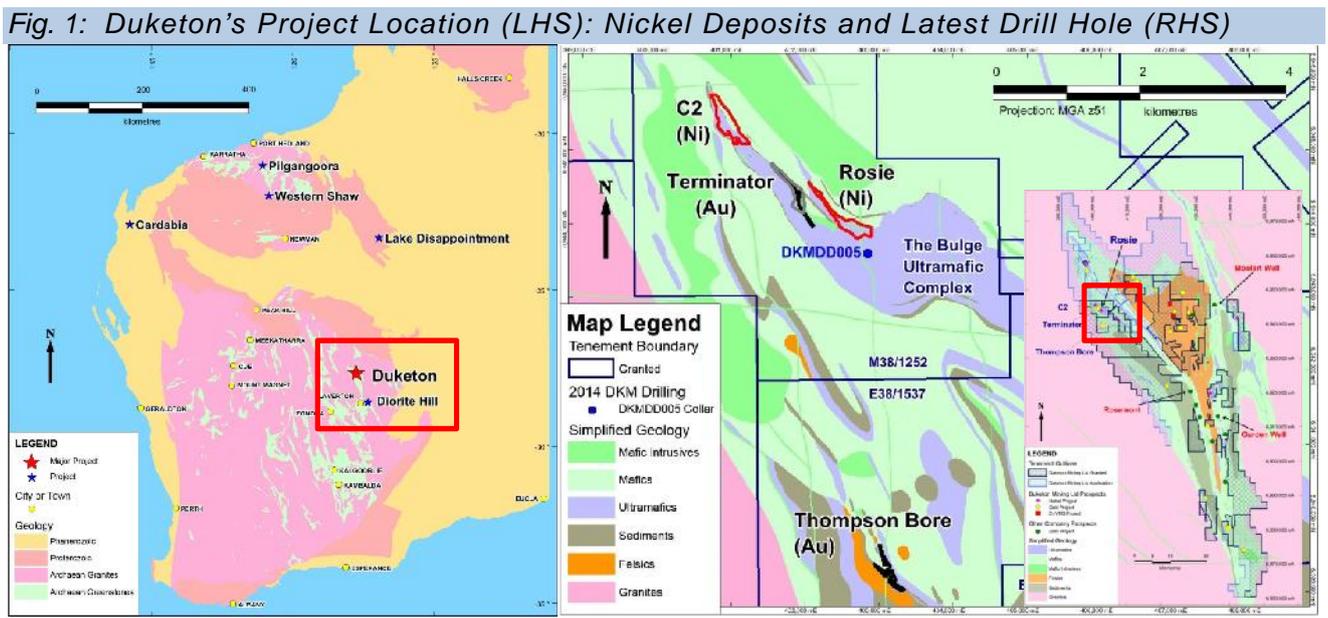
Duketon Mining DKM		Share Price \$0.355		Nov-14 Speculative Buy	
<b>Key Market Information</b>					
Share Price					
Market Capitalisation					
Market Capitalisation - full dil.					
Net Debt (cash)					
Issued Capital					
Options					
Issued Capital (fully diluted all options)					
EV					
EV - full diluted, option cash					
Price Target					Under Review
<b>Directors</b>					
<b>Company Details</b>					
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Stuart Fogarty (Managing Director)			West Perth, WA 6005		
Heath Hellewell (Non-Exec Director)			+61 8 6315 1490		
Dennis Wilkins (Comp Secretary)			+61 8 9322 7602		
<a href="http://www.duketonmining.com.au">www.duketonmining.com.au</a>					
<b>Top Shareholders</b>					
				m shs	%
Directors				9.1	11.0%
<b>Investment Summary</b>					
Strong potential to grow nickel resources and make new nickel, gold and other base metal discoveries. Well funded for planned exploration. Great nickel and gold address, considered largely underexplored.					
<b>Newsflow</b>					
				Project	
Q4 CY14	Nariz follow-up drilling	Duke			
Q4 CY14	Prelim. Met work - C2	Duke			
Q4 CY14	Maiden C2 resource	Duke			
Q1 CY15	Regional target testing	Duke			
<b>Unpaid Capital</b>					
		No (m)	\$ (m)	Ave Pr	% Ord
<b>Options</b>					
FY17		0.00	0.0	nm	0.0%
FY18		2.55	0.9	0.350	3.1%
FY19		15.75	4.9	0.309	19.1%
FY20		15.00	3.0	0.200	18.2%
<b>Total</b>		<b>33.30</b>	<b>8.8</b>	<b>0.263</b>	<b>40.4%</b>
<b>Comments</b>					
Recent IPO with the Duketon Project being the flagship project.					
<b>JORC Resources</b>					
		Mt	Grade	Metal (t)	LC
<b>Rosie - Nickel</b>					
Indicated		1.41	1.7% Ni	24,100	1.0% Ni
Inferred		0.53	1.6% Ni	8,600	1.0% Ni
<b>Total</b>		<b>1.94</b>	<b>1.7% Ni</b>	<b>32,700</b>	<b>1.0% Ni</b>
<b>C2 - Nickel</b>					
Resource pending					
<b>P&amp;L</b>					
		FY2014F	FY2015F	FY2016F	
<b>Net Revenue</b>		na	na	na	
<b>Total Costs</b>		na	na	na	
EBITDA		na	na	na	
Deprec/Amort		na	na	na	
<b>EBIT</b>		na	na	na	
Net Interest		na	na	na	
<b>Pre-Tax Profit</b>		na	na	na	
Tax Expense		na	na	na	
<b>NPAT</b>		loss	loss	loss	
Abnormal Items		na	na	na	
<b>Reported Profit</b>		loss	loss	loss	
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Last Updated: 25/11/2014					
Sources: IRESS, Company Information, Hartleys Research					

### Exploration upside within the Bulge

The intersection of massive sulphide mineralisation with visible nickel and copper mineralisation further enhances the prospectivity of the Bulge Ultramafic Complex

The Duketon Project (100% DKM) is located ~80km north of Laverton and contains advanced nickel prospects, along with emerging gold prospects. Nickel sulphides were first discovered within the belt in 2006 at the C2 prospect, with higher grade mineralisation defined at Rosie in 2009. Rosie currently hosts a resource estimate of 1.94Mt @ 1.7% Ni, 0.4% Cu and 1.9g/t PGE for 33Kt of nickel, 8Kt of copper and 118Koz of Pt+Pd, which remains open along strike and at depth.

Nickel exploration upside is expected from high-grade extensions to the Rosie resource, along strike of the large C2 deposit (maiden resource pending) and along the +12km Bulge Ultramafic Complex which remains largely untested. The new nickel-copper discovery at Nariz further enhances prospectivity of the area.

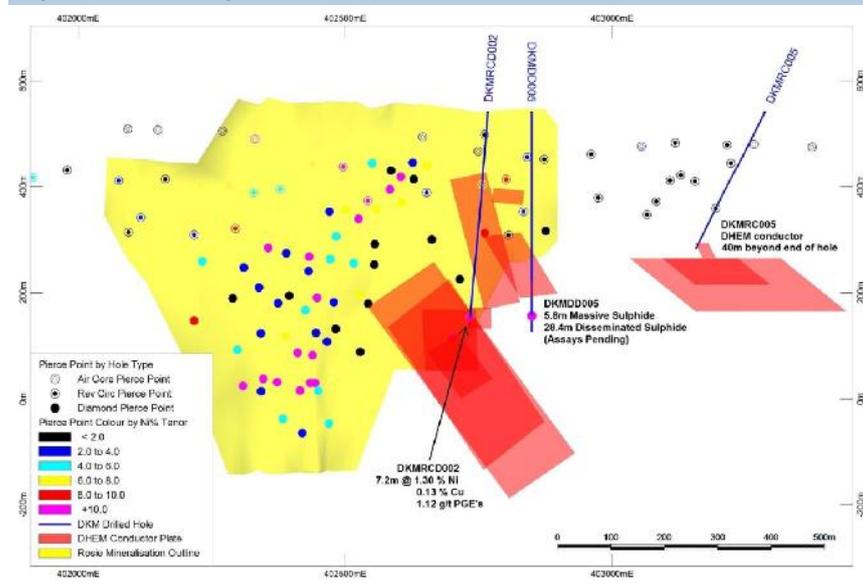


Source: Duketon Mining Limited

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The new zone of massive sulphides is located over 120m from previous nickel mineralisation

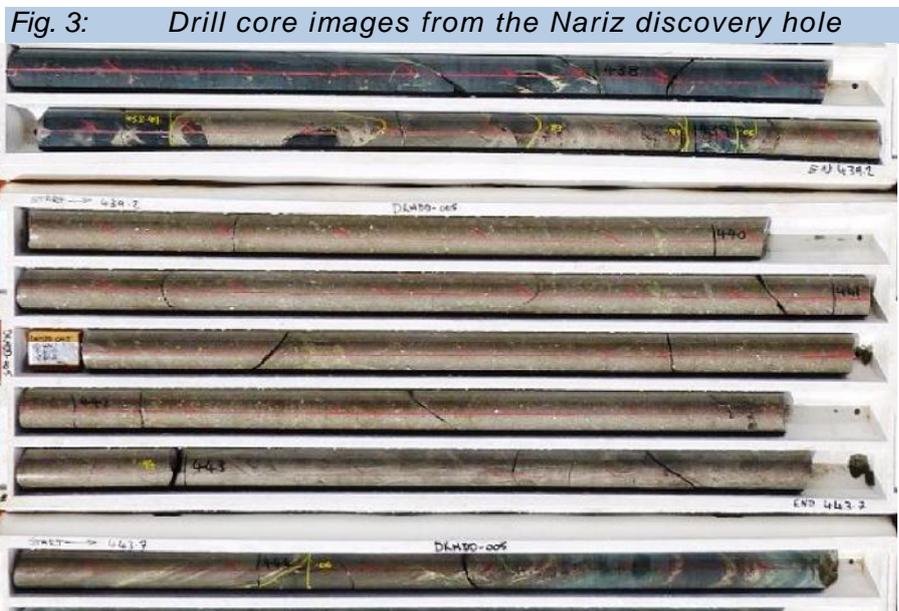
Fig. 2: Long Section - Rosie outline and DKMDD-005



Source: Duketon Mining Limited; Long section looking north

Mineralisation remains open and delineation drilling is now underway

Clearly visible pentlandite (nickel sulphide) and chalcopyrite (copper sulphide) have been logged in the core, with the hole visually described as one of the best holes drilled to date within the project area. Some previous massive sulphide zones within the Rosie deposit have reported nickel grades above 9% Ni and copper grades exceeding 1% Cu. We look forward to the release of results, which could be as early as next week.



**Massive sulphide zone over 5.8m**



**Visible pentlandite (nickel sulphide)**



**Visible chalcopyrite (copper sulphide)**

Source: Duketon Mining Limited

**Fig. 4: Comparison to some other nickel discoveries in WA**

Deposit	Discovery Hole	Date	Company
Silver Swan	2.45m @ 16.7% Ni from ? depth (mineralisation occurs on the FW +190-740m)	May-95	Outokumpu
Cosmos	3.02m @ 7.54% Ni from 129.53m (JCD001)	Sep-97	Jubilee Mine
Miitel North	15.9m @ 2.66% Ni from 470.7m (MDD006W1)	Sep-02	Mincor
Flying Fox	6.6m @ 7.9% Ni from 454.6m (FFD 132)	Sep-03	Western Areas
Spotted Quoll	6.2m @ 4.8% Ni from 119.9m (WBD 18)	Oct-07	Western Areas
Rosie	7m @ 2.61% Ni (0.42% Cu, 3.75g/t Pt+Pd) from 190m (TBRC070)	Dec-09	Independence Group/South Boulder Mines
Nova	4m @ 3.8% Ni and 1.42% Cu from 191m (SFR0024)	Jul-12	Sirius Resources
Bollinger	4.78m @ 4.6% Ni and 1.29% Cu from 433.9m (SFRD0167)	Feb-13	Sirius Resources
Nariz??	5.8m of massive sulphides from 438.4m; assays pending (DKMDD-005)	Nov-14	Duketon Mining

Source: Company Reports; Nariz is a prospect not a deposit (as yet) with assays pending

## Price Target – Under Review

Duketon is undertaking advanced-stage exploration focussing on the high-grade zones within and around the Rosie nickel deposit, and shallow mineralised zones within the C2 nickel deposit, both located within the Bulge Ultramafic Complex.

Focused exploration to laterally extend Rosie, better define C2 and make new discoveries (ie Nariz)

Lateral extensions at and along strike of Rosie are a key focus area and further work at the C2 prospect will be subject to favourable metallurgical testwork and internal mining studies. Rosie contains a JORC-compliant resource estimate for ~33Kt of contained nickel, along with potential credits from copper (~8Kt) and PGE (118Koz Pt+Pd). Over 70% of the resource is Indicated, but metallurgical testwork is required and is expected to be completed by early 2015. The C2 deposit, is largely disseminated sulphide mineralisation but has potential to contain some higher grade zones, if a +30Kt of contained nickel can be defined at viable mining depths (ie shallow open pit) and favourable nickel recoveries (+80-90%), then the Duketon nickel inventory moves to +70Kt of contained nickel.

We consider DKM to be a high risk/high reward investment given its early stage nature

In our opinion, a mining inventory of 70-100Kt of contained nickel will be required to justify a potential standalone operation or the transportation of ore to a third party concentrator (ie BHP NiWest’s Leinster concentrator, which currently has idle capacity and is entertaining third party ore purchases (recent Poseidon Nickel (POS) deal). The Leinster Concentrator has capacity for ~3Mtpa and is currently <60% utilised. This mining inventory size would provide production of ~10Kt of nickel per annum over a 7 to 10 year period (dependent on resource conversion, final metallurgical testwork, etc).

We expect share price volatility

At this stage we treat Duketon as an explorer with an eye on development. The Duketon Belt has proven nickel and gold endowment and through systematic exploration we expect the Company will have more drill success leading to resource extensions and new discoveries (as highlighted by Nariz). On a peer comparison, Rox Resources Limited (RXL) is a pretty-good analogue, be it slightly more advanced in regards to metallurgical testwork progressing towards early development studies (scoping study soon to commence). ASX nickel peers have a current trading median on an EV/Resource Ni lb of 22c. Duketon is currently trading at 26c on a EV/Resource Ni lb basis, but with the pending C2 nickel resource this will likely change.

Hartleys price target is under review

Duketon has proven deposits that can progress into the early development/feasibility stage, this is potentially the most rewarding part of the lifecycle but requires funding/derisking. We have a preliminary price target assigned to Duketon Mining, is under review but based largely on peer comparison and exploration value. Our price target for DKM includes weighting for the peer comparison, nominal exploration value and a weighting for the current net cash backing.

**Fig. 5: Price Target Methodology**

Price Target Methodology	Weighting	Spot	12 Month
Peer comparison metric valuation		\$0.21	\$0.41
Nominal exploration value		\$0.26	\$0.32
+ New Rosie-size discovery at good-grade		\$0.45	\$0.68
Net cash backing		\$0.09	\$0.04
<b>Risk weighted composite</b>			
<b>Price Target</b>			
Shareprice - Last		\$0.355	
<b>12 mth total return (% to 12mth target + dividend)</b>			<b>Under Review</b>

Source: Hartleys Estimate

## Risks

Key risks for Duketon include developing a project that will be economically viable, and obtaining funding for ongoing exploration. Weather, land access, metallurgical testwork, ore deposit delineating, retaining key people are all risks.

**Fig. 6: Key Risks**

Assumption	Risk of not realising assumption	Downside risk to shareprice if assumption is incorrect	Comment
Timely land access	Low	Med	The Duketon Project is contained within crown land with no native title claims. Land access and approvals are at the mines department level, with program of work needing to be approved prior to exploration. Rosie, C2, Nariz and Terminator are located within a granted mining lease.
Funding for ongoing exploration	Low-Med	Med	We estimate DKM has a current cash position ~\$8m. To achieve the Company's medium term milestones it will require funding for further exploration and development studies. We expect this funding will be realised with minimal risk to the downside.
Preliminary Metallurgical testing	Low-Med	Med-High	No metallurgical testwork has as yet been released but is currently underway. Test work is needed to ensure favourable metallurgical recoveries to prove an economic reserve. Poor metallurgical results are a downside risk to the share price.
Feasible project development	Med	Med-High	No development studies have as yet commenced. We expect, given favourable metallurgical work that scoping activities will commence in the new year.
Commodity prices	Med	High	The project remains highly sensitive to commodity price movements and sentiment. The Company's exploration focus is Ni-Cu-PGE deposits, with commodity exposure to nickel, copper, PGE's, gold, along with others. The mineral field in which DKM is currently focused is greenfield, we view DKM as having a high exposure to underlying commodity prices
<i>Conclusion</i>	<i>At this stage we consider the assumptions have a low to medium risk of not being achieved. We have no current price target on the Company.</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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