

## DUKETON MINING LIMITED (DKM)

### Gold and Nickel Exploration Coming to the Fore

Duketon Mining (DKM) remains focused on nickel and gold exploration within the highly prospective Duketon Greenstone Belt.

The Company's gold-only exploration JV with Regis Resources (RRL) continues to provide early encouragement, with the clock now ticking for RRL to earn its 75% interest by committing to a decision to mine within a 2 year period (commenced 13<sup>th</sup> October 2015). RRL has well established gold operations (processing infrastructure) throughout the Duketon Belt, and as such can monetise any new gold discoveries rapidly. Higher grade ore sources could potentially displace current low grade feed at the existing operations. DKM retains exposure to any discoveries which could provide future cash flows, or potentially be divested for cash, or retained royalties.

The exploration JV is over only a small proportion (~19%) of DKM's ground holdings, with the JV ground largely contiguous to RRL's Moolart Well project area, and contain a number of prospective shear zones along strike from known gold deposits. For example, RRL's Petra gold deposit, located 15kms ESE of the Moolart Well gold plant has a shallow (potential open pit) resource of 42Koz (@ 3.12g/t Au), with the controlling structure for gold mineralisation trending into the JV ground, up to the tenement boundary. This structure will likely be drill-tested in the coming quarters.

Recently completed exploration by RRL focused largely on surface geochemical sampling, with first pass reconnaissance and infill follow-up expected to be concluded in the MarQ. Geochemical anomalies are expected to be tested by aircore bedrock drilling in the latter parts of the MarQ. In addition, drill programs (likely RC) have been proposed for the gold mineralised trends at North Petra and North Garden Well.

#### Drilling 100%-owned ground a key near term catalyst

DKM continues to advance its key nickel prospects (Rosie, C2 and the Nariz discovery), while focused on new high-grade discoveries. The most recent interpretation of the Nariz nickel discovery is that a new target zone, highlighted by DHEM and geological models, below and to the east and west of the original discovery (~5.7m @ 7.1% Ni, 0.5% Cu and 3.8g/t Pt+Pd from ~438m) requires drill testing (planning underway).

The Company has also identified a compelling geophysical (DHEM) anomaly ~300m west of the Rosie contact on the C2 mineralised contact, which has been interpreted to be a potential repeat to the Rosie nickel deposit. This nickel target (141) is planned to be tested by drilling early in 2016.

Recent gold exploration at the South East Bulge prospect has confirmed a 2km long gold trend via aircore bedrock drilling. The shallow aircore program was successful in increasing the width of mineralisation across strike and reinforcing the gold trend, which appears to be depleted near-surface. Further aircore drilling is proposed to infill the gold anomaly before deeper RC drilling in March/April 2016. DKM has a pipeline of gold targets to test with drilling also set to commence at Davies and Henry's Bore (Kulguddi prospect).

Duketon has estimated cash of ~\$4.4m (plus ~\$1.5m in listed investments), and remains well funded for planned exploration. We maintain our Speculative Buy recommendation, with a price target of 28cps. The Company's very low EV (~A\$3.3m) makes it a compelling investment case.

25 Feb 2016

Share Price	\$0.120
Price Target	\$0.28

#### Brief Business Description:

Focused on nickel and gold exploration/development.

#### Hartleys Brief Investment Conclusion

Great nickel and gold address, considered largely underexplored. New gold JV with RRL over some ground. Strong potential to grow resources and make new discoveries. Well-funded for planned exploration.

#### Chairman & MD

Seamus Cornelius (Non-Exec Chairman)

Stuart Fogarty (Managing Director)

#### Top Shareholders

Directors 5.2%

#### Company Address

31 Ventnor Avenue  
West Perth, WA 6005

Issued Capital 77.4m

- fully diluted 116.0m

Market Cap A\$9.3m

- fully diluted A\$13.9m

Cash (31 Dec 15a) A\$4.4m

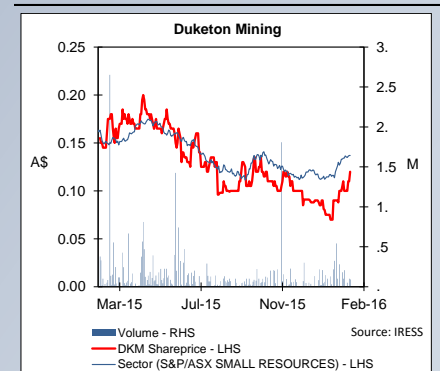
Listed Investments (est) A\$1.5m

Debt (est) A\$0.0m

EV - incl. listed investments A\$3.3m

EV - full diluted, option cash -A\$1.9m

	Mt	Ni (Kt)	Cu (Kt)
Reserves	-	-	-
Resources	7.6	70.7	10.4



#### Analyst

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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Duketon Mining Limited ("Duketon"), for which it has earned fees and continues to earn fees. Hartleys has a beneficial interest in 3,000,000 Duketon options.

# SUMMARY MODEL

Duketon Mining DKM		Share Price \$0.120		Feb-16 Speculative Buy	
<b>Key Market Information</b>					
Share Price					
Market Capitalisation					
Market Capitalisation - full dil.					
Net Cash (Debt)					
Listed Investments (est)					
Issued Capital					
Options					
Issued Capital (fully diluted all options)					
EV - incl. listed invest					
EV - full diluted, option cash					
<b>Price Target</b>					<b>\$0.28</b>
<b>Directors</b>					
<b>Company Details</b>					
Seamus Cornelius (Non-Exec Chairman)			31 Ventnor Avenue		
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		4.1		5.2%	
<b>Investment Summary</b>					
Great nickel and gold address, considered largely underexplored. New gold JV with RRL over some ground. Strong potential to grow resources and make new discoveries. Well-funded for planned exploration.					
<b>Newsflow</b>					
		Project			
Q1 CY16	RRL gold JV aircore drilling			Duke JV	
Q1/Q2 CY16	RRL gold JV follow-up RC			Duke JV	
Q1 CY16	Gold aircore drilling			Duke	
Q1/Q2 CY16	Nickel target testing			Duke	
Q2 CY16	Gold target testing RC			Duke	
<b>Unpaid Capital</b>					
		No (m)	\$ (m)	Ave Pr	% Ord
<b>Options</b>					
FY17	0.00	0.00	nm	0.0%	
FY18	3.30	1.14	0.345	4.3%	
FY19	30.30	7.71	0.254	39.2%	
FY20	5.05	1.01	0.201	6.5%	
<b>Total</b>	<b>38.65</b>	<b>9.86</b>	<b>0.255</b>	<b>49.9%</b>	
<b>Comments</b>					
Duketon Project is the flagship project and is considered highly prospective for nickel and gold mineralisation					
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Last Updated: 25/02/2016					
Sources: IRESS, Company Information, Hartleys Research					

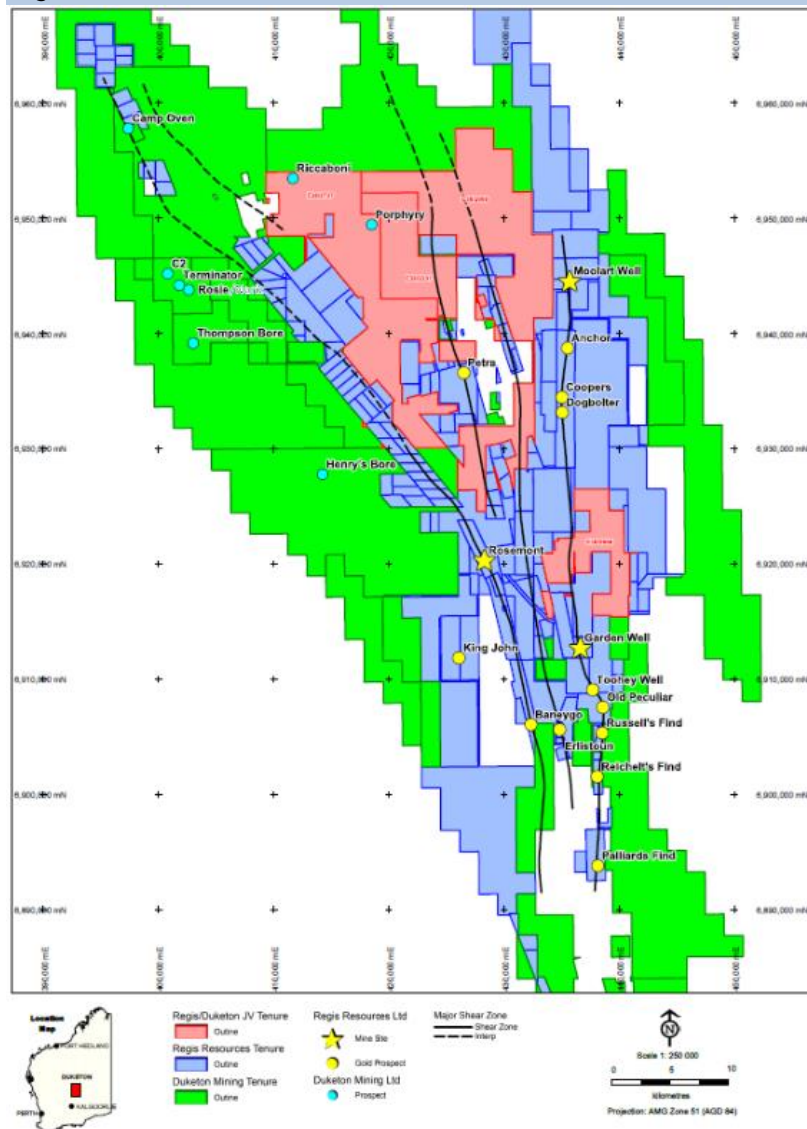
**RRL GOLD JV**

RRL can earn a 75% interest in the ground, by committing to a decision to mine within a 2 year time frame

Upon the decision to mine any gold deposits discovered, DKM can contribute to the mining JV, sell for a fixed \$850,000 in cash, or convert to a 2% NSR on gold production

DKM retains all non-gold rights

**Fig. 1: DKM, RRL and JV tenure – Duketon Belt**



Source: Duketon Mining Limited

**NEW NICKEL TARGET**

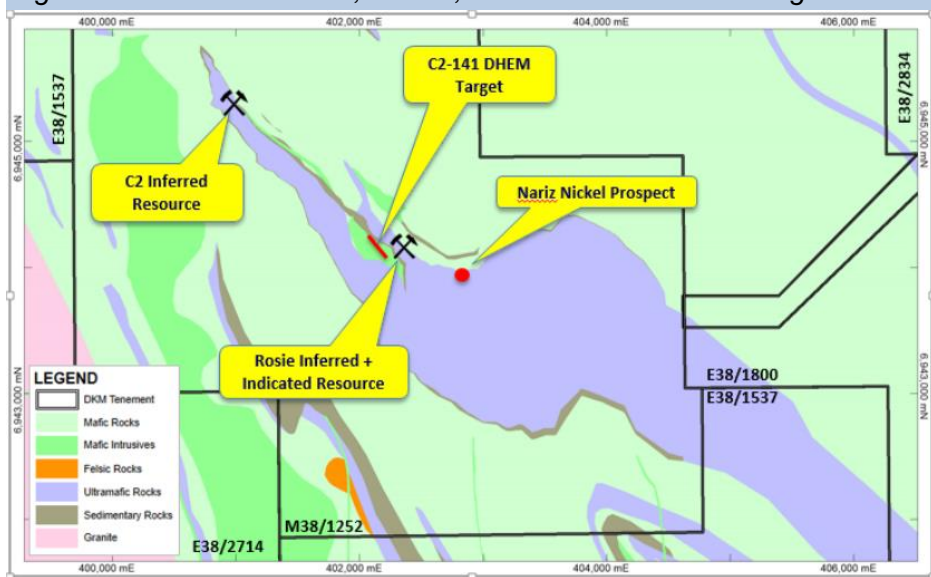
New high-priority DHEM nickel target (141) planned to be drill-tested in early 2016

Target located ~300m west of Rosie on the C2 contact

Plate model 200m x 200m

Represents a potential structural repeat of Rosie

**Fig. 2: Plan view C2, Rosie, Nariz and new 141 target**



Source: Duketon Mining Limited

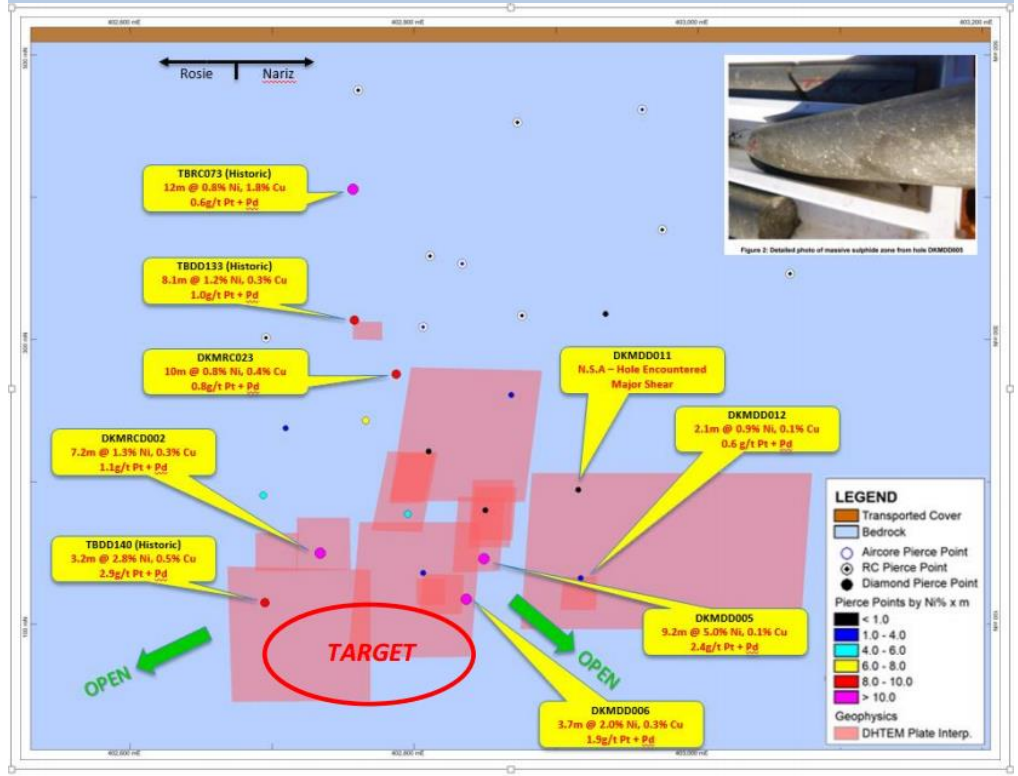


**NARIZ NEW EM TARGET**

*New priority target zone identified at the high-grade Nariz nickel discovery*

*The target zone is positioned below and to the east and west of the original Nariz discovery hole which reported ~5.7m @ 7.1% Ni, 0.5% Cu and 3.8g/t Pt+Pd from ~438m*

**Fig. 3: New Nariz Nickel Target Zone**



Source: Duketon Mining Limited

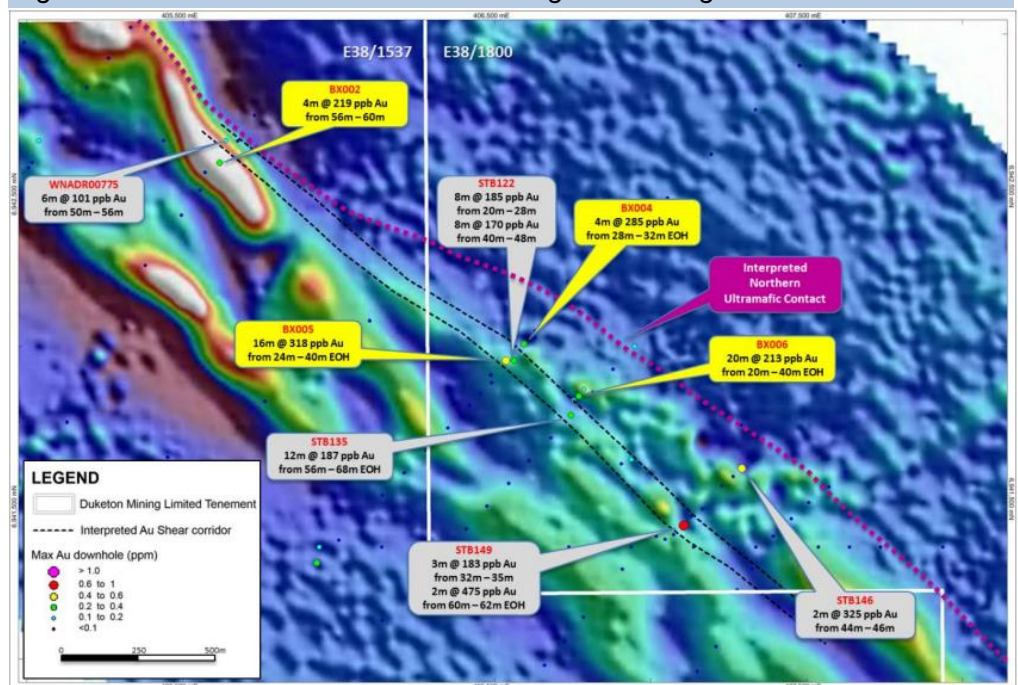
**GOLD 100% DKM**

*Anomalous 2km long gold trend located at the South East Bulge prospect confirmed by aircore drilling*

*Highly prospective rocks encountered in the drilling which include sheared mafics and ultramafics*

*Deeply weathered regolith has depleted some of the surficial gold responses but still highly anomalous to the background levels*

**Fig. 4: Gold anomalous over background magnetics**



Source: Duketon Mining Limited

## Price Target Methodology

Duketon remains focused on nickel and gold exploration within the Duketon Belt. Its nickel exploration activities are more advanced than the gold exploration activities which are considered early stage.

*DKM remains focused on nickel and gold exploration within the Duketon Belt*

The nickel exploration strategy is focused 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. Exploration has already led to a new nickel discovery at Nariz.

Lateral extensions at and along strike of Rosie, C2 and Nariz remain a key focus area, with the new C2-141 DHEM target, representing a high priority target that requires drill-testing. Rosie contains a resource estimate for ~33Kt of nickel, along with potential credits from copper (~8Kt) and PGE (118Koz Pt+Pd). Over 70% of the resource is Indicated, but further metallurgical testwork is required. C2 is a largely disseminated sulphide deposit which contains a resource estimate for ~38Kt of nickel, taking Duketon's nickel resource base to ~71Kt. From completed preliminary mining studies C2 is expected to be amenable to shallow open pit extraction and we would expect favourable nickel recoveries (+80-90%), though yet to be reported.

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

In our opinion, a mining inventory of ~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; or WSA's Cosmos concentrator (current care and maintenance)). 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). At this stage we treat Duketon as an explorer which can progress towards development, if and when critical mass is established on the resource front and nickel prices are more favourable.

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. DKM has mineral 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, which is largely based 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. Our latest price target is 28cps. The exploration JV with Regis provides Duketon with exposure to any gold discoveries with the JV ground, which could provide future production for early cash flows or potentially be divested for cash or retain royalties.

*Our DKM 12-month price target is 28cps*

**Fig. 5: Price Target Methodology**

Price Target Methodology	Weighting	Spot	12 Month
Peer comparison metric valuation	30%	\$0.20	\$0.27
Nominal exploration value	55%	\$0.26	\$0.29
+ Nariz (ie new Rosie-size at good-grade), new Ni, Au discoveries	10%	\$0.33	\$0.40
Net cash backing	5%	\$0.06	\$0.05
<b>Risk weighted composite</b>		<b>\$0.24</b>	
<b>Price Target</b>		<b>\$0.28</b>	
Shareprice - Last		\$0.120	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>137%</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 share price 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 ~\$4.4m, with listed investment worth a further ~A\$1.5m. To achieve the Company's longer 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. The JV agreement with RRL provides exploration funding for some ground, and this model could be potentially applied to additional DKM tenements
Preliminary Metallurgical testing	Low-Med	Med-High	Only preliminary metallurgical test-work has been completed but not as yet released. 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 can progress when nickel prices are more favourable.
Commodity prices	Med	High	The project remains highly sensitive to commodity price movements and sentiment. The Company's exploration focus is Ni-Cu-PGE and Au deposits, with commodity exposure to nickel, copper, PGE's, gold, along with others. The mineral field in which DKM is currently focused is Greenfields, we view DKM as having a high exposure to underlying commodity prices

**Conclusion**

*At this stage we consider the assumptions have a low to medium risk of not being achieved. Our price target is based on assumptions, some of which are speculative*

Source: Hartleys Research

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## 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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