

25 Jun 2018

Share Price	\$0.230
Price Target (12 month)	\$0.48

Brief Business Description:

Focused on gold (and nickel) exploration

Hartleys Brief Investment Conclusion

Great gold and nickel address, considered largely underexplored. 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

St Barbara Limited (SBM)	12.3%
Harmanis Holdings Pty Ltd	8.5%

Company Address

31 Ventnor Avenue
West Perth, WA 6005

Issued Capital	117.8m
- fully diluted	155.9m

Market Cap	A\$27.1m
- fully diluted	A\$35.9m

Cash (est)	A\$5.5m
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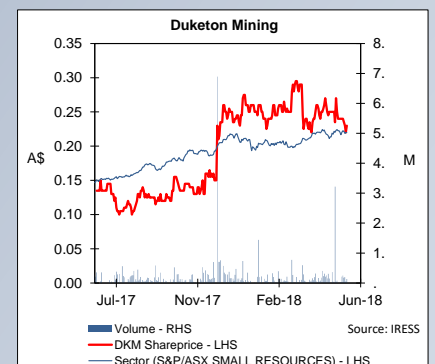
Listed Investments (est)	A\$1.7m
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Debt (est)	A\$0.0m
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EV - incl. listed investments	A\$20.0m
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EV - full diluted, option cash	A\$19.2m
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	Mt	Grade	Metal (k)
Reserves	-	-	-
Resources - Gold oz	1.9	1.55g/t Au	95.7
Resources - Nickel t	7.6	0.9% Ni	70.7



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DUKETON MINING LIMITED (DKM)

On the quest for discovery and resource conversion

Duketon Mining (DKM) has had a busy 2H FY18, delivering a maiden resource for Lancefield North, and completing RC drilling at the Golden Star discovery. The Company also continues to progress its other gold prospects with some encouraging aircore drill results reported from Commonwealth.

In addition, gold producer St Barbara Mining (SBM) invested A\$4M into DKM (completed at a 10% premium to the 30-day VWAP at the time) and now holds a 12% interest in the Company. DKM has estimated cash and liquids of A\$7M, providing strong funding for ongoing exploration. The SBM investment is a very good endorsement for the Company and its projects within the Duketon Belt, which is well endowed in gold (+8Moz) but is still underexplored.

We maintain our **Speculative Buy** recommendation with a 12-month price target of 48cps (from 45cps). The Company retains a strategically important tenement package within a belt with strong exploration upside, and continues to advance prospects from discovery through to conversion to resource.

Golden Star – new gold discovery with infill results pending

DKM confirmed a significant new gold discovery at Golden Star (100% DKM), within the Duketon Belt in late CY17. Golden Star is located ~30km north of Lancefield North (100% DKM) and ~25km to the south of Regis Resources' (RRL) Garden Well operation (3Moz). The gold mineralisation at Golden Star appears to be hosted within similar geology (quartz dolerite) to RRL's Rosemont mine (1.7Moz), which is along trend to the north.

Drilling in early 2018 extended the strike length of mineralisation to 600m, with the system still open down-dip. Some of the better results included **25m grading 2.5g/t Au** from 25m (incl. 5m grading 10.7g/t Au) and **6m grading 6.6 g/t Au** from 21m (incl. 1m grading an impressive 37.7g/t Au).

Though still early into discovery and delineation, Golden Star reports good-grade mineralisation from shallow depths, which bodes well in our opinion for potential commercialisation over time. RC infill drilling (some 2,423m drilled) was recently completed with assays expected in before the end of July.

Going for Commonwealth gold

Discovering new gold deposits on 100%-owned tenure remains one of the key value drivers for the Company. Recently completed aircore (AC) drilling at the Commonwealth prospect, located ~10km west of RRL's Moolart Well, returned an encouraging **6m grading 3.0g/t Au** from 80m.

The AC program was testing beneath a large soil anomaly (+3km) with sheared quartz veined rocks with disseminated sulphides encountered. DKM has already completed RC follow-up beneath the better grade zones with assays ~4 weeks away.

Maiden resource delivered for Lancefield North only the start

The maiden (Inferred) resource for Lancefield North (100% DKM) of **1.9Mt grading 1.5g/t Au for 96koz gold** (0.5g/t Au lower cut) is considered interim and will grow, especially as the deposit remains open along strike and down-plunge. The gold mineralisation associated with multiple stacked and sheared quartz veins within meta-basalts and sediment host rocks. The deposit is located ~5kms north of the historical Lancefield mine (1Moz) and preliminary metallurgy on 20 fresh rock samples has pleasingly confirmed leachable gold.

SUMMARY MODEL

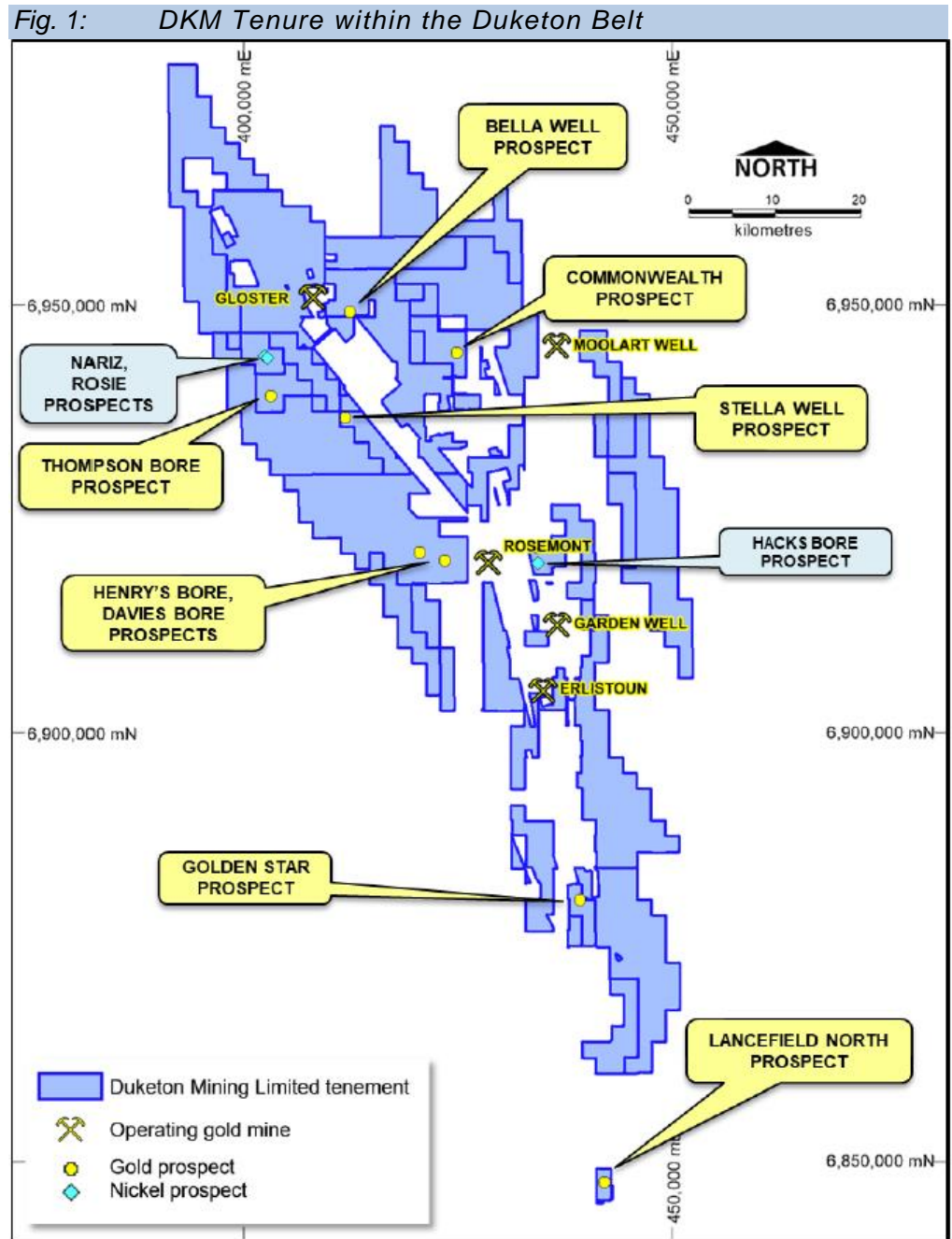
Duketon Mining DKM				Share Price \$0.230		Jun-18 Speculative Buy	
Key Market Information						Directors	
Share Price				\$0.230		Company Details	
Market Capitalisation				\$27.1m		Seamus Cornelius (Non-Exec Chairman) 31 Ventnor Avenue	
Market Capitalisation - full dil.				\$35.9m		West Perth, WA 6005	
Net Cash (Debt)				\$5.5m		+61 8 6315 1490	
Listed Investments (est)				\$1.7m			
Issued Capital				117.85m			
Options				38.10m			
Issued Capital (fully diluted all options)				155.9m			
EV - incl. listed invest				\$20.0m			
EV - full diluted, option cash				\$19.2m			
Price Target				\$0.48		<i>www.duketonmining.com.au</i>	
Projects				Interest	Location		
Duketon	100%		WA	Commodity			
				Ni, Au, Cu, PGE			
JORC Resources				Mt	Grade	Metal	LC
				oz			
Lancefield North - Gold	1.92	1.55g/t Au	95,679	0.5g/t Au			
Duketon Gold Total	1.92	1.55g/t Au	95,679				
Rosie - Nickel						t	
Indicated	1.41	1.7% Ni	24,100	1.0% Ni			
Inferred	0.53	1.6% Ni	8,600	1.0% Ni			
Total	1.94	1.7% Ni	32,700	1.0% Ni			
C2 - Nickel							
Inferred	5.70	0.7% Ni	38,000	0.5% Ni			
Total	5.70	0.7% Ni	38,000	0.5% Ni			
Duketon Nickel Total	7.64	0.9% Ni	70,700				
P&L				FY2017A	FY2018F	FY2019F	
Net Revenue	na			na	na	na	
Total Costs	na			na	na	na	
EBITDA	na			na	na	na	
Deprec/Amort	na			na	na	na	
EBIT	na			na	na	na	
Net Interest	na			na	na	na	
Pre-Tax Profit	na			na	na	na	
Tax Expense	na			na	na	na	
NPAT	loss			loss	loss	loss	
Abnormal Items	na			na	na	na	
Reported Profit	loss			loss	loss	loss	
Top Shareholders				m	shs	%	
St Barbara Limited (SBM)				14.5		12.3%	
Harmanis Holdings Pty Ltd				10.0		8.5%	
Montezuma Mining				5.4		4.6%	
Directors				4.1		3.4%	
Investment Summary							
Great gold and nickel address, considered largely underexplored. Strong potential to grow resources and make new discoveries. Well-funded for planned exploration.							
Newsflow				Project			
Q1 CY18	RC drilling - Golden Star (results)	100% DKM					
Q1 CY18	Maiden resource - Lancefield North	100% DKM					
Q1 CY18	SBM invests A\$4M	Corp					
Q2 CY18	RC drilling - Golden Star, Thompsons	100% DKM					
Q2 CY18	AC drilling - Commonw ealth, etc	100% DKM					
Q2 CY18	Results and follow-up planning	100% DKM					
Q3,Q4 CY18	Potential resource definition	100% DKM					
Unpaid Capital				No (m)	\$ (m)	Ave Pr	% Ord
Options							
FY19	15.3	4.7	0.308	13.0%			
FY20	17.3	3.5	0.200	14.6%			
FY21	2.8	0.6	0.200	2.4%			
FY22	2.8	0.8	0.295	2.3%			
Total	38.1	9.5	0.250	32.3%			
Comments							
Duketon Project is the flagship project and is considered highly prospective for gold and nickel mineralisation							
Analyst: Mike Millikan				Last Updated: 25/06/2018			
Phone: +61 8 9268 2805							
Sources: IRESS, Company Information, Hartleys Research							

DUKETON BELT – SIGNIFICANT UPSIDE

Duketon Mining (DKM) remains focused on gold and nickel exploration within the Duketon Belt, with ground holdings 100%-owned. The Company's tenements are contiguous with Regis Resources (RRL) and collectively cover a vast majority of the greenstone belt. RRL's ground hosts over 8Moz, which provides significant exploration upside for the under-explored DKM ground

DKM has a key strategy of discovering new gold deposits on 100%-owned ground

A number of prospects are well advanced, in particular Lancefield North, Thompson Bore, Henrys Bore, and Golden Star



Source: Duketon Mining Limited

COMMONWEALTH – GOOD HITS INTO BIG TARGET

DKM has released encouraging aircore (AC) drill results from its Commonwealth prospect, located ~10km west of RRL’s Moolart Well.

Commonwealth is located ~10km west of RRL’s Moolart Well, and has been upgraded by recently completed AC drilling

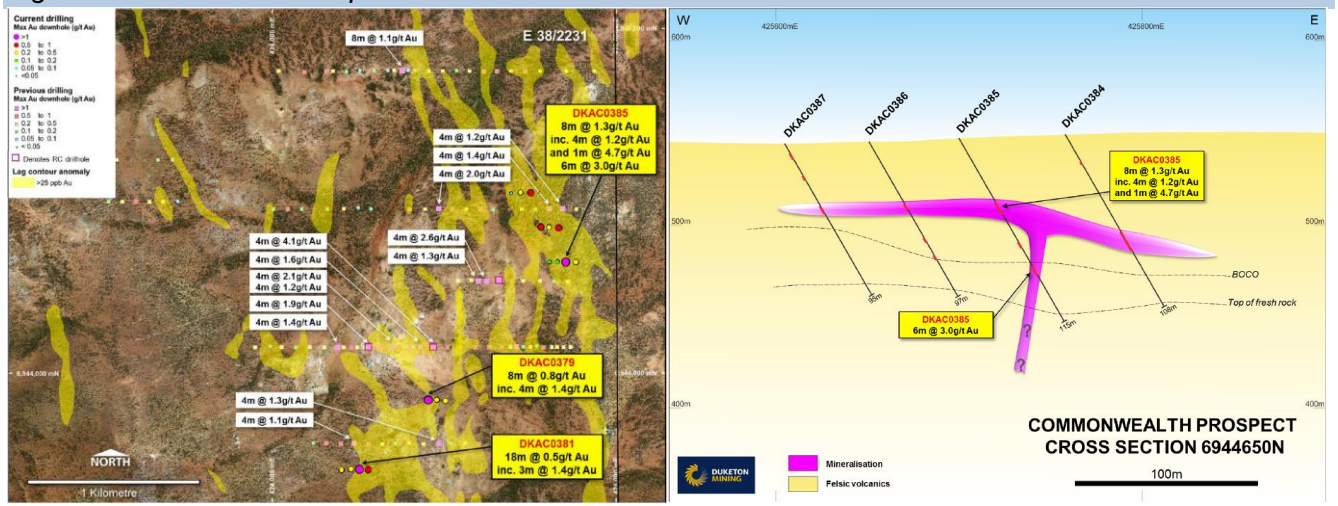
Some of the best drill results include:

- 6m @ 3.0g/t from 80m;
- 8m @ 1.3g/t Au from 40m (incl. 4m @ 1.2g/t Au and 1m @ 4.7g/t Au); and
- 18m @ 0.5g/t from 37m (incl. 3m @ 1.4g/t)

The AC program was testing beneath a large lag geochem anomaly (+3km) with sheared quartz veined rocks with disseminated sulphides encountered in the drilling.

DKM has already completed RC follow-up beneath the better grade zones with assays expected in about 4 weeks.

Fig. 2: Golden Star Prospect – Drill hole location and Results



Source: Duketon Mining Limited

GOLDEN STAR – INFILL ASSAYS 4 WEEKS AWAY

Golden Star prospect is well located only ~25km to the south of RRL’s Garden Well gold mine and processing infrastructure

The mineralisation at Golden Star occurs as several stacked lenses within a mafic unit (dolerite) and is associated with quartz veining and some sulphide alteration between two parallel shear zones.

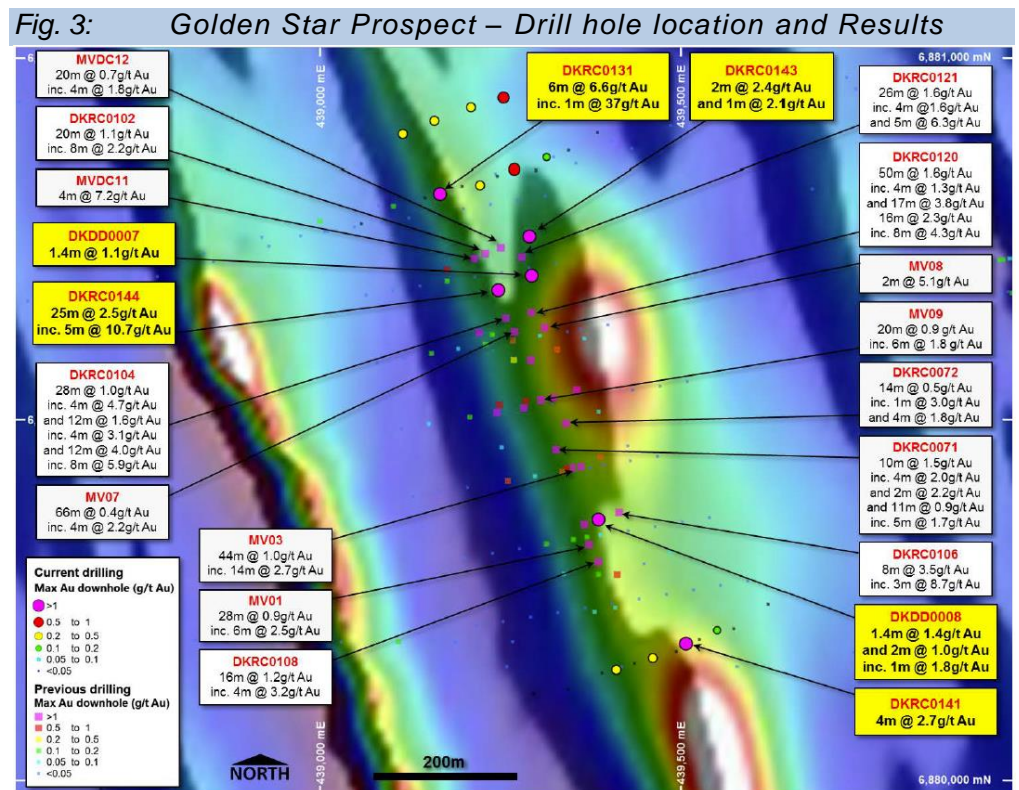
Recent results, along with previous DKM drilling and significant historic intersections has increased the Company’s confidence that the mineralisation is continuous over 600 metres of strike but remains open down dip. Significant results reported in early April 2018 included 25m @ 2.5g/t Au from 25m (incl. 5m @ 10.7g/t Au) and 6m @ 6.6 g/t Au from 21m (incl. 1m @ an impressive 37.7g/t Au).

The location of the Golden Star prospect is along trend from RRL’s Baneygo deposit (+340koz) and Rosemont (+1.7Moz), both of which have gold mineralisation hosted in a quartz dolerite. The nearest processing infrastructure to Golden Star is Garden Well, located some 25km to the north. A new gold zone this close to an operating gold mine has potential to be commercially viable, assuming the prospect progresses through deposit definition and ultimately resources and reserves over time.

Similar to the Rosemount gold deposit, mineralisation at Golden Star appears to be largely quartz hosted within mafics, long a major shear zone (corridor)

RC infill drilling (some 2,423m drilled) was recently completed with assays expected in before the end of July. We look forward to the report of results.

RC infill drilling was recently completed with assays expected in ~4 weeks



Source: Duketon Mining Limited

PRICE TARGET METHODOLOGY

Duketon Mining remains focused on exploration within the Duketon Belt.

DKM remains focused on exploration within the Duketon Belt

The Duketon Belt has proven gold and nickel 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 consider DKM to be a high risk/high reward investment given its early stage nature

We have a preliminary price target assigned to DKM, 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 48cps (up from 45cps). With RRL mining gold with the belt provides DKM with potential processing options should an economic gold resource (reserve) be defined and developed over time for future cash flows or potentially be divested for cash or retained royalties.

Fig. 4: Price Target Methodology

Price Target Methodology	Weighting	Spot	12 Month
Peer comparison metric valuation	20%	\$0.27	\$0.31
Nominal exploration value	35%	\$0.42	\$0.46
+ New Au discoveries	40%	\$0.56	\$0.63
Net cash backing	5%	\$0.05	\$0.06
Risk weighted composite		\$0.43	
Price Target		\$0.48	
Shareprice - Last		\$0.230	
12 mth total return (% to 12mth target + dividend)		107%	

Our DKM 12-month price target is 48cps (up from 45cps)

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. 5: Key Risks

Assumption	Risk of not realising assumption	Downside risk to share price if assumption is incorrect	Comment
Funding for ongoing exploration	High	High	We estimate DKM has a current cash position ~\$5.5M, with listed investment worth a further ~A\$1.7M. 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.
Feasible project development	High	High	No development studies. Gold exploration is still in the early stages of deposit definition, with a resource (maiden) release for Lancefield North. Nickel projects have defined deposits but potential development may need higher than current nickel prices.
Commodity prices	High	Extreme	The project remains highly sensitive to commodity price movements and sentiment. With commodity exposure to gold, nickel, copper, PGE's, 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
<i>Conclusion</i>	<i>At this stage we consider the assumptions have a high risk of not being achieved. Our price target is based on assumptions, some of which are speculative</i>		

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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