

26 Feb 2020

Share Price	\$0.150
Price Target (12 month)	\$0.30

Brief Business Description:
Focused on nickel exploration

Hartleys Brief Investment Conclusion
Sold its gold tenure to RRL for up to A\$25M. Strong cash and investments for nickel exploration within retained ground (Duketon Belt). Ground still considered underexplored. Strong potential to grow resources and make new discoveries.

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

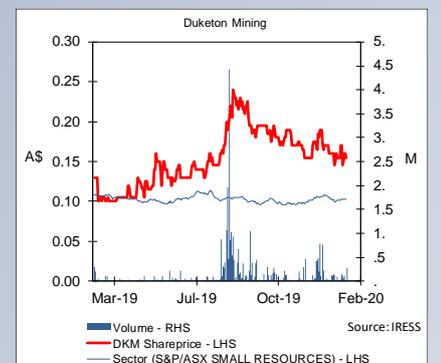
Top Shareholders

St Barbara Limited (SBM)	12.3%
Harmanis Holdings Pty Ltd	9.6%

Company Address
L2, 45 Richardson Street
West Perth, WA 6005

Issued Capital	118.2m
- fully diluted	128.0m
Market Cap	A\$17.7m
- fully diluted	A\$19.2m
Cash (est)	A\$20.9m
Listed Investments (est)	A\$1.1m
Debt (est)	A\$0.0m
EV - incl. listed investments	-A\$4.2m
EV - full diluted, option cash	-A\$5.0m

	Mt	Grade	Metal (kt)
Reserves - Nickel	-	-	-
Resources - Nickel	7.6	0.9% Ni	70.7



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DUKETON MINING LIMITED (DKM)

Reviewing development options for nickel assets

Duketon Mining (DKM) recently reported diamond drill results from its 100%-owned Rosie Nickel Deposit, located within the Duketon Belt of WA.

The drilling was undertaken for metallurgical test-work in the upper (violarite zone) and lower (pentlandite zone) parts of the deposit, in addition to infilling the resource in and around some high-grade positions. We would anticipate good recoveries from the primary nickel sulphide (pentlandite) material, via conventional flotation concentration. Whereas, violarite is a secondary nickel sulphide mineral, formed from the weathering of pentlandite in supergene zones, can give raise to higher nickel content, but potentially lower recoveries. The test-work will also determine PGE and copper recoveries to enable nickel equivalent grades to be reported in the updated resource.

The latest assays (full suite including six platinum group elements (PGEs)) from the three diamond holes drilled reported strong results of: **8.97m @ 2.56% Ni, 0.58% Cu & 4.87 g/t PGEs** from 161m; **4.58m @ 1.95% Ni, 0.29% Cu & 2.71 g/t PGEs** from 153m, and **5.52m @ 1.74% Ni, 0.28% Cu & 2.01 g/t PGEs** from 240m. The metallurgical test-work is expected to take a few weeks to complete, and upon completion the current Rosie resource (**1.9Mt grading 1.7% Ni for 32.7kt of contained nickel**) will be updated.

Cashed up explorer with a current negative EV

DKM retains a very strong cash position for a junior explorer of ~A\$21M (backing of 19cps), following the sale of its gold tenure in the Duketon Belt to Regis Resources (RRL) in late Aug'19 for A\$20M in cash (plus future contingent payments for additional A\$5M). DKM elected at the time to retain its prospective nickel ground (100% rights over 5 exploration licences and 1 mining licence) covering the two nickel resources (Rosie and C2) as well key tenure along the Bulge Ultramafic Complex.

DKM appears undervalued with a current market capitalisation of ~A\$18M, for a negative enterprise value (EV) of ~A\$3M or ~A\$4M when investments are included. Importantly, DKM is well-funded to undertake nickel exploration and assess other potential opportunities. We maintain our **Speculative Buy** recommendation with a 12-month price target of 30cps (unchanged).

Highly prospective belt for more nickel sulphides

The Duketon Belt contains a number of komatiite-hosted nickel sulphide deposits. Outside of Rosie, DKM has another ~38kt of nickel contained within the C2 deposit, for combined resources of 7.6Mt grading 0.9% Ni for ~71kt of contained nickel within the Bulge Ultramafic Complex.

Other notable nickel mineralisation within the area includes the Nariz prospect, which DKM discovered in late 2014 with an impressive **5.7m @ 7.1% Ni, 0.5% Cu and 3.8g/t Pt+Pd** from 438m from the discovery hole.

Nariz appears to be part of the Rosie system, located only ~120m to the south-east and presents a key target for future exploration. Nariz, while structurally complex, has the potential to add to the resource base, with mineralisation defined over some 100m of strike and 100m down-plunge, but importantly the system remains open to the east and down-plunge. DKM has multiple down-hole electromagnetic (DHEM) plates to test.

SUMMARY MODEL

Duketon Mining DKM		Share Price \$0.150		Feb-20 Speculative Buy	
Key Market Information					
Share Price					\$0.150
Market Capitalisation					\$17.7m
Market Capitalisation - full dil.					\$19.2m
Net Cash (Debt)					\$20.9m
Listed Investments (est)					\$1.1m
Issued Capital					118.23m
Options					9.80m
Issued Capital (fully diluted all options)					128.0m
EV - incl. listed invest					-\$4.2m
EV - full diluted, option cash					-\$5.0m
Price Target					\$0.30
Directors					
Company Details					
Seamus Cornelius (Non-Exec Chairman) L2, 45 Richardson Street					
Stuart Fogarty (Managing Director) West Perth, WA 6005					
Heath Hellewell (Non-Exec Director) +61 8 6315 1490					
Dennis Wilkins (Comp Secretary)					
www.duketonmining.com.au					
Top Shareholders					
				m shs	%
St Barbara Limited (SBM) 14.5 12.3%					
Harmanis Holdings Pty Ltd 11.4 9.6%					
Directors 4.7 4.0%					
Investment Summary					
Sold its gold tenure to RRL for up to A\$25M. Strong cash and investments for nickel exploration within retained ground (Duketon Belt). Ground still considered underexplored. Strong potential to grow resources and make new discoveries.					
Newsflow					
					Project
Late CY19	Ground EM				Duketon
Late CY19	Aircore/RC drilling				Duketon
Q1 CY20	Drilling/EM survey results				Duketon
Q1 CY20	Potential follow-up				Duketon
Q1 CY20	Rosie resource update				Duketon
CY20	Targeting nickel extensions				Duketon
Unpaid Capital					
	No (m)	\$ (m)	Ave Pr		% Ord
Options					
FY20	2.3	0.5	0.202		1.9%
FY21	2.8	0.6	0.200		2.4%
FY22	2.8	0.8	0.295		2.3%
FY24	2.0	0.4	0.200		1.7%
Total	9.8	2.2	0.227		8.3%
Comments					
Duketon Project is the flagship project and is considered highly prospective for nickel mineralisation, gold tenure now sold to RRL.					
Projects					
Projects	Interest	Location	Commodity		
Duketon - 5 ELs, 1 ML	100%	WA	Ni, Cu, PGE		
JORC Resources					
	Mt	Grade	Metal	LC	
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					
	FY2018A	FY2019A	FY2020F	FY2021F	
Net Revenue	0.4	0.1	na	na	
Total Costs	-3.7	-3.0	na	na	
EBITDA	-3.2	-2.9	na	na	
Deprec/Amort	0.0	0.0	na	na	
EBIT	-3.2	-3.0	na	na	
Net Interest	0.1	0.1	na	na	
Pre-Tax Profit	-3.2	-2.9	na	na	
Tax Expense	0.0	0.0	na	na	
NPAT	-3.2	-2.9	loss	loss	
Abnormal Items	0.0	0.0	na	na	
Reported Profit	-3.2	-2.9	loss	loss	
Admin/Expl Ratio	8%	13%	na	na	
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Last Updated: 26/02/2020					
Sources: IRESS, Company Information, Hartleys Research					

DUKETON – NICKEL PROSPECTIVITY CONFIRMED

Duketon Mining (DKM) remains focused nickel exploration, and has elected to retain full nickel rights (100%) over confirmed prospective ground within the Duketon Belt. DKM now has nickel rights over five exploration licences and one mining licence covering two nickel resources, Rosie and C2 within the belt.

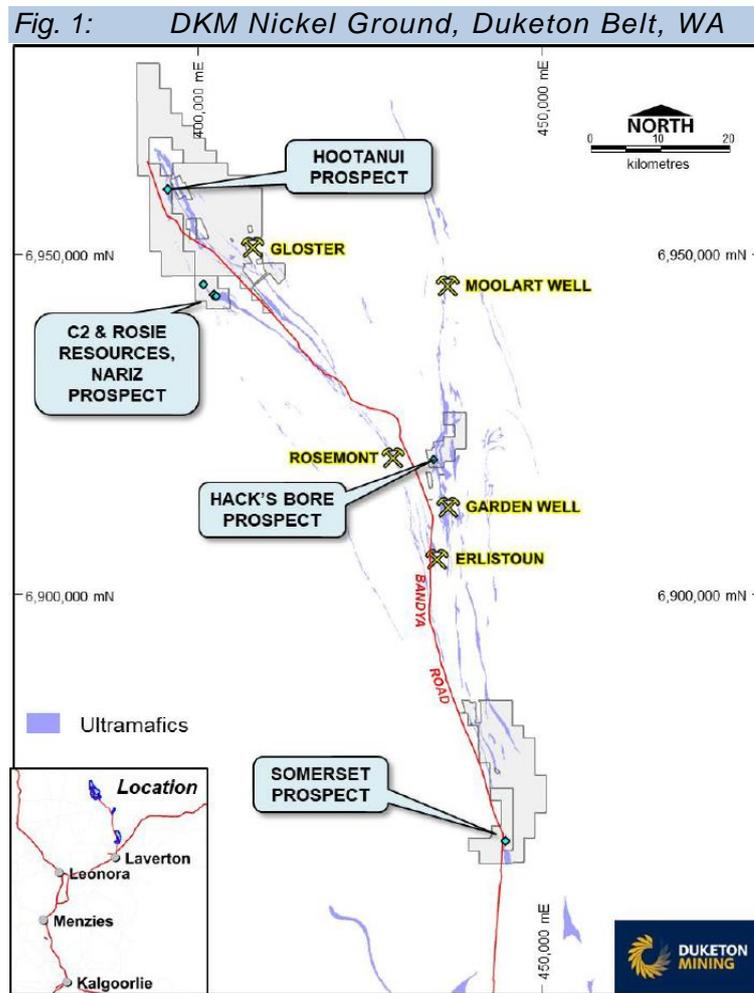
DKM has a key strategy of discovering new nickel deposits on 100%-owned ground

Regis Resources (RRL) has purchased DKM’s gold tenure within the Duketon Belt for a total cash consideration of A\$25M. RRL has paid A\$20M to DKM (closing consideration), and DKM has the potential to receive an additional A\$2.5M contingent upon defining 250koz in gold resources (resources currently stand at 96koz) and another A\$2.5M upon RRL producing gold from any of the tenements. The latest tenement deal appears a sensible acquisition for RRL to add contiguous and prospective gold tenure, in and around existing gold processing infrastructure.

Limited nickel exploration has been completed in the last few years by DKM over its nickel ground, largely due to low nickel prices, which have now recovered and are maintaining price levels not seen since late 2014. The nickel price is forecast to improve further from increase demand from the lithium-ion battery sector, and sustained strength in stainless steel demand.

The Duketon Belt contains a number of komatiite-hosted nickel sulphide deposits, with DKM boasting two nickel resources in Rosie (~33kt Ni) and C2 (~38kt Ni), for a combined 7.6Mt grading 0.9% Ni for ~71kt of contained nickel. In addition to mineralisation at Rosie and C2, DKM made a high-grade nickel sulphide discovery at the Nariz prospect in late 2014, which appears to be part of the Rosie system.

DKM controls multiple nickel prospects with untested EM/geochem targets (Hootanui and Camp Oven), expansion potential of consisting nickel resources (C2 and Rosie), and new prospects to investigate (Somerset)



Source: Duketon Mining Limited

NICKEL EXTENSIONS WITHIN THE BULGE AREA

The Bulge ultramafics, within the northern parts of the Duketon Belt is considered one of the key target complexes for significant nickel sulphide mineralisation. The ultramafic unit (komatiite flow) is the host to the Rosie, C2 and Nariz nickel sulphide deposits. With resources estimated for both the Rosie and C2 deposit.

Total nickel resources for the project is 7.6Mt grading 0.9% Ni for ~71kt of contained nickel (with copper and PGEs)

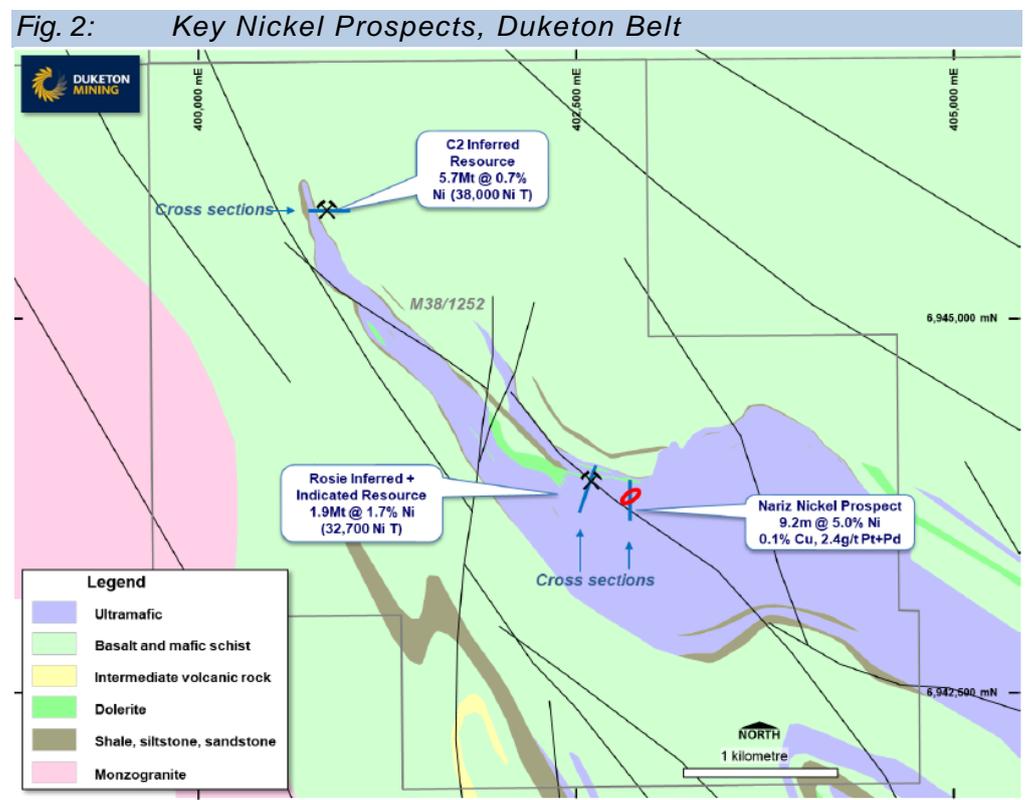
Rosie currently hosts a resource estimate of 1.94Mt @ 1.7% Ni, 0.4% Cu and 1.9g/t PGE for 33Kt of contained nickel. The deposit remains open to the north-west and south-east, and at depth. DKM still has a number of untested EM plates in and around known mineralisation which has the potential to extend mineralisation. The sub-vertical nature of the mineralisation makes it more amenable to underground mining, but mineralisation comes close to surface for potential starter-pit opportunities.

C2 has a resource estimate of 5.7Mt @ 0.7%Ni, 0.04% Cu & 0.14g/t Pt & Pd for a contained 38Kt nickel, 2.4Kt copper and 26Koz platinum and palladium (at 0.5% Ni cutoff). C2 is a shallow nickel sulphide deposit which remains open at depth and along strike, and is located ~2km north-west from Rosie.

The Nariz discovery is located to the east of Rosie, and includes some very high grade massive nickel sulphide zones with the discovery hole reporting **5.7m @ 7.1% Ni, 0.5% Cu and 3.8g/t Pt+Pd** from 438m. Nariz, while structurally complex, has the potential to add to the resource base, with mineralisation defined over some 100m of strike and 100m down-plunge, but importantly the system remains open to the east and down-plunge.

The Bulge ultramafic complex remains highly prospective for more nickel discoveries. With a scarcity in high-grade nickel sulphide projects globally, DKM remains well placed to recommence nickel exploration to unlock value.

The Bulge ultramafic complex remains highly prospective for more nickel discoveries



Source: Duketon Mining Limited

PRICE TARGET METHODOLOGY

DKM remains focused on exploration within the Duketon Belt

DKM remains focused on exploration within the Duketon Belt.

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

The Duketon Belt has proven 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 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 30cps (largely unchanged). The Company retains strong estimated cash of ~A\$21M and listed investments currently worth in the order of ~A\$1.1M. Current net cash and investment backing is 19cps. DKM also has an attractive Administration spend to Exploration spend averaging 10% over the last couple of years (8% in FY18) and 13% in FY19, below peer averages).

Our DKM 12-month price target is 30cps (unchanged)

Fig. 3: Price Target Methodology

Price Target Methodology	Weighting	Spot	12 Month
Peer comparison metric valuation	20%	\$0.27	\$0.29
Nominal exploration value	40%	\$0.21	\$0.24
+ New Ni discoveries	35%	\$0.32	\$0.39
Net cash + investment backing	5%	\$0.19	\$0.19
Risk weighted composite		\$0.26	
Price Target		\$0.30	
Shareprice - Last		\$0.150	
12 mth total return (% to 12mth target + dividend)		98%	

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. 4: 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 ~\$21M, with listed investments worth a further ~A\$1.1M. 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. Nickel projects have defined deposits but potential development may need higher than current nickel prices. Feasibility studies are also required and additional metallurgical testwork.
Commodity prices	High	Extreme	The project remains highly sensitive to commodity price movements and sentiment. With commodity exposure to 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

HARTLEYS CORPORATE DIRECTORY

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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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