

15 May 2017

DUKETON MINING LIMITED (DKM)

Expanded drilling to define more gold

Duketon Mining (DKM) recently expanded its drilling program to ~13,000m (from ~4,200m) across 100%-owned gold prospects within the Duketon Belt. The Company's current drill program, consists of reverse circulation (RC) and diamond drilling, which commenced late March on follow-up activities at the *Lancefield North* prospect. We would expect first results in the coming weeks. DKM was also planning to test targets at *Golden Star*, *Budgerigar*, and *Davies Bore*, providing potential for more significant results over the coming months. In addition to the RC and diamond drill program, aircore drilling for ~8,000m will continue to prove up geochemical anomalies adding to the portfolio of targets for drill-testing.

The Duketon Belt is well endowed for gold (+7Moz) but is still considered underexplored. DKM has a dominant land position within the belt and we see good potential for new gold deposits to be commercialised over time. DKM remains well-funded for ongoing exploration, with current cash and liquids of ~\$6.4M. With a strategically important tenement package with strong exploration upside, and we maintain our Speculative Buy recommendation on DKM with a 12-month price target of 39cps.

RRL gold-only JV fast approaching deadline

DKM also has a gold-only exploration JV with Regis Resources (RRL), over some of its exploration tenure (largely to the west of Moolart Well), with RRL required to commit to a decision to mine within a 2 year period (deadline 13th October 2017) to earn a 75% interest. RRL has well established gold operations (large processing infrastructure +10Mtpa) throughout the belt, and as such can monetise any new gold discoveries rapidly.

Under the current JV framework, DKM retains exposure to any discoveries which could provide future cash flows, or potentially be divested for cash, or retained royalties. Recent drill activities have been limited, with some work at Bandy, located ~5kms west of RRL's Petra deposit. With mid-October fast approaching time appears very tight for RRL to commit to a decision to mine on any prospects tested to date, and as such gold rights will likely revert back to DKM or a new JV agreement will need to be reached.

Lancefield North only 5km north of a +1Moz gold mine

Lancefield North is located only 5km north of the historical Lancefield gold mine (+1Moz), north of Laverton, WA. DKM's tenure covers ~3.5km of a prospective host sequence of mafic rocks within shear zones.

A first phase of RC drilling by DKM in late 2016 confirmed high-grade gold mineralisation along strike and down-plunge of historical results with significant results of **16m @ 12.0g/t Au** from 156m (incl. **8m @ 23.8g/t Au**) and **14m @ 4.0g/t Au** from 93m (incl. **8m @ 6.9g/t Au**) reported.

The mineralised horizon remains open and has strike potential of over 200m, and interpreted to be a series of stacked plunging shoots (some high grade), similar characteristics to the old Lancefield mine but at this stage expected to have better metallurgical characteristics.

Early testwork on some of the fresh mineralisation has provided favourable leach results, but are considered only preliminary at this stage. Drill assays are pending (expected soon) for two diamond and ~10 RC holes recently completed.

Share Price	\$0.185
Price Target (12 month)	\$0.39

Brief Business Description:

Focused on gold (and nickel) exploration

Hartleys Brief Investment Conclusion

Great gold and nickel address, considered largely underexplored. Gold-only JV with RRL over some ground but also retains 100%-owned gold prospects. 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

Montezuma Mining	5.2%
Directors	3.9%

Company Address

31 Ventnor Avenue
West Perth, WA 6005

Issued Capital

103.2m

- fully diluted 144.6m

Market Cap

A\$19.1m

- fully diluted A\$26.7m

Cash (est)

A\$5.4m

Listed Investments (est)

A\$1.0m

Debt (est)

A\$0.0m

EV - incl. listed investments

A\$12.7m

EV - full diluted, option cash

A\$9.7m

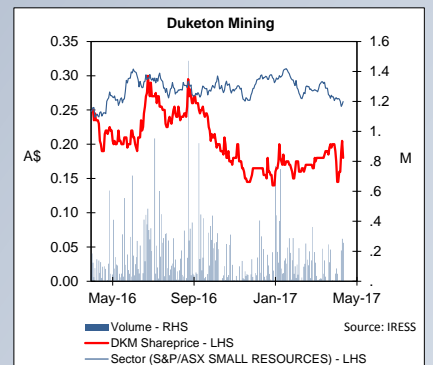
Reserves

Resources

Mt Ni (Kt) Cu (Kt)

- - -

7.6 70.7 10.4



Mike Millikan

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Hartleys has completed a capital raising in the past 12 months for Duketon Mining for which it has earned fees. Hartleys has provided corporate advice within the past 12 months, for which it has earned fees. Hartleys has a beneficial interest in 3M DKM options.

SUMMARY MODEL

Duketon Mining DKM		Share Price \$0.185		May-17 Speculative Buy	
Key Market Information					
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					
Price Target					\$0.39
Directors					
			Company Details		
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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		
			www.duketonmining.com.au		
Top Shareholders					
		m shs		%	
Montezuma Mining		5.4		5.2%	
Directors		4.1		3.9%	
Projects					
	Interest	Location	Commodity		
Duketon*	100%	WA	Ni, Au, Cu, PGE		
Eastern Goldfields	100%	WA	Ni, Au, Cu, PGE		
* Gold-only JV with RRL over ~370sqkm (~19% of tenure), earn-in up to 75%					
JORC Resources					
	Mt	Grade	Metal (t)	LC	
Rosie - Nickel					
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 Total	7.64	0.9% Ni	70,700		
P&L					
	FY2016F	FY2017F	FY2018F		
Net Revenue	na	na	na		
Total Costs	na	na	na		
EBITDA	na	na	na		
Deprec/Amort	na	na	na		
EBIT	na	na	na		
Net Interest	na	na	na		
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		
Investment Summary					
Great gold and nickel address, considered largely underexplored. Gold-only JV with RRL over some ground but also retains 100%-owned gold prospects. Strong potential to grow resources and make new discoveries. Well-funded for planned exploration.					
Newsflow					
		Project			
Q2 CY17	RRL gold JV aircore drilling	RRL JV			
Q3 CY17	RRL gold JV follow-up RC	RRL JV			
Q1,Q2 CY17	Gold RC, DD & AC drilling - first pass	100% DKM			
Q2 CY17	Drill results	100% DKM			
Q3,Q4 CY17	Gold prospect drilling - follow-up	100% DKM			
Unpaid Capital					
	No (m)	\$ (m)	Ave Pr	% Ord	
Options					
FY17	0.0	0.0	nm	0.0%	
FY18	3.3	1.1	0.345	3.2%	
FY19	15.3	4.7	0.308	14.8%	
FY20	17.3	3.5	0.200	16.7%	
FY21	2.8	0.6	0.200	2.7%	
FY22	2.8	0.8	0.295	2.7%	
Total	41.4	10.7	0.258	40.1%	
Comments					
Duketon Project is the flagship project and is considered highly prospective for gold and nickel mineralisation					
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Sources: IRESS, Company Information, Hartleys Research					
Last Updated: 15/05/2017					

DUKETON BELT – HIGHLY PROSPECTIVE

Duketon Mining (DKM) remains focused on gold (and nickel) exploration within the Duketon Belt, concentrating current efforts on 100%-owned gold prospects.

The Company also has a gold-only exploration JV with Regis Resources (RRL) which continues to provide early encouragement, but the clock is ticking for RRL to earn its 75% interest by funding exploration and committing to a decision to mine within a 2 year period (farm-in currently expires 13th Oct 2017). RRL has well established gold operations (processing infrastructure) throughout the Duketon Belt, as such can capitalise and monetise any new gold discoveries (targeting higher grade ore sources and oxide ores for blending). DKM retains exposure to any discoveries which could provide future cash flows or potentially divested for cash or retained royalties.

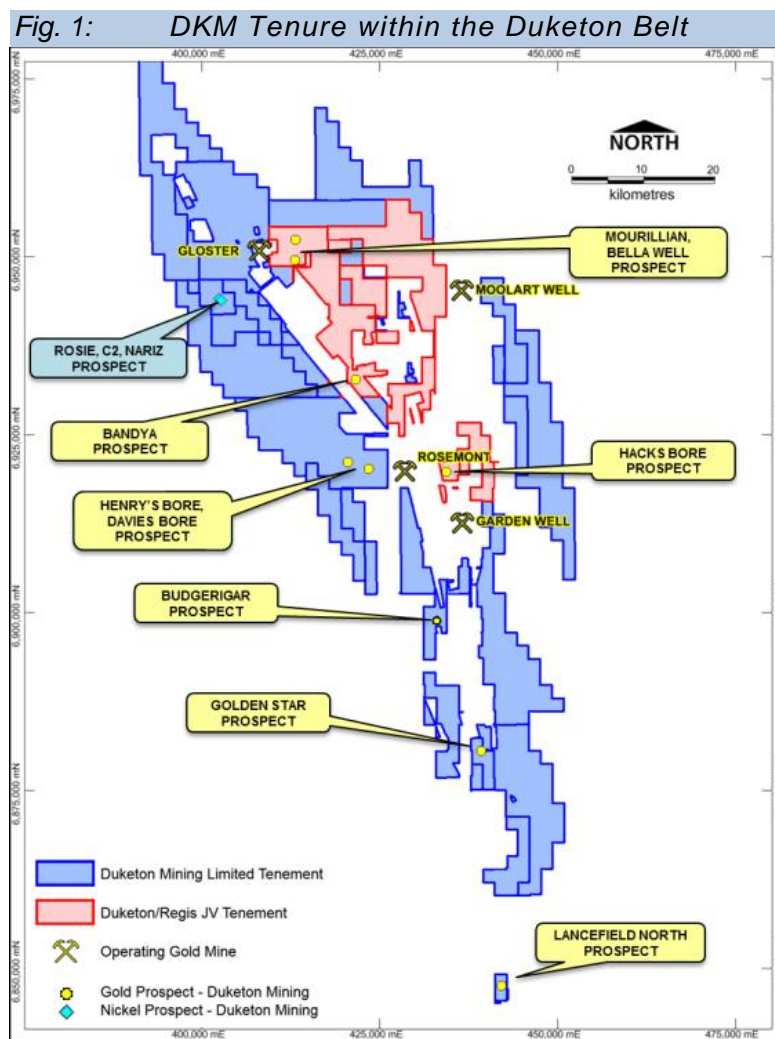
The exploration JV is over only a small proportion of DKM's ground holdings, ~370km² out of ~1,960km² held within the Duketon Greenstone Belt. The JV tenements are largely contiguous to RRL's Moolart Well project area, and contain a number of prospective shear zones along strike from known gold deposits. Completed exploration by RRL has focused on geochemical sampling, with first pass reconnaissance and some infill follow-up completed a number of prospects (ie Petra North, Hacks Bore, Bella Well and Bandy). The large Commonwealth gold anomaly (3km by 300m) returned encouraging aircore results grading over 4g/t Au in parts and represents one of the key prospects with the JV area.

The RRL JV only covers a small portion (~19%) of the DKM ground holdings within the belt

RRL can earn a 75% interest in the ground, by spending a minimum \$1m over 2 years and committing to a decision to mine (which would require development studies)

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



Source: Duketon Mining Limited

DAVIES BORE DRILLING UNDERWAY

Davies Bore prospect is well located only ~5km to the west of RRL's Rosemont gold mine

Similar to the Rosemount gold deposit, mineralisation at Davies Bore is largely quartz hosted within mafics, long a major north-west shear zone

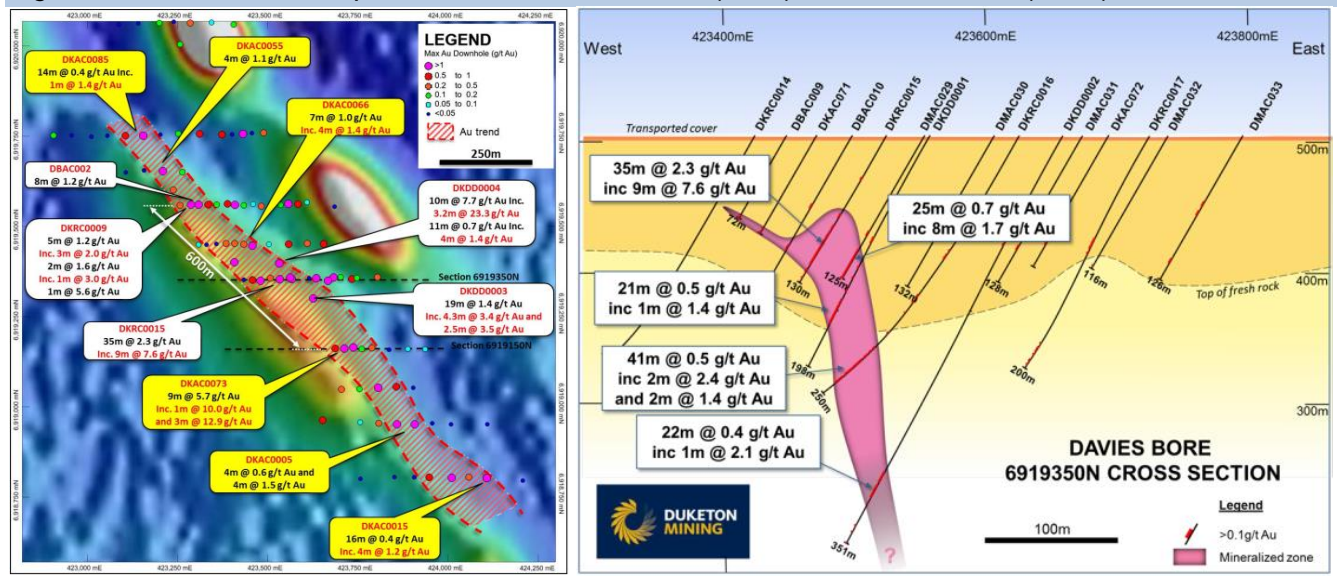
Mineralisation at Davies Bore has been defined over 600m of strike, and appears to be extending over 1km of strike. The shallow gold system remains open at depth, and along strike to the north-west and south-east.

Davies Bore is shaping up to be a large mineralised system with shallow oxide gold, and fresh mineralisation confirmed (i.e. 19m @ 1.4g/t Au from 176m, which included some higher grade zones grading above 3.4g/t Au). Importantly, the Davies Bore gold discovery is well located within the Duketon Greenstone Belt only ~5km west of RRL's Rosemont gold mine/plant (2Mtpa).

A new gold zone so close to an operating gold mine could have commercial value, assuming the prospect progresses through deposit definition and ultimately resources and reserves over time. Similar to the Rosemount gold deposit, mineralisation at Davies Bore is largely quartz hosted within mafics, along a major north-west shear zone.

No work was undertaken on Davies Bore during the recent MarQ but drilling was expected to get underway upon completion of drilling at Lancefield North, Golden Star and Budgerigar. Drilling is expected to infill the previously completed traverse lines, with particular focus on the 600m zone of confirmed (better grade) mineralisation.

Fig. 2: Davies Bore Prospect – Drill hole location (LHS): Cross Section (RHS)



Source: Duketon Mining Limited

LANCEFIELD NORTH – CLOSE TO LAVERTON

Lancefield North is located only 5km north of the historical Lancefield gold mine (+1Moz), just north of Laverton

Lancefield North is located only 5km north of the historical Lancefield gold mine (+1Moz), just north of Laverton, WA. DKM's tenure covers ~3.5km of a prospective host sequence of mafic rocks within shear zones. The gold prospect is well located just off a sealed highway which could open up multiple processing options, should an economic gold deposit be delineated (very much subject to drilling).

A first phase of RC drilling (11 holes) by DKM in late 2016 confirmed high-grade gold mineralisation along strike and down-plunge of historical results with significant results of:

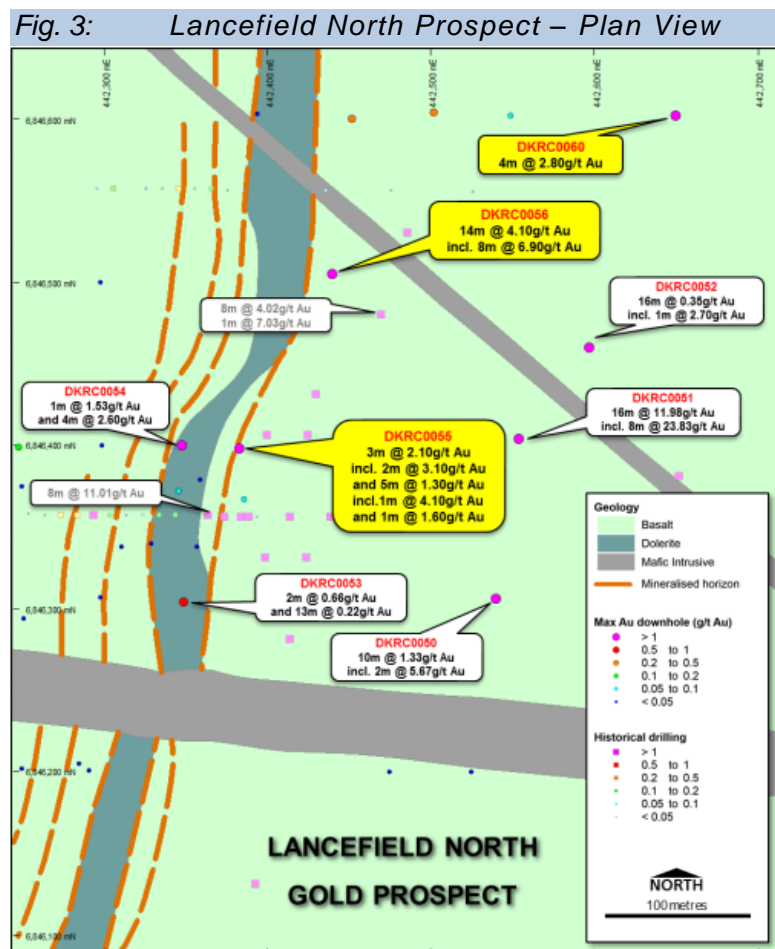
- **16m @ 12.0g/t Au** from 156m (incl. **8m @ 23.8g/t Au**) and
- **14m @ 4.0g/t Au** from 93m (incl. **8m @ 6.9g/t Au**) reported.

The mineralised horizon remains open and has strike potential over 200m, and interpreted to be a series of stacked plunging shoots (some high grade), similar characteristics to the old Lancefield mine but at this stage expected to have better metallurgical characteristics.

The gold prospect is well located just off a sealed highway which could open up multiple processing options subject an economic deposit be defined

The historical WMC Lancefield mine last operated in the 1990's and contained refractory ores (gold bound-in sulphide assemblages of pyrite, arsenopyrite and pyrrhotite). Early testwork by DKM on some of the fresh mineralisation at Lancefield North has provided favourable leach results, and highlights a slightly different host horizon to Lancefield to the south. Further testwork is expected, if drill success continues. Drill assays are pending (expected soon) for two diamond and 10 RC holes recently completed. We remain hopeful for more significant results.

Drill assays are pending (expected soon) for two diamond and 10 RC holes recently completed



Source: Duketon Mining Limited

PRICE TARGET METHODOLOGY

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

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 39cps (down slightly from 42cps). 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.

Fig. 4: Price Target Methodology

Price Target Methodology	Weighting	Spot	12 Month
Peer comparison metric valuation	20%	\$0.21	\$0.25
Nominal exploration value	35%	\$0.34	\$0.37
+ Nariz Ni, New Au discoveries	40%	\$0.48	\$0.51
Net cash backing	5%	\$0.05	\$0.07
Risk weighted composite		\$0.35	
Price Target		\$0.39	
Shareprice - Last		\$0.185	
12 mth total return (% to 12mth target + dividend)		109%	

Source: Hartleys Estimate

Our DKM 12-month price target is 39cps (down slightly from 42cps)

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 ~\$5.4M, with listed investment worth a further ~A\$1.0M. 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
Feasible project development	High	High	No development studies. Gold exploration is still in the early stages of deposit definition. Nickel projects have defined deposits but potential development will likely 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

Conclusion

*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*

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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