

Dreadnought Resources Limited

EV Materials

Australian Equity Research
17 January 2023

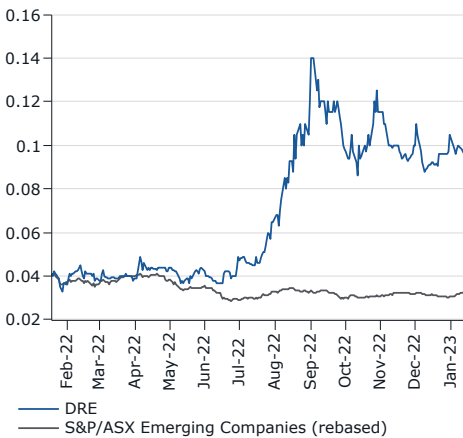
Rating SPECULATIVE BUY	Price Target A\$0.24
DRE-ASX	Price A\$0.10

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Sabre and Y8 assays confirm more widespread REE mineralisation

Market Data

52-Week Range (A\$) :	0.03 - 0.16
Avg Daily Vol (000s) :	5,564.44
Shares Out. (M) :	3,089.7
Market Cap (A\$M) :	305.9
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Dreadnought Resources (DRE-ASX) has confirmed further rare earth element (REE) mineralisation at two new prospects within the Mangaroon Project in the Gascoyne region of WA. First assays have been returned from initial, wide spaced RC drilling at the 3km long Sabre (formerly Y3) and 12km long Y8 ironstone prospects. These are located ~8km east of Yin, where a **maiden resource** was declared last month. When combined, these three separate ironstones have been mapped over 30km strike and support our 40Mt resource target for the project.

Assay results: In June 2022, DRE commenced drilling the ironstone targets at Yin before moving onto initial testing of the ironstones at Y3 (Sabre) and Y8. Given outcrop is less clear than at Yin, these initial holes were primarily designed to pin down the location of the sub-cropping ironstones and could explain why these results show skinnier intercepts than those seen at Yin. DRE highlights that Sabre and Y8 show evidence of stacked ironstone horizons with more expected to be discovered through further drilling. Results at Sabre include:

- **12m @ 1.21% TREO** from 51m;
- **9m @ 1.02% TREO** from 7m; and
- **23m @ 0.93% TREO** from 141m (incl. 9m @ 1.54% TREO).

Y8 results include:

- **7m @ 1.15% TREO** from 9m.

Resource intensity points to large scale: We reiterate our previously mentioned remark on resource intensity for the project. DRE's maiden 14.36Mt resource over 3km implies a resource intensity per strike kilometre of 4.8Mt/km. Similarly, Hastings Technology Metals' (HAS-ASX: \$3.72 | SPEC BUY, TP \$6.90 | Reg Spencer) exploration target for the nearby Yangibana Project implies a resource intensity of 1.2Mt/km. DRE's 4.8Mt/km resource intensity would imply up to 144Mt of resource potential at Mangaroon and 77Mt at Yin alone. Applying the HAS resource intensity still demonstrates that DRE could achieve 36Mt in resources across the project.

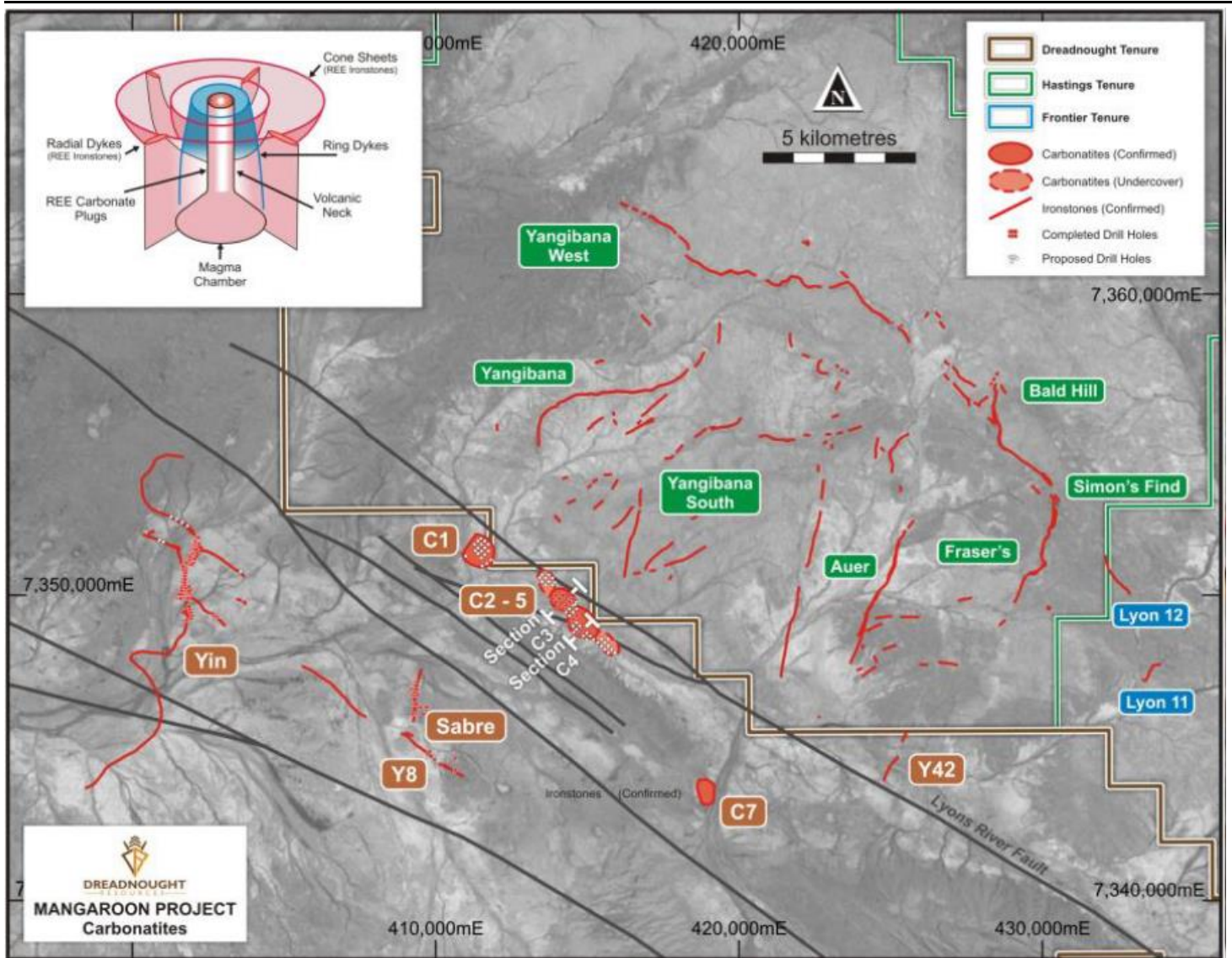
Upcoming news flow: Upcoming news flow includes assays from first pass C1-C5 drilling and regional sampling, which are expected in late January 2023. RC and diamond drilling will recommence in February/March 2023 at Yin.

Valuation and recommendation: We maintain our SPECULATIVE BUY recommendation and price target of \$0.24. In addition to Yin, where DRE recently declared a maiden resource over 3km of strike (and mapped over 16km), the company has now confirmed through drilling that the 3km long Sabre and 12km long Y8 prospects are also highly mineralised. Cumulatively, there is over 30km of strike potential emerging at Mangaroon, consolidating our view that a 40Mt resource is a likely target over time, which forms the basis of our valuation. Given the early-stage nature of Mangaroon (Yin), we continue to use a blend of a Resource multiple and takeover scenario to value DRE. We value the early-stage DRE on an unfunded NAV basis. Our NAV comprises our Yin REE Project valuation weighted 50:50 for a Resource Multiple and 75% takeover premium.

Source: FactSet
Priced intraday 17 January 2023

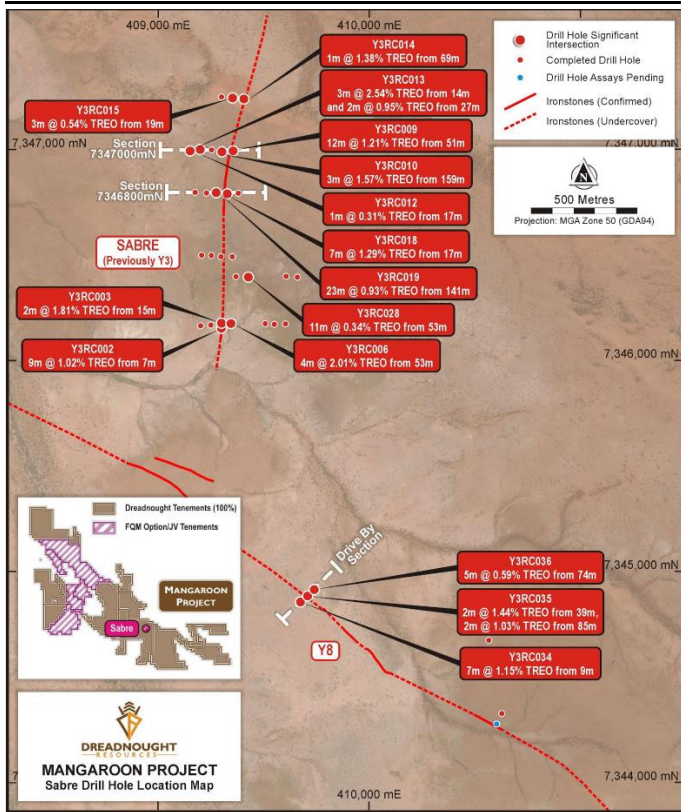
Dreadnought Resources Limited (DRE-ASX) is an Australian-based exploration company whose primary asset is the emerging Mangaroon Project which contains the 100%-owned Yin Rare Earth Element (REE) deposit, located in the Gascoyne Region of Western Australia. Mangaroon is also prospective for Ni-Cu-PGEs with First Quantum Minerals earning up to a 70% interest in a subset of tenements in the west of the project area. DRE also holds the 100%-owned Tarraji-Yampi Project in the Kimberley as well as the Central Yilgarn Project.

Figure 1: Mangaroon Project location with neighbouring peers



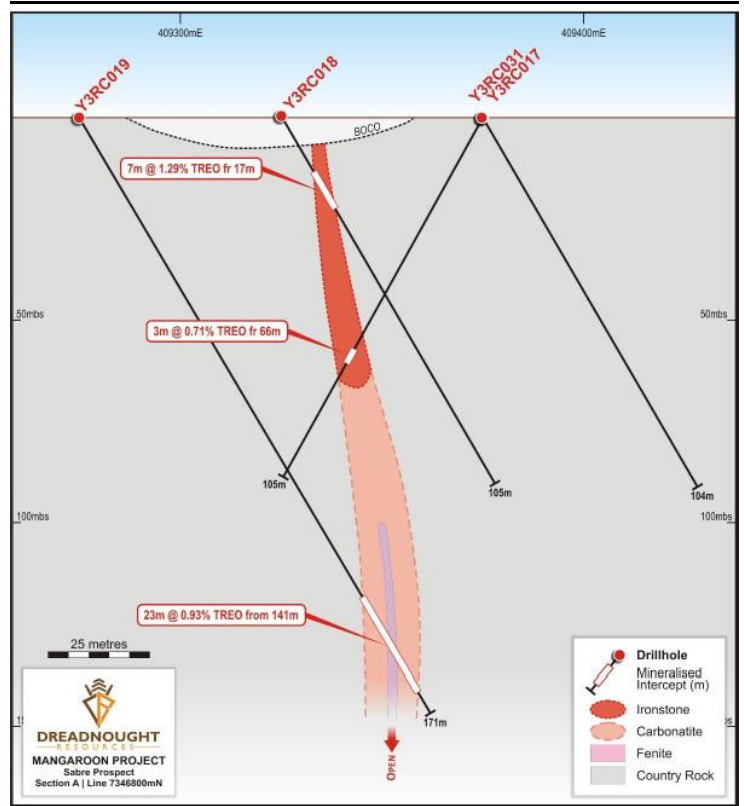
Source: Company Reports

Figure 2: Sabre and Y8 location



Source: Company Reports

Figure 3: Sabre cross section



Source: Company Reports

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: January 16, 2023, 20:14 ET

Date and time of production: January 16, 2023, 20:14 ET

Target Price / Valuation Methodology:

Dreadnought Resources Limited - DRE

Our valuation is preliminary in nature and should be viewed as a what-if case given the early stage at Mangaroon. We have opted to use a blend of a Resource multiple and takeover scenario to derive a price target for DRE. Our net asset valuation per share is based on an unfunded scenario. Our NAV comprises our Yin REE Project valuation weighted 50:50 for a Resource Multiple and 75% takeover premium.

Risks to achieving Target Price / Valuation:

Dreadnought Resources Limited - DRE

Financing risks

As a pre-production company with no material income, DRE is reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Total development and working capital requirements are subject to establishment of resources and completion of mining studies. There are no guarantees that studies will result in a positive investment decision. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current mineral resource into minable reserves.

Operating risks

If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, DRE is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

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Global Stock Ratings (as of 01/16/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	620	65.47%	25.48%
Hold	155	16.37%	14.19%
Sell	15	1.58%	6.67%
Speculative Buy	150	15.84%	41.33%
	947*	100.0%	

*Total includes stocks that are Under Review

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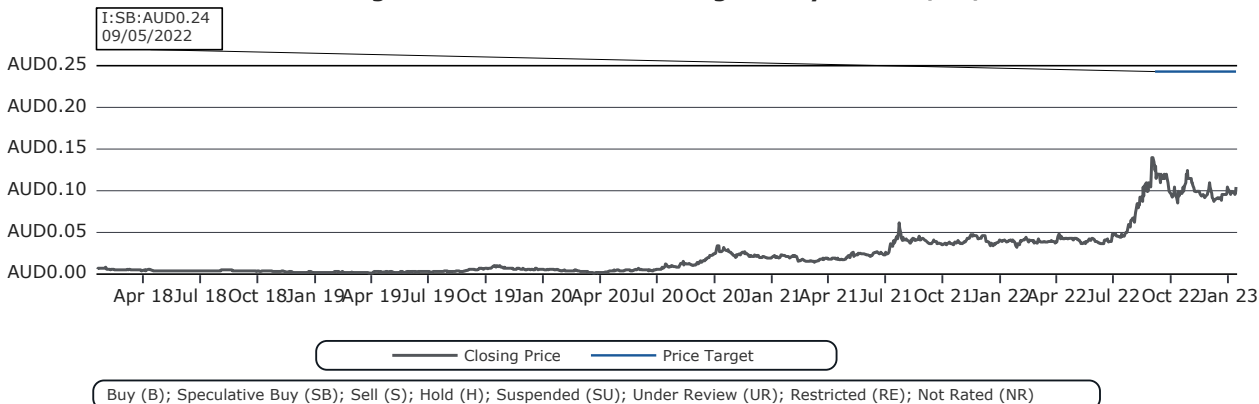
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Dreadnought Resources Limited Rating History as of 01/13/2023



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