

Dreadnought Resources Limited

EV Materials

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Rating
SPECULATIVE BUY

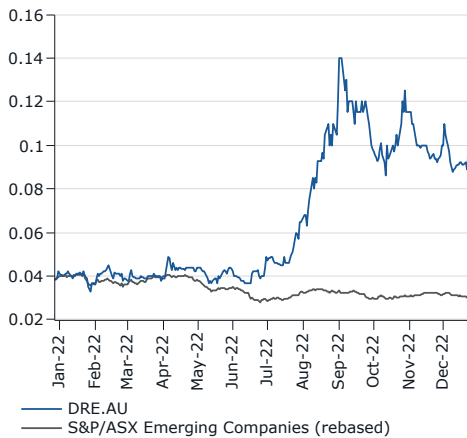
Price Target
A\$0.24

DRE-ASX

Price
A\$0.10

Market Data

52-Week Range (A\$) :	0.03 - 0.16
Avg Daily Vol (000s) :	7,352.11
Shares Out. (M) :	3,079.5
Market Cap (A\$M) :	295.6
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 23 December 2022

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.

Yin maiden resource

Maiden resource within our expectations: Dreadnought Resources (DRE-ASX) has released a maiden resource over Yin, within the Mangaroon Project in the Gascoyne region of WA. At a 0.2% TREO cut-off, the wholly Inferred resource stands at **14.36Mt @ 1.13% TREO for 162.3kt of contained TREO** and comes off the back of impressive exploration work undertaken by DRE over a short 2.5-month drilling program earlier this year. We recently [outlined our resource expectation for Yin](#), and we are pleased to see that DRE has delivered a maiden within our range (16-18Mt @ 1-1.2% TREO for 162-216kt on contained TREO). Perhaps more importantly is the NdPr to TREO ratio, with Yin returning a relatively high 30% NdPr:TREO.

At a 1.5% TREO cut-off, the resource stands at 4.6Mt @ 2.17% TREO with cross-sections (Figure 3 overleaf) pointing to near-surface high-grades, which could improve mine economics in the future.

Resource intensity points to large scale: DRE highlights that the Yin resource comprises just 3km of the 30km of mapped ironstones across the project, made up of Yin itself (16km) as well as Sabre, Y8 and other ironstone prospects. DRE's 14.36Mt resource over 3km implies a resource intensity per strike kilometre of 4.8Mt/km. Similarly, Hastings Technology Metals (HAS-ASX: \$3.56 | SPEC BUY, TP \$6.90 | Reg Spencer) has recently (15 December 2022) outlined an exploration target for its nearby Yangibana Project of 40-60Mt @ 0.7-1% TREO. This has been based on its 29.3Mt @0.93% TREO resource over 24km of the total 66km of ironstones it has mapped (Figure 1 overleaf). This implies a resource intensity of 1.2Mt/km.

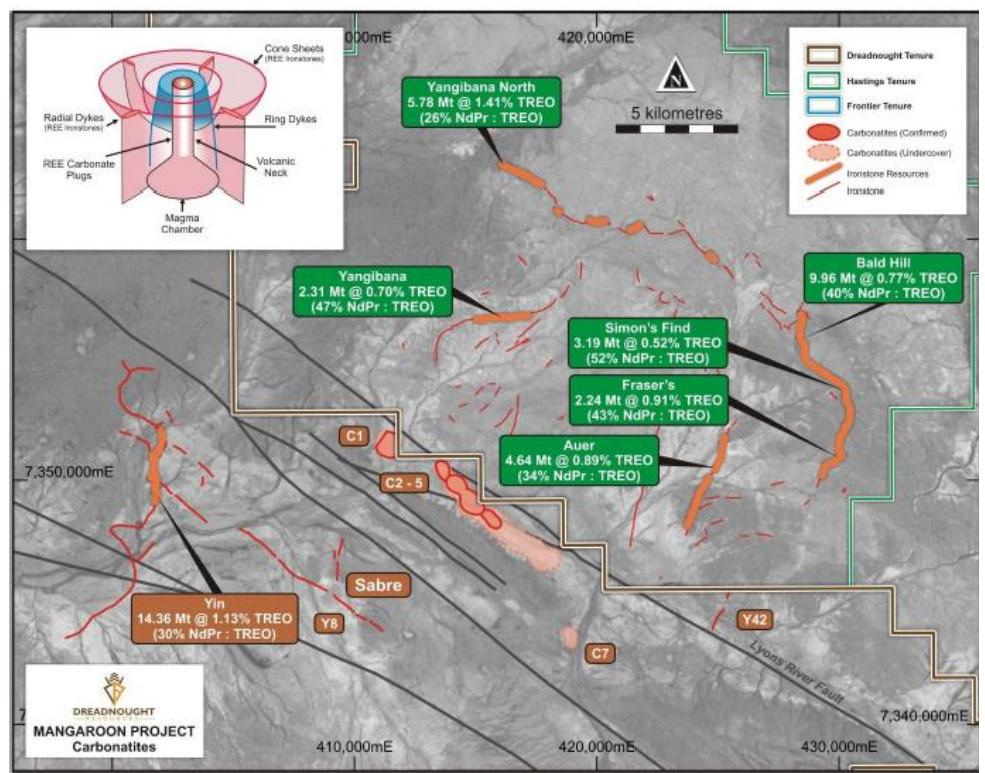
DRE's 4.8Mt/km resource intensity would imply up to 144Mt of resource potential at Mangaroon and 77Mt/km at Yin alone. Applying HAS' resource intensity still demonstrates that DRE could achieve 36Mt in resources across the project. We also note DRE's long-term incentive plans to deliver 30Mt @ >1% TREO by end of CY24.

DRE to hit the ground running in 2023: DRE recently completed first pass, wide-spaced 160m x 160m RC drilling of the C1-C5 carbonatites with the program successfully identifying six coherent zones of rare earth element (REE), niobium (Nb), titanium (Ti) and/or phosphorus (P) mineralisation. All assays for the carbonatite drilling have been submitted with results due by February.

DRE has received all approvals to commence drilling along strike from Yin and Sabre in February/March 2023 and expects further resource growth. Additional drilling at C1-C6 will commence in March 2023.

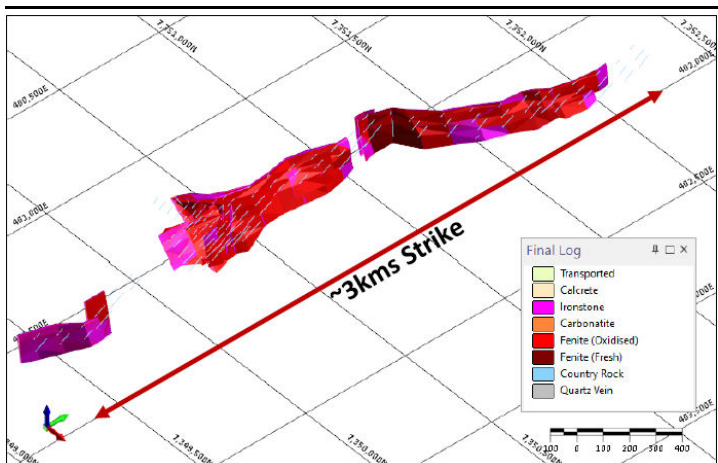
Valuation and recommendation: We maintain our SPECULATIVE BUY recommendation and price target of \$0.24. The resource intensities above suggest Yin could grow to +70Mt and at least 36Mt across the project if using HAS' values from its lower grade resources. With this in mind, we continue to base our DRE valuation of a 40Mt resource over time. 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.

Figure 1: Regional map showing DRE and HAS resources



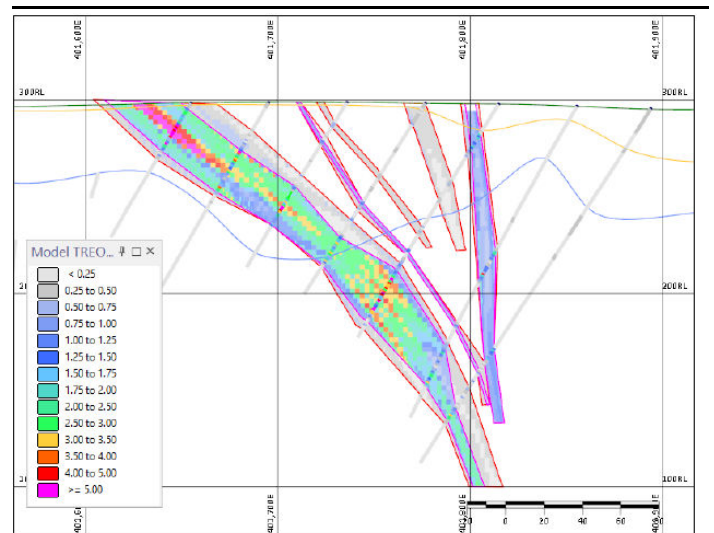
Source: Company reports

Figure 2: Geological wireframes highlighting ironstone, carbonatite and fenite over ~3kms strike



Source: Company reports

Figure 3: Cross section 7,350,200N showing the grade distribution within the resource model



Source: Company reports

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: December 27, 2022, 20:16 ET

Date and time of production: December 27, 2022, 20:16 ET

Target Price / Valuation Methodology:

Hastings Technology Metals Ltd - HAS

We value HAS on a fully financed NAV basis, comprising our estimated project NPV (9% WACC), a nominal value ascribed to mine life extension potential/exploration properties, and diluted for our project financing assumptions including project debt and new equity.

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.

Hastings Technology Metals Ltd - HAS

Financing risks

As a pre-production company with no material income, HAS is reliant on equity and debt markets to fund development of its assets and progressing its regional exploration pipeline. Total development and working capital requirements are subject to completion of

final studies. There are no guarantees that studies will result in a positive investment decision for the Yangibana project. 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.

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Commodity price and currency fluctuations

As with any mining company, HAS 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.

Distribution of Ratings:

Global Stock Ratings (as of 12/27/22)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	635	66.15%	26.77%
Hold	150	15.62%	17.33%
Sell	13	1.35%	7.69%
Speculative Buy	154	16.04%	40.91%
	960*	100.0%	

*Total includes stocks that are Under Review

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SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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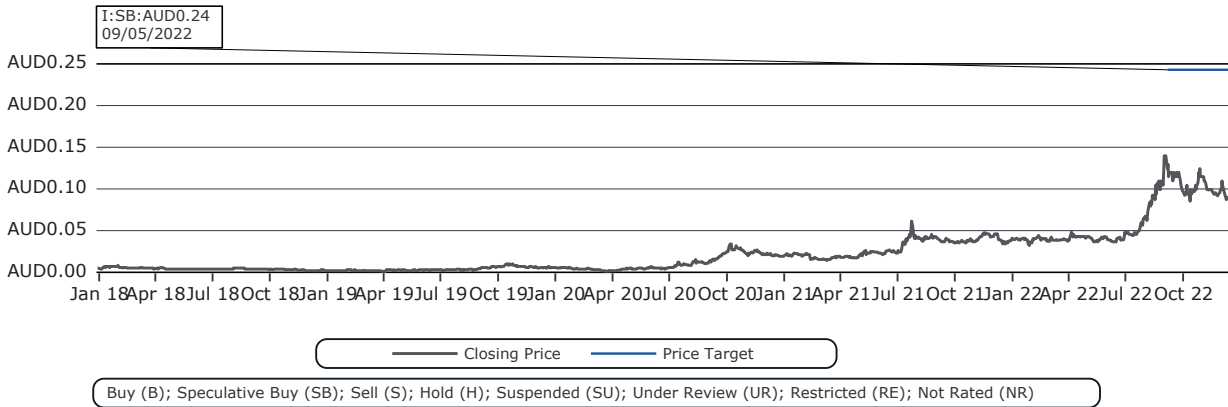
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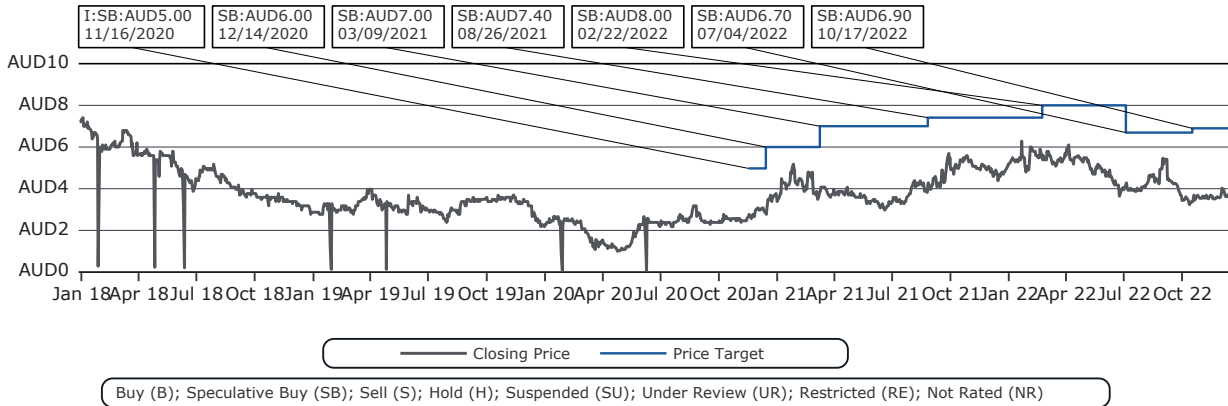
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Dreadnought Resources Limited Rating History as of 12/23/2022



Hastings Technology Metals Ltd Rating History as of 12/23/2022



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