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Authorisation

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Dreadnought Resources (DRE)

Initiation - High-grade rare earth explorer

Recommendation

Buy (Initiation)

Price

\$0.115

Valuation

\$0.20 (unchanged)

Risk

Speculative

GICS Sector

Materials

Expected Return

Capital growth	74%
Dividend yield	0%
Total expected return	74%

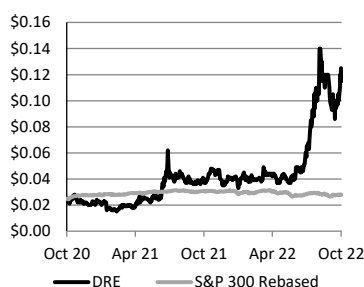
Company Data & Ratios

Enterprise value	\$347.7m
Market cap	3,045m
Issued capital	\$350.2m
Free float	78%
Avg. daily val. (52wk)	\$1.1m
12 month price range	\$0.032-\$0.155

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.11	0.06	0.04
Absolute (%)	4.5	91.7	180.5
Rel market (%)	-0.3	91.8	189.7

Absolute Price



SOURCE: IRESS

Yin shaping up to be high grade, scalable resource

We initiate on DRE with a speculative Buy rating and a \$0.20/sh valuation. DRE is rapidly progressing the Yin Rare Earths discovery at its 100% owned Mangaroon project in WA. We estimate the maiden Mineral Resource for Yin could be between 15Mt – 21Mt @1.1% TREO and 30% NdPr enrichment. Furthermore, we estimate upside from Yin, the Sabre deposit, C1-C5 carbonatite targets and the 100 other anomalies could see resource growth of a further 20Mt. Should our views be confirmed, we see shareholder value coming from: 1) the development of a concentrate style operation like Yangibana; or 2) a strategic sale / takeover from a global or domestic major such as MP Materials (MP:US, not covered) or Iluka (ILU, not covered).

Near term catalysts

DRE has a stream of near-term catalysts which we believe will support our investment thesis, specifically: 1) release of a maiden MRE on Yin by the end of CY22; 2) assay results from the C1-C5 targets in Nov-22; 3) assay results from Sabre RC drill program in Nov-22; and 4) an update on the Y8 drill campaign towards the end of the year.

Investment thesis: Buy (Speculative), Valuation \$0.20/sh

We initiate on DRE with a Speculative Buy rating and a \$0.20/sh valuation. DRE recently announced the discovery of the Yin rare earth prospect, adjacent to Hasting Technology Metals (HAS, not covered) Yangibana deposit, a 27 Mt Mineral Resource at 0.97% total rare earth oxide (TREO) grade. Our investment thesis for DRE is supported by: 1) strong demand profile for light magnet rare earths; 2) the potential for a maiden Mineral Resource Estimate of between 15Mt – 21Mt @ 1.1% TREO and 30% NdPr enrichment, 3) further upside in C1-C5 carbonatite targets which bare similarities to Mt Weld and Mountain Pass; and 4) a pipeline of promising exploration projects in the Kimberley and Central Yilgarn.

Earnings Forecast

Year end	2022a	2023e	2024e	2025e
Sales (A\$m)	-	-	-	-
EBITDA (A\$m)	(1)	(2)	(2)	(2)
NPAT (reported) (A\$m)	(1)	(2)	(2)	(2)
NPAT (adjusted) (A\$m)	(1)	(2)	(2)	(2)
EPS (adjusted) (cps)	(4)	(7)	(7)	(6)
EPS growth (%)	nm	nm	nm	nm
PER (x)	0.0 x	0.0 x	0.0 x	0.0 x
FCF Yield (%)	-2%	-1%	-1%	-1%
EV/EBITDA (x)	-299.5 x	-186.1 x	-187.4 x	-188.8 x
Dividend (cps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-5%	-9%	-8%	-8%

SOURCE: BELL POTTER SECURITIES ESTIMATES

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Investment Thesis

Speculative Buy – Valuation \$0.20/Sh

We initiate on DRE with a Speculative Buy rating and a \$0.20/sh valuation. Our investment thesis is based on:

Investment Thesis:

1. Rare earth elements, a key mineral in a decarbonised world in short supply

- Demand: We estimate the demand for NdFeB permanent magnets to expand from ~111kt (2021e) to over 300kt by 2035, requiring a doubling in supply of NdPr oxide. Main drivers over the long term are electric vehicles (~2kg NdPr per EV) and wind turbines (~600kg NdPr per turbine).
- Supply: Current supply is constrained to China (80% mined supply & ~90% processed metals), with increasing demand for diversified, transparent supply chains.
- Substitutes: Current substitutes for EV's include traditional induction motors, however the drawbacks in performance vs costs currently favour permanent magnet (PM) motors. In wind turbines, substitutability is low, particularly for offshore turbines as PM motors require less maintenance.

2. Tier-1 opportunity Sufficient scale + High grade + clean metallurgy + considerable upside

- Scale: We estimate the initial Mineral Resource Estimate (MRE) for Yin as likely to be between 15Mt – 21Mt. With regional drilling at Sabre, the C1-C5 targets and ~100 other anomalies the Resource growth potential is substantial for DRE.
- Carbonatite targets: The C1-C5 (carbonatite) targets could be the source intrusion for mineralisation in the region. Carbonatites tend to be mineralised with high-grade REE and Nb, with significant deposits including Mt Weld (MRE of 54.7Mt @ 5.3% Total Rare Earth Oxide (TREO) and Ore Reserve Estimate (ORE) of 18.6Mt @ 8.2% TREO) owned by Lynas Resources (LYC, Mkt cap A\$7bn, not covered) and Mountain Pass (~19.1Mt @ 7.14% TREO) owned by MP Materials (MP:US, Mkt cap US\$5.3bn – not covered).
- Grade & Enrichment: Results to date indicate a high-grade (~1.1%) TREO grade with NdPr enrichment of ~30% across current drill results with significant high-grade portions up to 46% (this compares to global averages of ~20%).
- Metallurgy: Leveraging off the 2nd mover advantage from Hastings Technology (HAS, not covered), metallurgical testwork has been conducted using the HAS flowsheet confirming a 92.8% recovery to a 40% TREO concentrate.

3. Strategic positioning

- DRE could produce a high-grade and high-value concentrate, similar to that of HAS. Due to the transportability of rare earth concentrates, DRE would not be beholden to processing options in close proximity to the asset.

- If DRE did choose to process their material in Western Australia options available include ILU's Eneabba processing facility. We note that the recent transaction with Northern Minerals (NTU, not covered) as being supportive of this thesis.
- Given the quality of the drill results to date, the scale potential for the business and the tier-1 jurisdiction, we believe DRE may become a takeover target for domestic rare earth producers or international miners looking to secure third party concentrate or diversify their portfolio.

4. Upside in exploration projects Taraji Yampi and Central Yilgarn

- DRE's market capitalisation rose above \$150m following announcements made in July 2021 highlighting high grade Ni-Cu-PGE drill results at Taraji-Yampi. In our assessment, we have ascribed a nominal value to both Taraji-Yampi and Central Yilgarn of \$100m (~16% of our overall valuation for DRE).
- Whilst the focus over the immediate term will be on Yin and developing other rare earth targets at Mangaroon, the upside from further exploration in DRE's other projects remains a possible driver for shareholder value.

Catalysts

- Yin maiden Mineral Resource Estimate (MRE) – End CY22
- C1-C5 Assay results – Nov 22
- Sabre RC drill program results – Nov 22
- Y8 Drill campaign (underway)

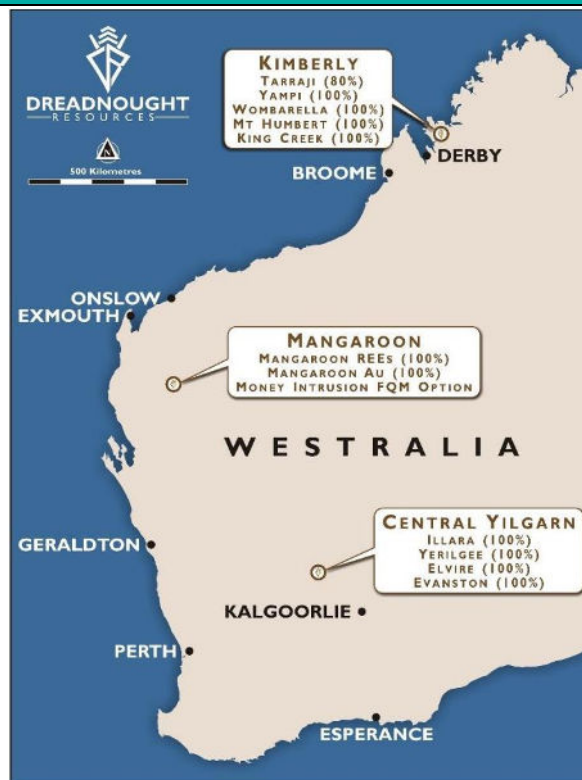
Dreadnought Resources - Overview

Company overview

DRE is an ASX listed mineral exploration and development company. DRE currently has three major projects in its portfolio, Mangaroon, Taraji Yampi and Central Yilgarn. The current focus of the company is the Yin prospect, located within the Mangaroon project. High-grade rare earth ironstones were discovered at Yin in July 2021, with initial rock chips of up to 7.5% TREO and 2.73% NdPr. To date, DRE has mapped the Yin trend over 16km, with multiple cross-cutting and parallel lodes. DRE recently completed an RC drill program over 3km of the Yin trend and expects to release a Maiden Mineral Resource Estimate by the end of calendar year 2022. In addition to this, DRE is currently drilling mineralised carbonatite targets (C1-C5) which could be the source of rare earth mineralisation for the region. In April 2021, DRE entered into an option agreement with First Quantum Minerals (FM:CN, not covered) with respect to base metal rights over 5 tenements within the Mangaroon project. The option agreement is for FM to fund \$12 million in exploration activity to earn a 51% interest in the project.

DRE is also progressing exploration activities at the Taraji-Yampi project, which is prospective for Cu-Ag-Au-Co and Ni-Cu-PGE. Taraji-Yampi is located in Western Australia's Kimberly region, on a current defence reserve. Minimal exploration activity has been conducted in the region due to the area being off-limits for explorers since 1978. DRE holds the largest tenement package in the region and in 2021 announced the Orion Discovery. Since the initial discovery, DRE have identified nine look-a-like targets at the project. The Central Yilgarn is a portfolio of 14 tenements with prospectivity for Iron ore.

Figure 1 - Project overviews



SOURCE: COMPANY DATA

Valuation & Recommendation

Recommendation

We initiate on DRE with a **Speculative Buy recommendation and a \$0.20/sh Valuation**. Our recommendation is based on: 1) strong demand profile for light magnet rare earths; 2) the potential for a maiden Mineral Resource Estimate of between 15Mt – 21Mt @ 1.1% TREO and 30% NdPr enrichment; 3) further upside in C1-C5 carbonatite targets which bear similarities to Mt Weld and Mountain Pass; and 4) a pipeline of promising exploration projects in the Kimberley and Central Yilgarn.

Valuation

We value DRE via a sum-of-the-parts analysis applied to their portfolio of exploration assets. For Yin, we have applied a blended approach, taking into account interpreted data for the scale and grade of the resource. We have also assessed a potential takeover premium.

Table 1 - DRE Sum-of-the-parts valuation

Ordinary Shares (basic)	m	3,045
Options in the money	m	86
Diluted	m	3,131
Sum-of-the-parts	A\$m	A\$/sh
Yin + Resource Expansion (NPV 8%)	538	0.18
Taraji Yampi + Central Yilgarn	100	0.03
Corporate overheads	(12)	(0.00)
Subtotal	626	0.21
Equity Investments	0	0.00
Net cash (debt)	3	0.00
Total undiluted	629	0.21
Cash from options	2	0.00
Total diluted	630	0.20

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuing Yin

We have taken an equal weighted, blended approach to valuing the Yin project utilising an Enterprise value \$/ estimated Mineral Resource tonne approach, a hypothetical DCF approach, utilising capital and operating estimates from peer assets and a takeover premium approach.

Table 2 - Yin Valuation summary

Valuation Blend - Yin	A\$m	Weight %	A\$m
EV/ Resource t multiple approach	580	33%	193
DCF analysis + resource expansion approach	522	33%	174
Takeover premium approach	513	33%	171
Total		100%	538

SOURCE: BELL POTTER SECURITIES ESTIMATES

Method 1 – Resource multiple approach

- Utilising domestic peers, current enterprise value (A\$m) per kt of contained TREO. As evidenced below, producers like LYC and those in construction like HAS, trade at a significant premium over companies like ARU (Speculative Buy - \$0.54/sh) and RareX (REE, not covered). Also noting the difference in contained rare earths, NTU's Halls Creek project contains a higher portion of the heavy rare earths (HRE) Dysprosium and Terbium, which are more valuable per kg than Neodymium and Praseodymium. We arrived at an EV/ kt Resource of A\$1.46m/kt.
- We have applied this valuation metric to our upper (21Mt) and lower (15Mt) estimates at an average grade of 1.1% TREO for a Maiden Mineral Resource at Yin to arrive at a valuation range of \$240m and \$337m.
- We have allowed a further 20Mt expansion to the Resource at an average grade of 1% TREO for \$289m. With only 3kms of the 16km strike length at Yin having been tested, and additional regional ironstone targets at Sabre and surrounding anomalies yet to be drilled, we see this 20mt estimate as a reasonable assumption. This does not include additional upside from the C1-C5 carbonatite drilling.
- Our results imply an Enterprise Value for DRE of A\$580m based on our anticipated Maiden Resource Estimate at Yin and additional regional exploration upside.

Table 3 – EV / Resource tonne multiple approach

DRE Comp Table	Ticker	Last Price	Mkt Cap A\$m	EV	Project, location - status	Resource Mt	TREO %	Contained REO kt	EV A\$m/ Resource kt
Lynas Rare Earths Limited	LYC	8.11	7,548	6,700	Mt Weld, WA - Producing	55.2	5.4%	2,981	2.25
Hastings Technology Metals Ltd	HAS	3.55	453	317	Yangibana, WA - Construction	51.7	0.4%	213	1.49
Arafura Resources Limited	ARU	0.30	536	487	Nolans Bore, NT - DFS	56.0	2.6%	1,456	0.33
Northern Minerals Limited	NTU	0.04	204	193	Halls Creek, WA - DFS	9.3	0.7%	62	3.11
Rarex Limited	REE	0.06	32	24	Cummins Range, WA - Exploration	18.8	1.2%	216	0.11
Average									1.46

Dreadnought Resources Est

Yin	Mt	TREO %	Contained REO Kt	Implied EV A\$m
Yin - Lower Range	15	1.1%	165	240
Yin - Upper Range	21	1.1%	231	337
Average	18	1.1%	198	289
Potential Resource expansion	20	1.0%	200	292
Total Estimate	38	1.05%	398	580

SOURCE: IRESS, BLOOMBERG, BELL POTTER SECURITIES ESTIMATES

Method 2 – DCF approach using HAS' Yangibana project as comparable

Our second approach looks at constructing a notional DCF valuation utilising capital and operating costs from HAS' Yangibana project. Given the proximity and similar metallurgy to DRE ironstones, we believe Yangibana to be an accurate comparator for Yin. Our analysis concluded an un-risked NPV_{10%} of A\$683m and \$854m for our two resource scenarios (15mt and 21mt @1.1% TREO). Given the stage of the projects a 30% probability of success was applied to derive a current value of A\$205m and \$256m respectively. For the purpose of our blended valuation we have taken the average of these two figures and have included the resource expansion of 20Mt outlined above at \$281m for a total value of \$512m.

Table 4 - DCF utilising HAS data points

Assumptions	Unit	Scenario 1	Scenario 2
Ore Total	Mt	15	21
Grade	%	1.10%	1.10%
Contained metal	kt	165	231
Recoveries	%	92.8%	92.8%
Adj MREC Price	USD/kg	40.25	40.25
Annual concentrate production	kt	15	15
MREC grade	%	40%	40%
Annual Revenue	USD m	242	242
Opex	USD/kg	17	17
AISC	USD m	(102)	(102)
Annual Cashflow	USD m	140	140
Capex	USD m	462	462
LOM	Years	10	14
Discount rate	%	10%	10%
Tax	%	30%	30%
AUD/USD	\$	0.70	0.70
NPV 10% unrisked	A\$m	\$683	\$854
@ 30% risked	A\$m	\$205	\$256

SOURCE: HAS, BELL POTTER SECURITIES ESTIMATES

Method 3 – Takeover premium approach

Our third approach is to assume a takeover premium to the current market capitalisation of the business. To assess this, we have taken recent transaction data on businesses in the mining sector, specifically those with future facing commodity portfolios, and calculated a current transaction multiple. Our analysis concluded a ~35% takeover premium for companies between US\$290m and US\$1bn. Under an assumption of a 35% premium on a ~\$380m market capitalisation yields a takeover value of A\$513 million. We have taken the view that an acquirer would be interested in the Mangaroon project in isolation, and thus assumed the takeover premium value excludes the other portfolio assets.

Figure 2 - DRE Takeover Premium

DRE Mkt Cap	Takeover premium				
	20%	28%	35%	43%	50%
\$330	396	421	446	470	495
\$355	426	453	479	506	533
\$380	456	485	513	542	570
\$405	486	516	547	577	608
\$430	516	548	581	613	645

SOURCE: BLOOMBERG, BELL POTTER SECURITIES ESTIMATES

Possible suitors

In terms of who might bid for DRE, we believe there might be a handful of suitors, generally from a strategic point of view. We believe at this stage in the cycle any bid is likely going to come from a competitor in the Rare Earth sector and unlikely to be an OEM or private entity.

Table 5 - Possible suitors

Company	Market cap	Market cap relative to DRE	Strategic rationale	Suitor?
Lynas Resources	7,548	23.5x	We don't currently see a strategic rationale for LYC to acquire DRE, our justification is based on 1) LYC's has a full pipeline of growth activities, 2) Mt Weld exploration could extend mine life beyond 25 years	No
MP Materials	7,576	31.6x	Currently a single asset producer, building separation capacity in the US. Rationale to take-out DRE could be become a multi-asset, diversified producer.	Yes
Hastings Technology Metals	453	1.6x	Regional consolidation, if it is likely that the carbonatites are on DRE's tenements HAS could be a possible candidate however the transaction value would be the same if not greater than HAS current market cap.	No
Iluka	3,722	13.3x	The obvious suitor given 1) capacity in the Eneabba processing facility, 2) Market cap size relative to DRE and 3) Balance sheet stability with ~\$600 million in net cash at H1 22	Yes
Dreadnought	380			

SOURCE: BLOOMBERG, BELL POTTER SECURITIES ESTIMATES

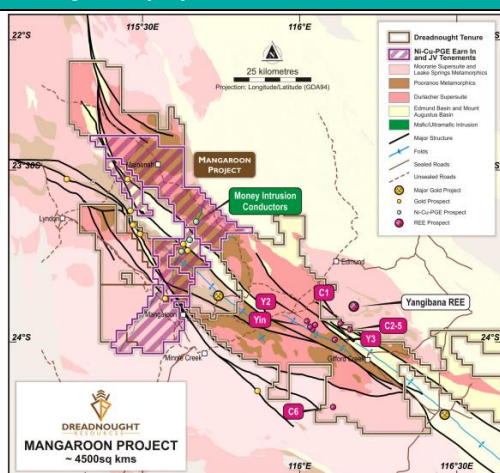
The table above highlights our views of the current landscape as it applies to DRE. We don't believe LYC to be a likely candidate, given their focus on expanding concentrate production at Mt Weld, commissioning of the Kalgoorlie cracking and leaching facility and the US light and heavy rare earth facilities. We also don't believe HAS is in a position to bid for DRE, given their focus on developing Yangibana and that the transaction would require capital roughly equal to their current market capitalisation. This leaves two possible acquirers, Iluka and MP Materials. From ILU's point of view, the acquisition would provide guaranteed feedstock into their Eneabba rare earths processing facility for which they currently can only fill at 45% capacity for ten years. From MP's point of view, acquiring another high-grade carbonatite operation (assuming the carbonatites materialise) would be an opportunity to diversify into a multi-asset, geographically diverse business.

Mangaroon – REE & Base metals

Project overview

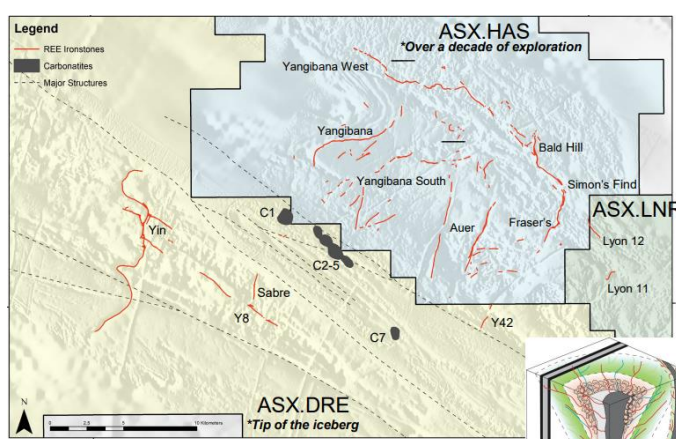
The 100% owned Mangaroon project was acquired by DRE in Nov-20. The current tenement package covers 4,900km² directly adjacent to HAS and Lanthanein (LNR, not covered). The ground was initially pegged for base and precious metals, with Ni-Cu-PGE outcroppings in the recently defined Money Intrusion. In 2021 DRE announced discovery of outcropping rare earth ironstones with similarities to those at Yangibana. The prior geological understanding of the region was that the ironstones stopped at the Lyons River fault (running north off their tenement boundary), however that hasn't been the case. DRE are progressing a maiden MRE over 3km of drilling conducted at Yin with results expected to be released to the market at the end of CY22.

Figure 3 - Mangaroon project



SOURCE: COMPANY DATA

Figure 4 - Regional Rare Earth opportunity



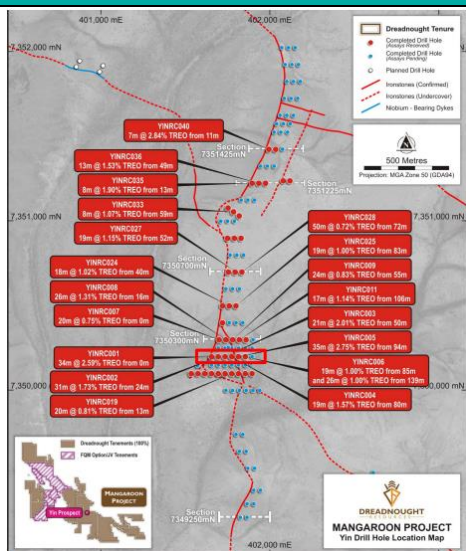
SOURCE: COMPANY DATA

Yin – Tip of the iceberg

To date, DRE have identified ~16km of strike at the Yin trend of which 3km have been drilled. From the initial radiometrics survey conducted on the region, DRE identified 140 targets, of which 40 have been tested to date with 22 targets mineralised, 3 undercover and 15 un-prospective. With roughly 100 targets remaining to test and drawing on similarities to the mineralisation at Yangibana, it is reasonable to assume there is upside potential for the business and that the initial Yin trend may be the tip of the iceberg. In addition to this, the C1-C5 (carbonatite) targets could be the source intrusion for the mineralisation in the region, which if correct, could draw similarities to Mt Weld or Mountain Pass.

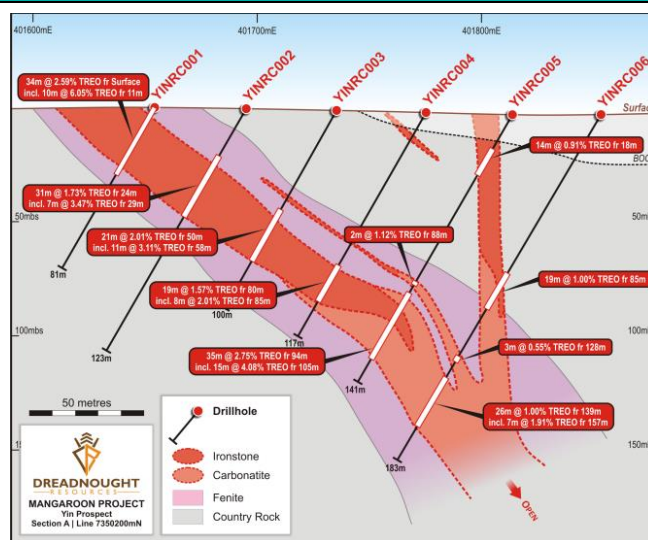
We estimate the Maiden Resource Estimate at Yin between 15Mt and 21Mt at an average grade of 1.1% TREO and a 30% NdPr enrichment. Our analysis is based on the reported drill data and forms a guide for our valuation/ investment thesis. Under these parameters, Yin could support a concentration operation similar to that at Hastings for between 10 and 15 years, producing 15ktpa of rare earth concentrate.

Figure 5 - Yin Ironstones Trend



SOURCE: COMPANY DATA

Figure 6 - Yin ironstones cross section



SOURCE: COMPANY DATA

Selected Yin intercepts to date

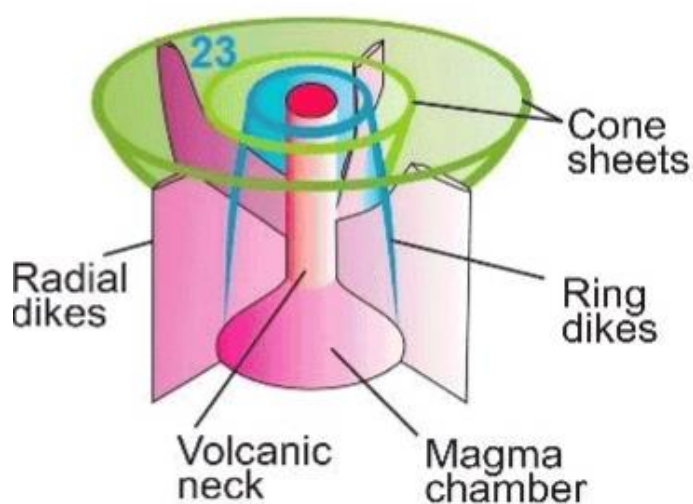
- YINRC001: 34m @ 2.59% TREO from surface, including 10m @ 6.05% TREO (31% NdPr:TREO) from 11m
- YINRC002: 31m @ 1.73% TREO from 24m, including 7m @ 3.47% TREO (31% NdPr:TREO) from 29m
- YINRC005: 35m @ 2.75% TREO from 94m, including 15m @ 4.08% TREO (30% NdPr:TREO) from 105m
- YINRC058: 31m @ 1.64% TREO from 62m, including 6m @ 6.73% TREO (31% NdPr:TREO) from 83m
- YINRC086MET: 54m @ 2.07% TREO from 24, including 17m @ 4.10% TREO (30% NdPr:TREO) from 41m
- YINRC087: 38m @ 1.84% TREO from 48m, including 23m @ 2.70% TREO (31% NdPr:TREO) from 57m
- YINRC086: 43m @ 0.93% TREO from 6m, including 17m @ 2.87% TREO (30% NdPr:TREO) from 33m

C1-C5 – “All roads lead to Rome”

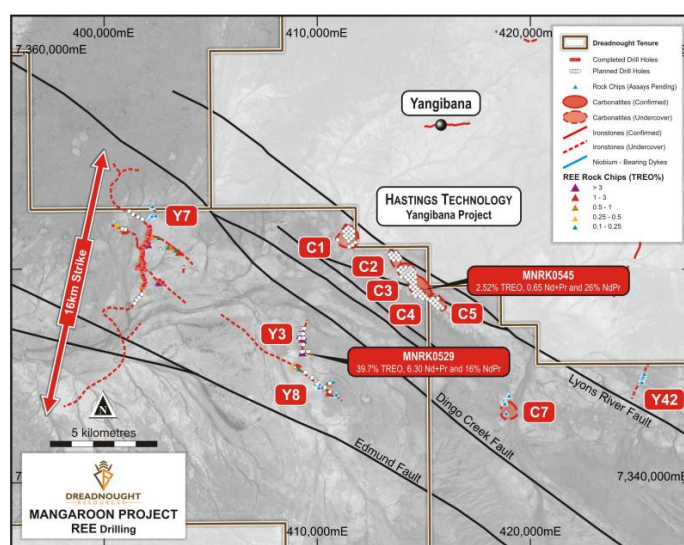
Whilst the ironstone targets at Yin and Sabre are important for the current valuation of the business, we see greater potential for upside at the carbonatite (C1-C5) targets identified in the mineral tenements. The C1-C5 targets have been identified as the possible source intrusion for the REE mineralisation in the region, including the Yin ironstones and HAS mineralisation. DRE understands the Yin trend (DRE) and Bald Hill, Simons Find and Frasers Trend (HAS) represents the outer coneshet of typical carbonatite structures. The Sabre Trend (DRE), Auer and Yangibana Trends (HAS) form the radial dykes of the carbonatite. The significance of this is that if the understanding of the system is correct, the coneshets and radial dykes point back to the source intrusion, the carbonatites, and that carbonatite deposits typically tend to be associated with high-grade rare earth and niobium mineralisation. World class deposits include, Mt Weld at 54.7Mt @ 5.3% TREO (LYC) and Mountain Pass (MP Materials) 19.1Mt at 7.14% TREO.

C1-C5 Update – 17th October 2022

- The RC drill program commenced with a 14-hole (2,300m) program at C3-C4 on 80m spacings to an average depth of 165m.
- 13 out of 14 holes intersected mineralisation with intercepts up to 54m thickness in two of the holes.
- Samples for C3 and C4 have been sent for rush analysis with assay results expected in November.
- The remaining follow up targets at C1-C5 are expected to be drilled out over November 2022. To date, DRE have identified a strong correlation between magnetic highs and mineralisation.
- The C1-C5 program consists of 83 holes (~6,600m) designed to intersect the carbonatite intrusion under cover.

Figure 7 - Carbonatite model

SOURCE: COMPANY DATA

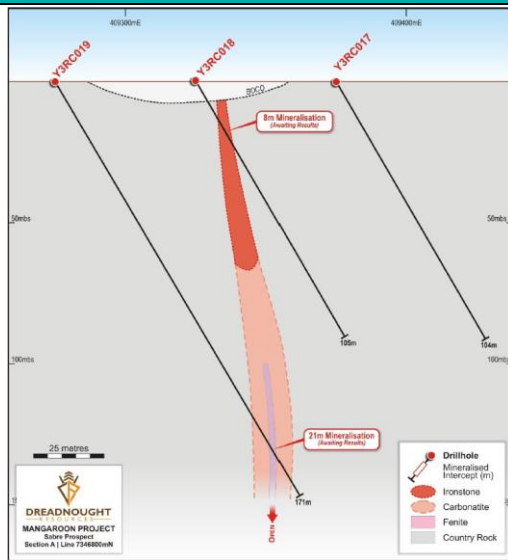
Figure 8 - C1-C5 targets

SOURCE: COMPANY DATA

Sabre discovery

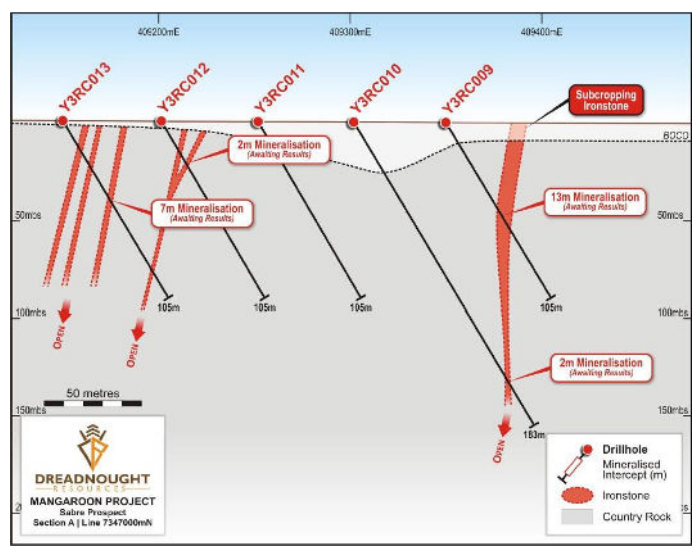
Formerly known as the Y3 target, the Sabre discovery was re-named in an announcement on the 5th of September 2022. RC drilling identified thick REE mineralisation over 1km in strike length in a sub-vertical lode ironstone lode. Assay results from the Sabre RC drilling campaign are expected in November. The results to date at section 7346800mN (figure - 8) and 7347000mN (figure - 9) identified multiple stacked lodes with mineralised intercepts up to 21m thick (Y3RC019), occurring from near surface. The overall drill program consists of 29 RC holes (~3,000m) of which 19 holes have currently been drilled to date.

Figure 9 - Sabre cross section 1



SOURCE: COMPANY DATA

Figure 10 - Sabre cross section 2

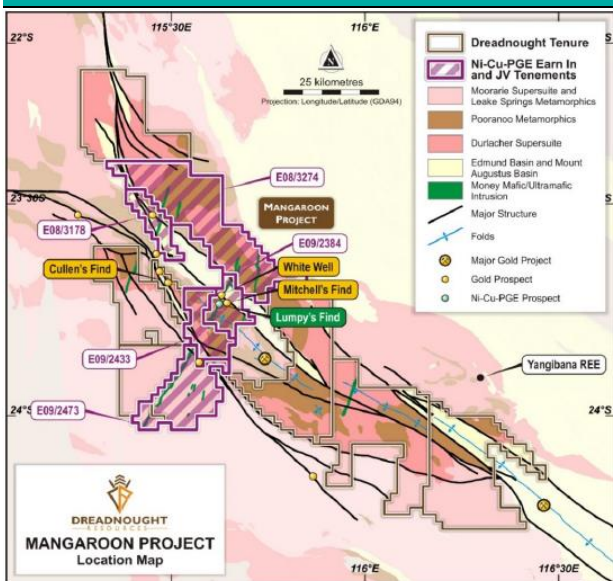


SOURCE: COMPANY DATA

First Quantum Minerals earn-in

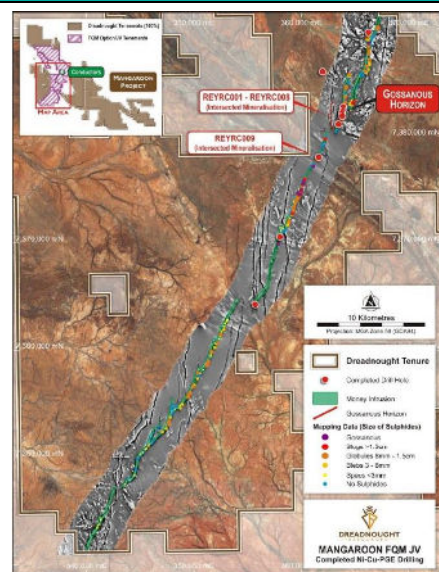
In April-21, DRE entered into an option agreement with First Quantum Minerals Ltd (FM:CN, not covered) with respect to base metal rights over 5 tenements within the Mangaroon project. The option is to fund up to \$12m in exploration to earn a 51% interest in Mangaroon before 1 March 2026, and to earn a further 19% interest by sole funding to a decision to mine. FM may choose to withdraw at any time with 0% retained interest and must contribute an upfront payment of \$150,000 to DRE by September-22. FM plan to conduct a fixed loop electromagnetic survey over the tenements in October, with a goal to identify follow up drill targets for testing shortly thereafter.

Figure 11 – FQM Ni-Cu-PGE tenements



SOURCE: COMPANY DATA

Figure 12 - Money intrusion



SOURCE: COMPANY DATA

Taraji Yampi – Cu-Ag-Au-Co, Ni-Cu-PGE

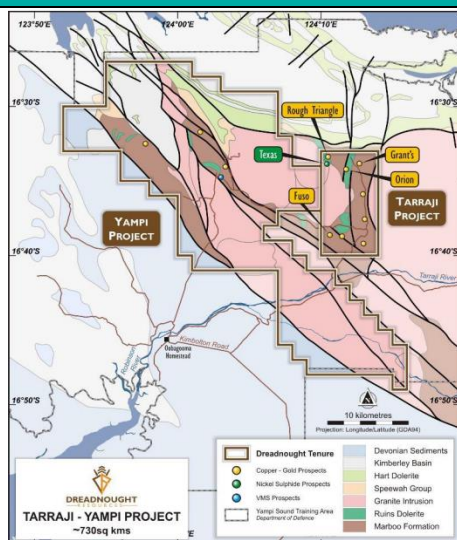
Overview

Taraji Yampi (TY) is located in Western Australia's Kimberly region, roughly 85km from Derby. The project sits on what is currently a defence reserve (Yampi Sound Defence training area), with minimal exploration undertaken since the early 1900's, WMC Resources last explored the area in 1958 and Australian Consolidated Minerals in 1972. The area has been off-limits to mineral exploration since 1978, with DRE being the first mover, securing the largest land package in the region. TY is prospective for base and precious metals. In 2021, DRE announced the Orion discovery, a Proterozoic aged system, similar in structure to Cloncurry/ Mt Isa, Tennant Creek and Avanco in Brazil.

Orion discovery - 2021

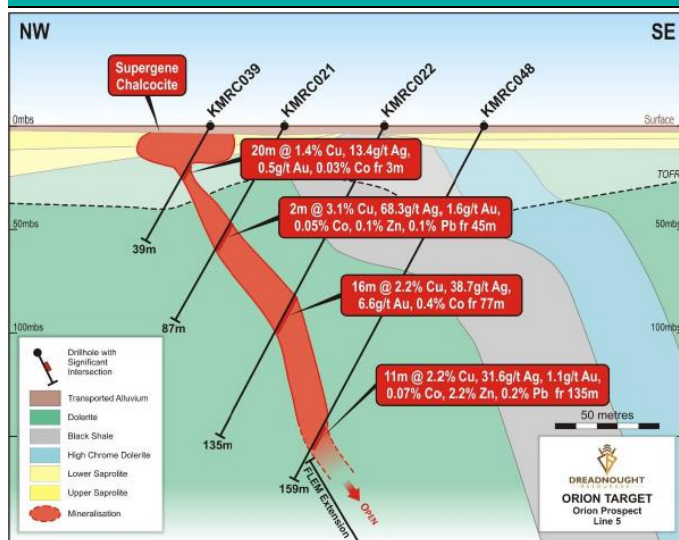
- Initial 29 hole RC drill program (3,240m) intersected massive and semi-massive sulphides within the Ruins Dolerite. The most significant intercept, KMRC017 intersected 12m @ 1.6% Cu, 31.7g/t Ag and 0.5g/t Au.
- This program was followed up with downhole and fixed loop electro-magnet surveys which modelled the Orion anomaly at greater than 400m in strike length and extending to a dept of 500m.
- A second program, designed to test the strike and depth of mineralisation, consisted of 27 RC holes (2,904m). 18 out of 27 holes intersected massive/ semi-massive sulphides, oxide and or supergene mineralisation including:
 - KMRC022: 16m @ 2.2% Cu, 38.7g/t Ag, 6.6g/t Au, 0.40% Co from 77m
 - KMRC026: 19m @ 1.0% Cu, 23.2g/t Ag, 1.1g/t Au, 0.06% Co from 92m
 - KMRC019: 12m @ 1.3% Cu, 23.2g/t Ag, 1.1g/t Au, 0.06% Co from 83m
 - KMRC021: 14m @ 0.6% Cu, 11.3 g/t Ag, 0.3g/t Au, 0.01% Co from 43m
- Since the initial Orion discovery, DRE has mapped nine look-a-like targets in the TY project area. A recently commenced Auger program, designed to test samples below the black plains soil cover, looks to identify further follow up targets. Results from the 3,000 sample program is expected at the end of CY 2022.

Figure 13 - Taraji-Yampi project overview



SOURCE: COMPANY DATA

Figure 14 - Orion cross section line 5



SOURCE: COMPANY DATA

Central Yilgarn – Iron ore

Overview

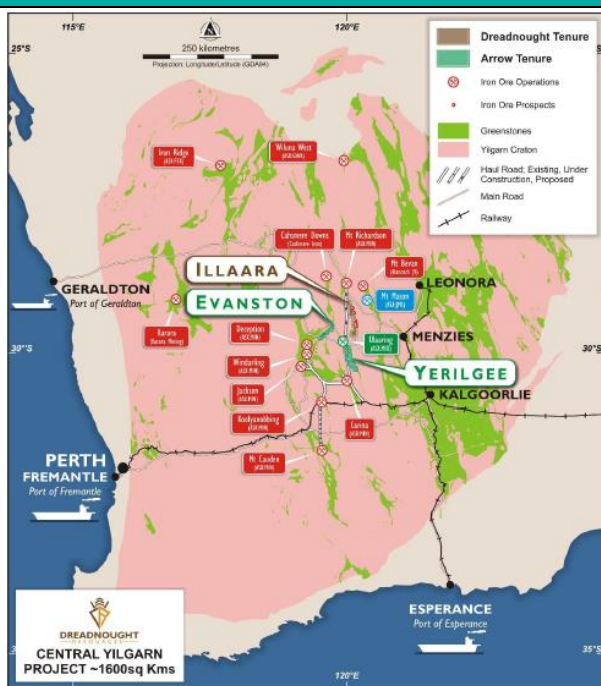
The Central Yilgarn project includes ~1,600km² over 14 tenements, covering four greenstone belts in central Western Australia. The greenstone belts are known to contain iron ore, gold and massive sulphide mineralisation as well as potential for komatiite hosted nickel sulphides and lithium bearing pegmatites. The project is located roughly 190km from Kalgoorlie, in proximity to exiting mining operations. The region was historically explored for gold in the early 1900's with further exploration in the 1970's and 1980's focused on base metal potential.

DRE focus

The region in Central Yilgarn has gained attention more recently for prospectivity for iron ore mineralisation, with Mineral Resources Ltd (MIN, Buy \$100/sh) Koolyanobbing development south of the DRE tenements. Hancock prospecting (private company) via an earn-in arrangement with Hawthorne Resources Ltd (HAW, not covered) are progressing the Mt Bevan iron ore project ~30km from DRE's tenements. The Mount Bevan project currently has 1.178bt at 34.9% Fe, with Hancock Prospecting funding a PFS over the next two years.

From DRE's point of view, the tenement holding is in a highly prospective location, with several participants already developing projects around their ground. We don't view Central Yilgarn as being the primary focus for the business and we suspect the forward work plan will be reflective of that. From a shareholder value perspective, we believe unlocking value in the region may come from third-parties consolidating land holdings, given both MIN and Hancock Prospecting are in proximity.

Figure 15 - Central Yilgarn Project location



SOURCE: COMPANY DATA

Figure 16 - Central Yilgarn Project tenements



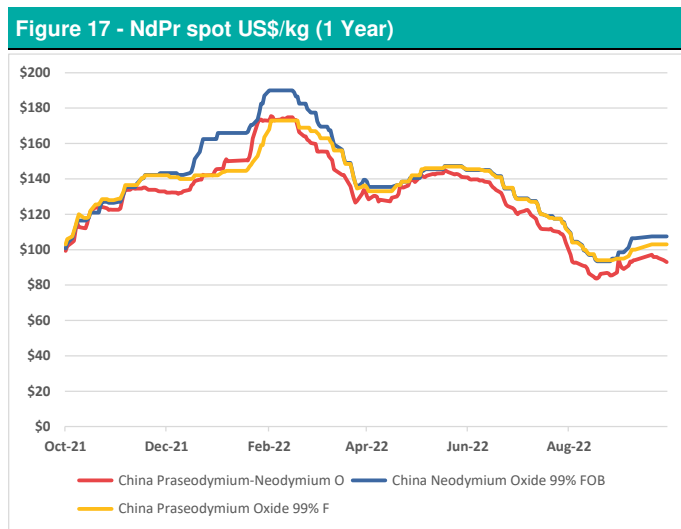
SOURCE: COMPANY DATA

Rare Earth market

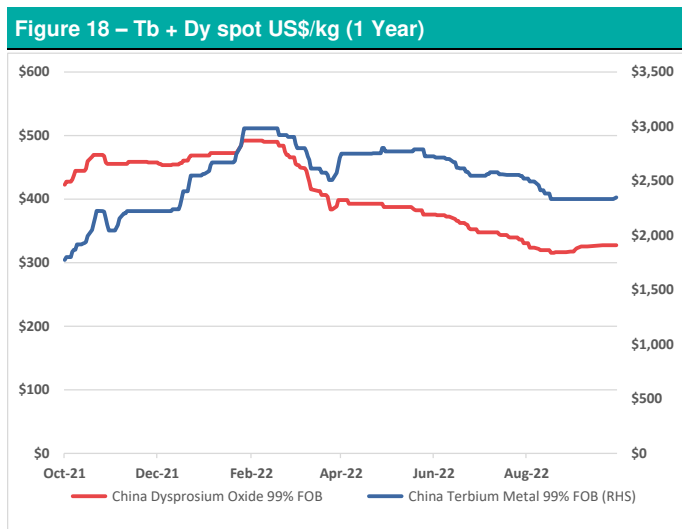
Market Overview

Rare earth elements, Neodymium (Nd) and Praseodymium (Pr) are typically used in the production of Neodymium-Iron-Boron (NdFeB) permanent magnets. Currently, demand for permanent magnets is driven by consumer electronics (25%), internal combustion engines (20%), Electric vehicles/ Hybrids/ PHEV (17%) and wind turbines (14%). Current pricing is difficult to forecast, given the opacity of the industry and the centralised control over the supply chain by two entities. However, we believe more recent price action has been influenced by Covid-19 lockdowns in China, hampering demand for consumer electronics and electric vehicles.

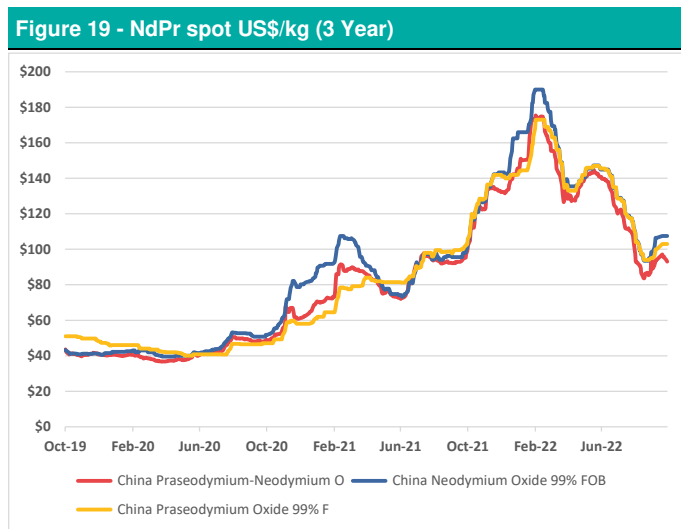
Over the longer term we suspect the market will be driven by two key factors; **1)** demand for permanent magnets from the Electric vehicle and wind turbine sectors; and **2)** a decoupling of the traditional, China dominated, supply chain.



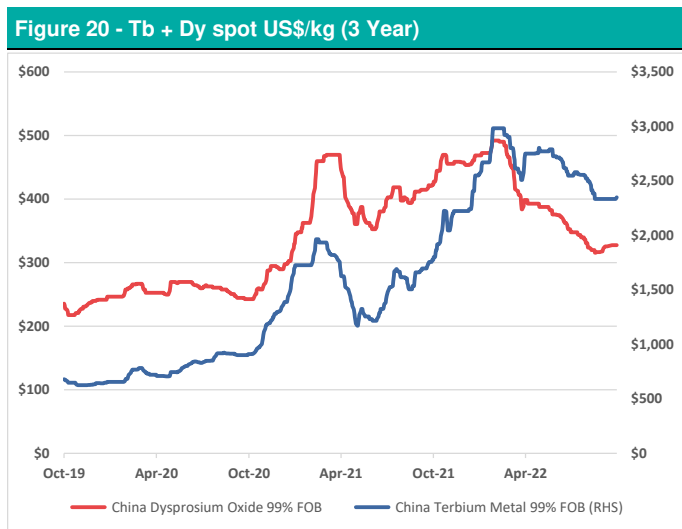
SOURCE: BLOOMBERG



SOURCE: BLOOMBERG



SOURCE: BLOOMBERG



SOURCE: BLOOMBERG

Table 6 - Rare earth spot prices

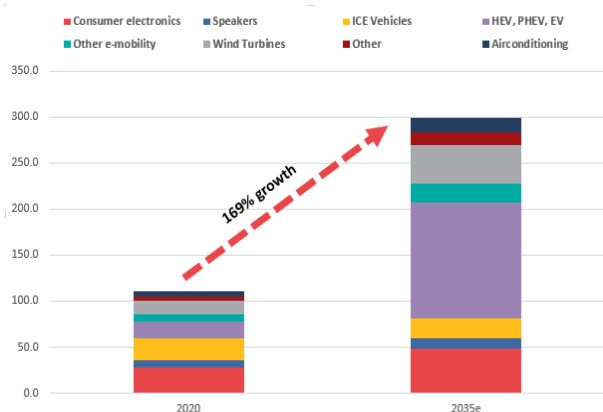
Description	Abbreviation	Spot Price - USD/kg	MoM Chg %
China Praseodymium-Neodymium O	NdPr	92.52	5.12
China Neodymium Oxide 99% FOB	Nd	107.00	7.92
China Praseodymium Oxide 99% F	Pr	102.50	7.37
China Lanthanum Oxide 99% FOB	La	1.26	-1.57
China Dysprosium Oxide 99% FOB	Dy	325.50	0.93
China Terbium Metal 99% FOB	Tb	2,330.00	-0.13
China Samarium Metal 99% FOB	Sm	12.95	0
China Europium Oxide 99% FOB	Eu	28.00	0
China Gadolinium Oxide 99%	Gd	51.49	18.8

SOURCE: BLOOMBERG

Demand for NdPr

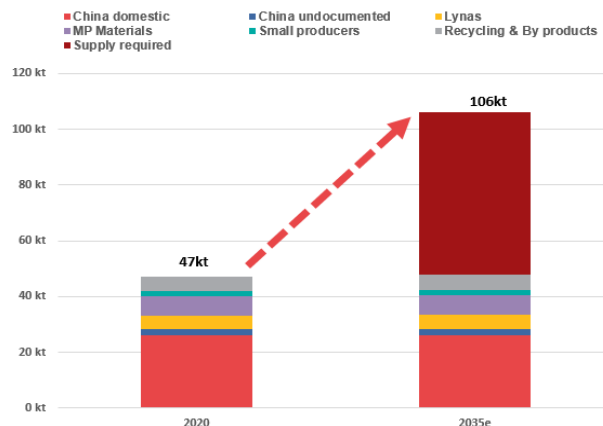
Neodymium (Nd) and Praseodymium (Pr) are used in permanent magnets, typically NdFeb (neodymium iron boron) magnets. NdFeb magnets can be found in a range of consumer electronics, air-conditioning units, traditional internal combustion vehicles and, most importantly, electric vehicles and wind turbines.

Figure 21 - Demand for NdFeb Magnets



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 22 - Supply - NdPr Oxide

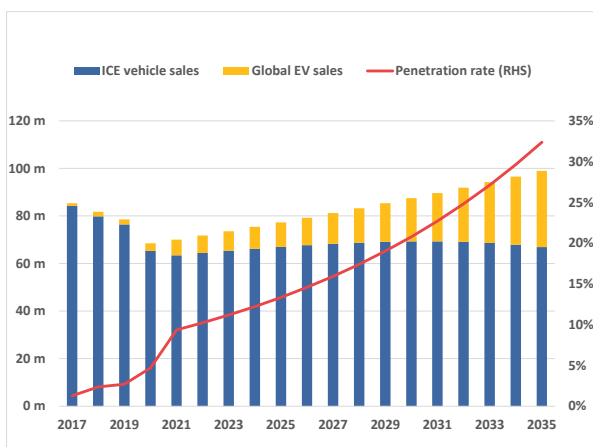


SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Electric vehicle demand assumptions

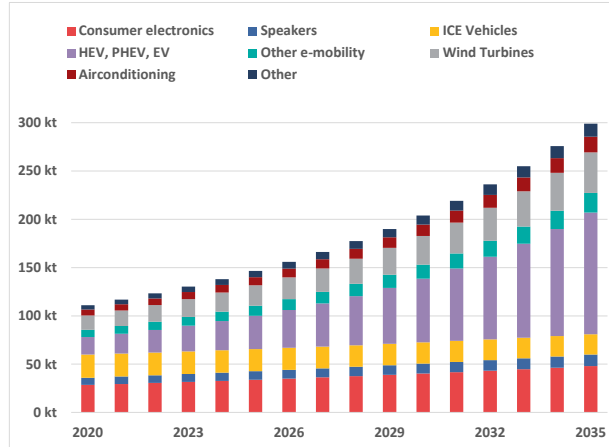
NdFeb magnet consumption is expected to grow at a CAGR of 7.5% to 2035 (CRU – Rare earth report), at which point annual consumption will be approximately 300,000 tonnes. Over this period, demand from the electric vehicle segment is expected to grow from roughly 18,000 tonnes in 2020 to approximately 126,000 tonnes by 2035 (CAGR 14%). This assumption is based on global electric vehicle sales growing by 12% annually reaching a penetration rate of 32% by 2035. Given that electric vehicle sales over the past two years have averaged between 52% and 103% yoy, it is more than likely that our estimates drastically undershoot the future demand for NdFeb magnets by the electric vehicle sector. Whilst this may be the case, we suspect that should supply deficits continue, electric vehicle makers may adopt a greater level of substitution.

Figure 23 - Electric Vehicle sales and penetration rate



SOURCE: BLOOMBERG, BELL POTTER ESTIMATES

Figure 24 - NdFeb magnet demand forecast



SOURCE: COMPANY DATA, BELL POTTER ESTIMATES

Each electric vehicle uses around 2kg of NdPr

EV sales implications on Neodymium demand

Assuming the above predictions hold, demand for NdPr, which makes up roughly 31% of the weight of NdFeB magnets (the others being Iron 66%, Boron 1%, Terbium and Dysprosium 1% each), would grow to over 100,000 tonnes per annum by 2035. Estimated global supply in 2020 was 47,000 tonnes, of which approximately 30,000 tonnes came from China. In order to fill the gap, global producers would need to add the equivalent of roughly one Mt Weld sized operations per annum for the next 14 years. We note the Mt Weld deposit has a relatively high TREO grade and NdPr enrichment (the proportion of NdPr within the total rare earth oxide ore). Consequently, future production, from lower grade operations, will require greater processing resulting in higher operating costs for those projects.

The next logical question: How critical are NdFeb magnets in EV's?

NdPr oxide prices have surged 286% since the beginning of the pandemic spurred by fears of supply chain tightening and a hastened uptake in electric vehicles. The rapid increase sought some to question how crucial permanent magnets are in the EV revolution and the degree of substitutability with traditional non-permanent magnets. To ascertain the degree of substitutability we first need to understand the difference between traditional induction motors and permanent magnet motors.

In simple layman's terms, an induction motor requires an electric current to generate the magnetic field in the stator which in turn provides an opposing field in the rotor causing it to rotate and power the drive train. This method was used in the initial Tesla models before being replaced by the IPM-SynRM permanent magnet motor in the mass produced Tesla 3. In comparison to a permanent magnet motor, which does not require electric current to form a magnetic field, evidence suggests increased power density (torque), increased driving range, greater efficiency and better performance.

Permanent magnet motors offer greater efficiency, range and performance, making them the desired solution for EV motors. Outside EV motor applications, NdPr can be found in power steering, ABS brakes and electric window motors. With respect to cost sensitivity, we believe the argument that rising NdPr prices are causing EV producers to rethink their motor design and move away from rare earth magnets to be baseless. An average EV consumes around 2kg of NdPr, which at US\$150/kg translates to US\$300 per vehicle, the average cost to manufacture a Tesla 3 is US\$46,000 meaning the rare earths within the permanent magnet account for 0.7% of total costs. At the price scenario use in our base case assumptions the portion of total costs drops to 0.4% of the total cost of the vehicle. The table below highlights several EV models and their respective specifications. A clear bias towards permanent magnet motors was identified in the models we analysed, which corresponded generally to a greater range capacity.

Table 7 - Electric vehicle specifications

Make	Model	Motor	Range kms	Max Torque	0-100km	Price - A\$
Tesla	Tesla 3 Performancce AWD	IPM-SynRM permanent magnet	547	639Nm	3.3s	63,000
Tesla	Tesla Model X Performance 2021	Induction/ asynchronous & Permanent Magnet Motor	548	660Nm	2.8s	135,121
BMW	iX Xdrive50 2022	Permanent magnet synchronous	630	400Nm	4.6s	144,117
BMW	i4 M50 2022	Permanent magnet synchronous	510	-	3.9s	89,054
Audi	e-tron 2022 Q4 Sportback Quattro	Permanent magnet synchronous	460	310Nm	6.2s	64,558
Audi	e-tron S Quattro	Induction/ asynchronous	372	-	4.5s	137,941
Mercedes-Benz	AMG EQS 53 2022	Permanent magnet synchronous	538	565Nm	3.8s	350,000
Mercedes-Benz	AMG EQB 300 2022	Induction/ asynchronous & Permanent Magnet Motor	407	390Nm	8.0s	76,800
Hyundai	Ioniq 5 Long Range AWD	Permanent magnet synchronous	412	350Nm	5.2s	71,900
Hyundai	Kona Electric Premium 39 kWh	Permanent magnet synchronous	305	395Nm	9.7s	61,403
Ford	Mustang Mach-E 1st Edition	Permanent magnet synchronous	434	580Nm	5.5s	80,945
Ford	Mustang Mach-E GT Performance	Permanent magnet synchronous	402	830Nm	3.5s	82,432

SOURCE: EVSPECIFICATIONS; CARSALES & BELL POTTER ESTIMATES

Critical minerals

China's dominance over vitamins of the modern economy

China's control over 80-90% of the end-to-end rare earth value chain, which supplies global aspirations of electrification and decarbonisation, and a historical pattern of utilising rare earths as a geopolitical negotiation tool against rivals, has spurred Western economies to seek alternatives to the current China dominated model. Enter, the Critical minerals list: a country specific initiative which seeks to identify minerals and metals which are essential from a demand and security point of view in an ever-changing geopolitical landscape.

The US Energy Act of 2020 defines a critical mineral as a non-fuel mineral or mineral material essential to the economic or national security of the U.S. and which has a supply chain vulnerable to disruption. The list, updated in 2022, identified 16 rare earth elements as critical, including Neodymium, Praseodymium and Dysprosium. In the European Union's fourth list of critical raw materials, both light and heavy rare earth elements were identified. In the report. The supply chain risk in Europe is further heightened with China supplying 98% of Europe's rare earths.

Projects in favourable jurisdictions have garnered specific interest from Western governments over the last few years as a possible solution to diversify the supply chain. The table below outlines the majority of the rare earth elements included in major governments Critical Minerals lists.

Table 8 - Critical minerals and their applications

Rare earth element	Uses
Neodymium	Permanent magnets, rubber catalysts, and in medical and industrial lasers
Praseodymium	Permanent magnets, batteries, aerospace alloys, ceramics, and colorants
Yttrium	Ceramic, catalysts, lasers, metallurgy, and phosphors
Lanthanum	Used to produce catalysts, ceramics, glass, polishing compounds, metallurgy, and batteries
Cerium	Catalytic converters, ceramics, glass, metallurgy, and polishing compounds
Samarium	Permanent magnets, as an absorber in nuclear reactors, and in cancer treatments
Europium	Used in phosphors and nuclear control rods
Gadolinium	Medical imaging, permanent magnets, and steelmaking
Terbium	Permanent magnets, fiber optics, lasers, and solid-state devices
Dysprosium	Permanent magnets, data storage devices, and lasers
Holmium	Permanent magnets, nuclear control rods, and lasers
Erbium	Fiber optics, optical amplifiers, lasers, and glass colorants
Lutetium	Scintillators for medical imaging, electronics, and some cancer therapies
Thulium	Various metal alloys and in lasers
Ytterbium	Catalysts, scintillometers, lasers, and metallurgy
Scandium	Alloys, ceramics, and fuel cells

* All rare earth minerals listed above are included in the US critical minerals list. The European Union lists both Light and Heavy rare earths as critical minerals whilst Australia refers to total rare earth oxides as critical

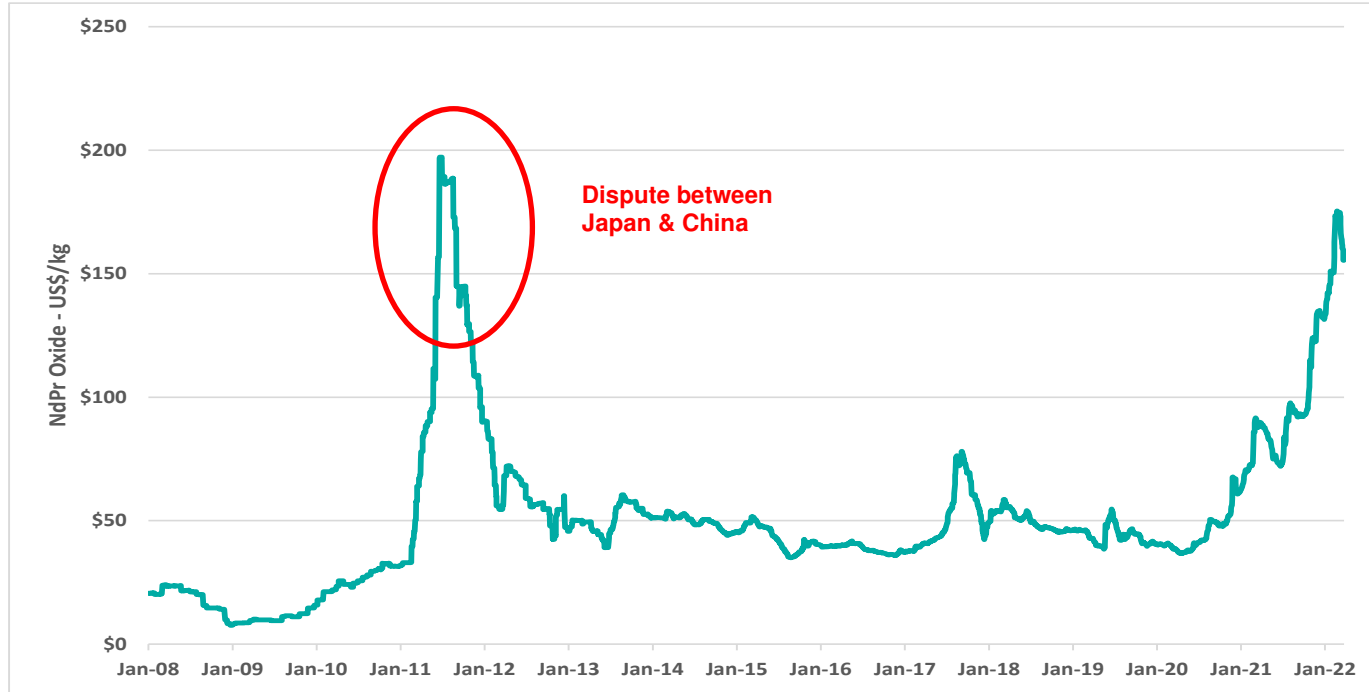
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Geopolitics placing supply chains at risk

Part of the reason for inclusion on Western economies critical minerals list is the concentration of the rare earth value chain in China and specifically, the fact that historically, China hasn't been afraid to wield its power in the relatively small but critical rare earth market. In 2010, the Japanese coast guard detained a Chinese fishing boat which was refusing to cease fishing in disputed territory prompting Beijing to wield its influence over the rare-earths market via blocking exports to Japan.

In late 2010 NdPr oxide was trading at around US\$35/kg, by early 2011 it was around US\$200/kg. China had imposed export restrictions on a crucial ingredient to electronics manufactures, which resulted in a dispute being raised with the World Trade Organisation. The period between 2010 and 2014 (when the restrictions were in place) saw producers that relied heavily on rare earths relocate part of their manufacturing chain to China in order to avoid the restrictions. Fast forward to 2022, where relations between the global economic superpowers are arguably at their worst, Western nations are now rapidly seeking to de-risk their supply chain exposure to China to ensure security of supply. In 2020, the US Pentagon announced plans to contribute US\$9.6 million to MP Materials rare earths separation plant in California, shortly after they contributed US\$30 million to the Lynas Resources processing plant in Hondo Texas.

Figure 25 - NdPr Oxide prices



SOURCE: BLOOMBERG

Board & Management

Table 9 – Board of Directors and Senior Management

Board & Management	Position
Paul Chapman	Non-Executive Chairman
Ian Gordon	Non-Executive Director
Philip Crutchfield	Non-Executive Director
Dean Tuck	Managing Director
Jessamyn Lyons	Company Secretary
Team	
Matt Crowe	Exploration Manager
Frank Murphy	Operations Manager
Sam Busetti	Senior Geologist
Luke Blais	Senior Geologist
Nick Chapman	Senior Geologist

SOURCE: COMPANY DATA

Board & Management

Paul Chapman, B.Comm, CA, Grad. Dip. Tax, MAICD, MAusIMM – Non-Executive Chairman.

Paul is a chartered accountant with over thirty years' experience in the resources sector gained in Australia and the United States. Paul was a founding shareholder and/or director of the following ASX listed companies: Black Cat Syndicate, Reliance Mining, Encounter Resources, Rex Minerals, Silver Lake Resources, GCX Metals and Avanco Resources. Paul is also Non-Executive Chairman of Meeka Minerals (ASX:MEK), a non-executive director of gold developer Black Cat Syndicate (ASX:BC8), copper/gold explorer Encounter Resources (ASX: ENR) and gold/base metals explorer Sunshine Gold (ASX:SHN).

Ian Gordon, B.Comm, MAICD - Non-Executive Director

Mr Gordon is a mining executive with extensive experience in transaction generation, project acquisition, mine development and the management of public companies. Mr Gordon is a non-executive director of ASX-listed Dreadnought Resources Limited (ASX:DRE), Woomera Mining (ASX:WML) and was formerly Managing Director of Ramelius Resources Limited (ASX:RMS).

Philip Crutchfield, B. Comm, LL.B (Hons) University of Melb, LL.M LSE - Non-Executive Director

Philip is a prominent and well respected barrister specialising in commercial law. Since 2015, Philip was chairman of highly successful financial services company Zip Co Limited (ASX:Z1P) until his resignation on 2 March 2021. Philip is also a director of Encounter Resources Limited (ASX:ENR), Black Cat Syndicate (ASX:BC8), Hamelin Gold Limited (ASX:HMG) and Applyflow Limited (ASX:AFW). Philip is the Chair of the Bell Shakespeare Theatre Company and the Victorian Bar Foundation Limited. Philip is also a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons).

Dean Tuck, B.Sc (Hons), FGAA, MAIG - Managing Director

Dean is an experienced geologist and exploration manager having worked across a wide range of commodities in Australia, Brazil and Southeast Asia from project generation through to resource evaluation. Dean has held senior level positions ranging from private companies to BHP Billiton and ASX listed junior explorers. Dean has been instrumental in several discoveries covering Cu-Ag-Au-Co massive sulphide, REE ironstones, REE-Nb-Phosphate carbonatites, orogenic gold, LCT pegmatites and iron ore.

Jessamyn Lyons, BComm, FGIA, ACG (CS) - Company Secretary

Jess is a Chartered Secretary, a Fellow of the Governance Institute of Australia, and holds a Bachelor of Commerce from the University of Western Australia with majors in Investment Finance, Corporate Finance, and Marketing. Ms Lyons is also a Director of Everest Corporate, Company Secretary of Echo IQ Limited, Lunnon Metals Limited, Ragnar Metals Limited and Midas Minerals Ltd and Joint Company Secretary of Dorienus Plc. Jess also has 15 years of experience working in the stockbroking and banking industries and has held various positions with Macquarie Bank, UBS Investment Bank (London), and more recently Patersons Securities.

Exploration Team**Matt Crowe - Exploration Manager**

Matt joined Dreadnought in 2020 after more than 13 years at BHP, and a number of junior exploration companies, exploring for gold, lithium, nickel, copper and PGEs in the Wheatbelt, West Musgraves and Gascoyne. Matt's role is incredibly diverse, ranging from planning and managing large field programs, through to walking miles in the bush to collect soil and rock samples, and everything in between.

Frank Murphy - Operations Manager

With a diverse background in exploration, construction, development and production, Frank is a great asset to Dreadnought's team. His role in the Company includes operations, logistics, safety, community, and environment on all of our projects. Frank has a passion for exploration, embracing the challenges it brings; operating in different regions with different stakeholders at different times.

Sam Busetti - Senior Geologist

After graduating with Honours in Geology from the University of Western Australia, Sam began his career at Agnew Gold Mine as a Brownfields exploration geologist. Since then, Sam has gained experience in the Northern Goldfields and Mt Isa District. As one of Dreadnought's Senior Exploration Geologists, Sam is responsible for ensuring the delivery of all three projects including Ni-Cu-PGE and Au at Mangaroon.

Luke Blais - Senior Geologist

An active member of the geoscience community, Luke thoroughly enjoys technical geology, leveraging his experience from his Honours and Masters Degrees, and previous experience working at BHP. Luke joined the Dreadnought team at the beginning of 2021 and is responsible for ensuring the technical delivery of the Mangaroon REE project.

Nick Chapman - Senior Geologist

Joining Dreadnought in 2020, Nick has been instrumental in the Company's early success with high-grade gold drilling at Illaara. The adventurous nature of his role is what Nick loves most, as well as the campfire conversations after a hard day's work. Nick is currently responsible for the delivery of successful programs at Dreadnought's Tarraji-Yampi and Kimberley projects.

Leah Dawson - Senior Geologist

Leah joined Dreadnought in 2022. Leah began her career with Arrow Minerals where she worked with Dean and Matt on the Strickland gold project, now part of Central Yilgarn. Since then, Leah has worked with Rio Tinto Exploration, BHP Nickel West and BHP Iron Ore. As one of Dreadnought's Senior Exploration Geologists, Leah is responsible for ensuring the delivery of the Central Yilgarn Projects.

Capital Structure & Financials

Financials

DRE is an exploration and development company which is yet to reach first production. The operations of the business are largely dependent upon support from shareholders, equity capital markets and debt financiers. The company currently has no source of its own cash generation or income and, as such, is classified as a Speculative investment by Bell Potter Securities.

Recent annual cash flows for DRE are provided below:

Table 10 - Cash flow summary A\$m									
Cashflow summary A\$ million	1H20A	2H20A	FY20A	1H22A	2H22A	FY20A	1H22A	2H22A	FY22A
Payments to suppliers & employees	(0.3)	(0.2)	(0.6)	(0.8)	(0.5)	(0.6)	(0.8)	(0.5)	(1.3)
Payments for mineral exploration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.0)	0.0	0.0	0.1	0.4	0.0	0.1	0.4	0.5
Net cash flow from operations	(0.4)	(0.2)	(0.5)	(0.7)	(0.1)	(0.5)	(0.7)	(0.1)	(0.8)
Payments for property, plant & equipment	0.0	0.0	0.0	(0.2)	(0.1)	0.0	(0.2)	(0.1)	(0.3)
Capitalised exploration expenditure	(1.6)	(0.9)	(2.5)	(3.8)	(3.0)	(2.5)	(3.8)	(3.0)	(6.8)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow from investing	(1.6)	(0.9)	(2.5)	(4.0)	(3.1)	(2.5)	(4.0)	(3.1)	(7.1)
Proceeds from share issues	2.6	0.5	3.1	8.0	0.0	3.1	8.0	0.0	8.0
Other	(0.2)	(0.0)	(0.2)	(0.3)	(0.0)	(0.2)	(0.3)	(0.0)	(0.3)
Net cash flows from financing	2.4	0.5	2.9	7.7	(0.0)	2.9	7.7	(0.0)	7.7
Net increase (decrease) in cash	0.5	(0.7)	(0.2)	3.0	(3.2)	(0.2)	3.0	(3.2)	(0.1)
Cash at beginning	0.6	1.1	0.6	2.6	5.7	0.6	2.6	5.7	2.6
Net foreign exchange differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash at end	1.1	0.5	0.5	5.7	2.5	0.5	5.7	2.5	2.5

SOURCE: COMPANY DATA

Capital structure

DRE has 3,043m shares on issue, with 2.35m in escrow. There are currently 86m options outstanding and three tranches of LTI performance rights tied to delivery of a MRE totalling 29.2m to staff members (7.7m issued to directors). Tranche 1 is delivery of an MRE totalling more than 10mt @ > 1% TREO, with tonnage stepping out in increments of 10mt in tranches 2 and 3 with delivery time frames of Dec-22 for tranche 1, Dec-23 tranche 2 and Dec-24 tranche 3.

Table 11 - DRE Capital structure

Shares on issue	m	3,043
Escrowed shares/ other	m	2
Total shares on issue	m	3,045
Share price	\$/sh	0.12
Market capitalisation	\$m	350
Net cash	\$m	3
Enterprise value (undiluted)	\$m	348
Options outstanding	m	86
Options in the money	m	86
Issued shares (diluted for options)	m	3,131
Market capitalisation (diluted)	\$m	360
Net cash + options	\$m	3
Enterprise value (diluted)	\$m	358

SOURCE: COMPANY DATA

Share register

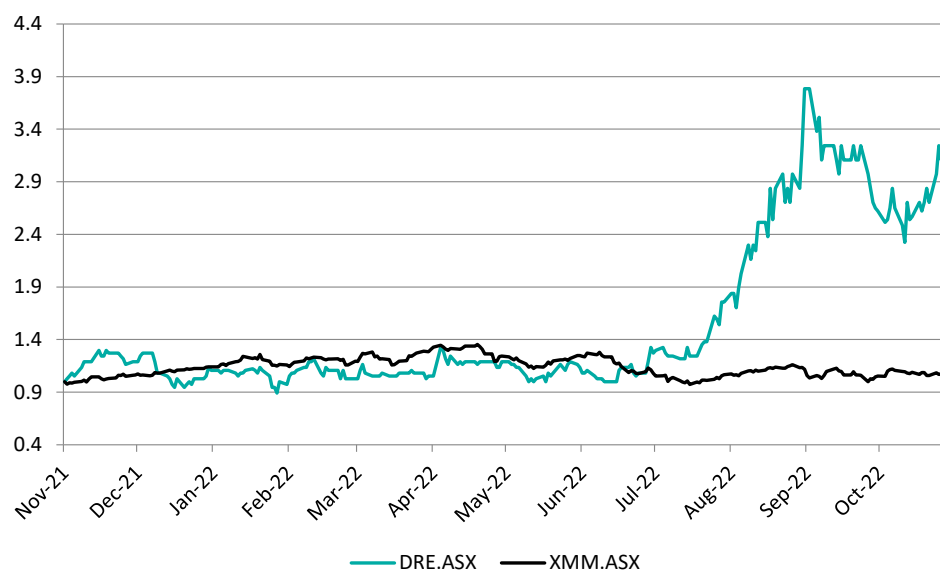
Table 12 - DRE major shareholders as at Sept-22

Major shareholders	%	shares
Paul Chapman	10.1%	311,038,084
Philip Crutchfield	2.2%	67,456,557
Ian Gordon	1.6%	48,175,187
Paul Payne	1.5%	47,277,781
Total	15.4%	473,947,609

SOURCE: COMPANY DATA

Stock price performance

Figure 26 - DRE relative share price performance vs XMM



SOURCE: IRESS

Investment Risks

Risks include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Table 13 - Financial summary

ASSUMPTIONS							FINANCIAL RATIOS							
Year Ending June	Unit	FY21A	FY22A	FY23E	FY24E	FY25E	Year Ending June	Unit	FY21A	FY22A	FY23E	FY24E	FY25E	
COMMODITY PRICE							VALUATION							
NdPr oxide	US\$/kg	72	135	125	91	87	NPAT	A\$/m	(1)	(1)	(2)	(2)	(2)	
AUD/USD	A\$/US\$	0.75	0.72	0.66	0.69	0.70	Reported EPS	Ac/sh	(5)	(4)	(7)	(7)	(6)	
PRODUCTION & COST							Adjusted EPS							
Production	kt	0.0	0.0	0.0	0.0	0.0	EPS growth	%	nm	nm	nm	nm	nm	
Sales	kt	0.0	0.0	0.0	0.0	0.0	PER	x	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x	
C1 Cash Cost	US\$/kg	0.0	0.0	0.0	0.0	0.0	DPS	Ac/sh	-	-	-	-	-	
PROFIT AND LOSS							Franking							
Year Ending June	Unit	FY21A	FY22A	FY23E	FY24E	FY25E	Yield	%	0%	0%	0%	0%	0%	
Revenue	A\$/m	0	0	0	0	0	FCF/share	Ac/sh	-	(0)	(0)	(0)	(0)	
Expense	A\$/m	(1)	(1)	(2)	(2)	(2)	P/FCFPS	x	0.0 x	-47.8 x	-102.9 x	-153.5 x	-161.8 x	
EBITDA	A\$/m	(1)	(1)	(2)	(2)	(2)	EV/EBITDA	x	0.0 x	-299.5 x	-186.1 x	-187.4 x	-188.8 x	
Depreciation	A\$/m	0	(0)	(0)	(0)	0	EBITDA margin	%	0%	0%	0%	0%	0%	
EBIT	A\$/m	(1)	(1)	(2)	(2)	(2)	EBIT margin	%	0%	0%	0%	0%	0%	
Net interest expense	A\$/m	(0)	(0)	0	0	0	Return on assets	%	-9%	-5%	-9%	-8%	-8%	
Unrealised gains (Impairments)	A\$/m	(0)	(0)	0	0	0	Return on equity	%	-10%	-5%	-9%	-8%	-8%	
Other	A\$/m	0	0	0	0	0	LIQUIDITY & LEVERAGE							
PBT	A\$/m	(1)	(1)	(2)	(2)	(2)	Net debt (cash)	\$m	(2)	(3)	(8)	(5)	(3)	
Tax expense	A\$/m	0	0	0	0	0	ND / E	%	-17%	-13%	-30%	-22%	-12%	
NPAT (reported)	A\$/m	(1)	(1)	(2)	(2)	(2)	ND / (ND + E)	%	-20%	-15%	-43%	-28%	-14%	
NPAT (underlying)	A\$/m	(1)	(1)	(2)	(2)	(2)	EBITDA / Interest	x	-14.3 x	-29.8 x	0.0 x	0.0 x	0.0 x	
CASH FLOW							ORE RESERVES AND MINERAL RESOURCES							
Year Ending June	Unit	FY21A	FY22A	FY23E	FY24E	FY25E	Yin (100%)	Mt	TREO %	NdPr %	TREO kt	NdPr kt		
OPERATING CASHFLOW							Mineral Resources							
Receipts	A\$/m	0	0	0	0	0	Measured	0.0	0.0	0.0	0.0	0.0		
Payments	A\$/m	(1)	(1)	(3)	(2)	(2)	Indicated	0.0	0.0	0.0	0.0	0.0		
Tax	A\$/m	0	0	0	0	0	Inferred	0.0	0.0	0.0	0.0	0.0		
Net interest	A\$/m	(0)	(0)	0	0	0	Total	0.0	0.0	0.0	0.0	0.0		
Other	A\$/m	0	1	0	0	0	Ore Reserves							
Operating cash flow	A\$/m	(0)	(1)	(3)	(2)	(2)	Proven	0.0	0.0	0.0	0.0	0.0		
INVESTING CASHFLOW							Probable							
Property, plant and equipment	A\$/m	(0)	(0)	0	0	0	Total	0.0	0.0	0.0	0.0	0.0		
Mine development	A\$/m	0	0	0	0	0	VALUATION							
Other	A\$/m	(6)	(7)	(1)	(1)	(1)	Ordinary shares (m)						3,045	
Investing cash flow	A\$/m	(6)	(7)	(1)	(1)	(1)	Options in the money (m)						86	
Free Cash Flow	A\$/m	(6)	(8)	(4)	(3)	(3)	Diluted m						3,131	
FINANCING CASHFLOW							Sum-of-the-parts valuation							
Share issues/(buy-backs)	A\$/m	9	8	10	0	0	Yin + Resource Expansion						\$m	\$/sh
Debt proceeds	A\$/m	0	0	0	0	0	Taraji Yampi + Central Yilgarn						538	0.18
Debt repayments	A\$/m	0	0	0	0	0	Corporate overheads						100	0.03
Dividends	A\$/m	0	0	0	0	0	Subtotal						(12)	(0.00)
Other	A\$/m	0	(0)	(1)	0	0	Equity Investments						-	-
Financing cash flow	A\$/m	9	8	10	0	0	Net cash (debt)						3	0.00
Change in cash	A\$/m	2	(0)	6	(3)	(3)	Total (undiluted)						629	0.21
BALANCE SHEET							Add Options in the money (m)							
Year Ending June	Unit	FY21A	FY22A	FY23E	FY24E	FY25E	Add cash						86	
ASSETS							Total (diluted)							
Cash & short term investments	A\$/m	3	3	8	5	3	Total (diluted)						630	0.20
Accounts receivable	A\$/m	0	0	0	0	0	CAPITAL STRUCTURE							
Property, plant & equipment	A\$/m	0	0	0	0	0	Shares on issue						m	3,045
Mine development expenditure	A\$/m	0	0	0	0	0	Escrow shares / other						m	2
Exploration & evaluation	A\$/m	10	18	19	20	20	Total shares on issue						m	3,047
Other	A\$/m	0	0	0	0	0	Share price						A\$/sh	0.12
Total assets	A\$/m	14	21	28	26	24	Market capitalisation						A\$/m	380
LIABILITIES							Net cash							
Accounts payable	A\$/m	1	1	0	0	0	Enterprise value (undiluted)						A\$/m	348
Income tax payable	A\$/m	0	0	0	0	0	SARs outstanding (m)						m	86
Borrowings	A\$/m	1	0	0	0	0	SARs in the money (m)						m	86
Other	A\$/m	0	0	0	0	0	Issued shares (diluted for options)						m	3,133
Total liabilities	A\$/m	1	2	1	1	1	Market capitalisation (diluted)						m	370
Net Assets	A\$/m	12	20	27	25	23	Net cash + options						A\$/m	4
SHAREHOLDER'S EQUITY							Enterprise value (diluted)							
Share capital	A\$/m	52	61	70	70	70	Enterprise value (diluted)						A\$/m	366
Reserves	A\$/m	1	1	1	1	1	MAJOR SHAREHOLDERS							
Retained earnings	A\$/m	(41)	(42)	(44)	(46)	(48)	Shareholder						%	m
Total equity	A\$/m	12	20	27	25	23	Paul Chapman						10%	311.0
Weighted average shares	m	2,343	2,774	2,939	2,939	2,939	Philip Crutchfield						2%	67.5
							Ian Gordon						2%	48.2
							Paul Payne						2%	47.3
													16%	473.9

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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