

Dreadnought Resources Limited

EV Materials

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Mangaroon ironstone exploration target defined

50-100Mt @ 0.9-1.3% TREO Exploration Target: Dreadnought Resources (DRE-ASX) has published an exploration target range for the ironstone potential within its 100%-owned Mangaroon REE Project in the Gascoyne, WA. The company has cited a substantial amount of geological knowledge derived from work undertaken by DRE itself and neighbour Hastings Technology Metals' (HAS-ASX: \$3.00 | SPEC BUY, TP \$6.90 | Reg Spencer) in advancing the Yin and Yangibana ironstone province. DRE has defined a JORC 2012 Exploration Target of **50-100Mt @ 0.9-1.3% TREO** for the 40km of mapped and sparsely drilled ironstones within its Mangaroon Project. This is in addition to its current resource over a 3km strike at Yin (14.36Mt @ 1.13% TREO). In total, DRE has defined 43km of strike potential within its tenure. The exploration target excludes ironstone mineralisation at depths greater than 150m below surface, and all carbonatite mineralisation across the project.

Not just ironstones; DRE also has carbonatite targets: As we wrote recently, in addition to the ironstones, sampling over the C7 carbonatite has confirmed REE mineralisation similar to that seen at C3 and C4. Initial drilling at C3 returned ~100m interval of REE mineralisation. DRE is still working through its first pass drilling program over the C1-C7 carbonatite targets. Not a single drill hole has been put into C6 and C7, which both present as compelling targets: C6 because of the 900m x 600m 'classic carbonatite' magnetic feature defining the target area, and now C7 because of the mineralisation seen in sampling from the limited outcrop at the target site. Drilling at C1-C7 will continue this month.

Valuation and recommendation: We have updated our model following the recent A\$20m placement and for the newly released exploration target. In our initiation of coverage, we believed that 40Mt was achievable from the ironstone targets defined at the time. Given DRE has already defined 14Mt of resource and now has a further 50-100Mt defined in an exploration target, we believe a total resource offering of 60Mt is achievable from DRE and have updated our model accordingly.

Our valuation is now underpinned by an EV/Resource multiple centering around a 60Mt @ 1% TREO ironstone resource defined at Mangaroon, as well as a takeover scenario given the strategic nature of the project (see our initiation of coverage). We model a conservative 20% premium paid for a takeover of DRE (see Figures 1 & 2 overleaf). We also ascribe a nominal value for the carbonatite opportunities at Mangaroon as well as DRE's portfolio of other WA projects. Remember, DRE's market capitalisation was over \$100m prior to the discovery of any REE mineralisation at Mangaroon.

The impact of modelling a 60Mt resource offering (previously 40Mt) and recent \$20m cash inflow from the placement has netted off against a slightly lower EV/Resource peer comp value following the DecQ and share dilution, resulting in no change to our price target. We maintain our SPECULATIVE BUY recommendation and price target of \$0.24.

Recap on ironstones and carbonatites: *There are two aspects to DRE's Mangaroon Project: (1) ironstones and (2) carbonatites. The classic carbonatite model envisions multiple pulses of carbonatites intrusions associated with radial or ring-like REE-bearing ironstone dykes and sills, and niobium-bearing veins all associated with widespread fenite alteration of the host rocks. Economic mineralisation is often concentrated within the carbonatite plug with additional minor mineralisation associated with the radial and ring ironstone (ferrocarbonatite) dykes. DRE and HAS have confined widespread ironstone mineralisation with DRE now honing in on primary carbonatite mineralisation as well.*

Rating
SPECULATIVE BUY
unchanged

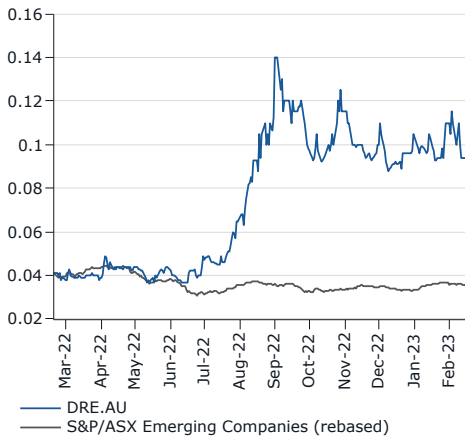
Price Target
A\$0.24
unchanged

DRE-ASX

Price
A\$0.09

Market Data

52-Week Range (A\$) :	0.03 - 0.16
Avg Daily Vol (000s) :	9
Market Cap (A\$M) :	299.7
Shares Out. (M) :	3,293.7
Enterprise Value (A\$M) :	297
NAV /Shr :	0.24
P/NAV (x) :	0.37



Source: FactSet

Priced as of close of business 17 February 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 as well as a number of other ironstone and carbonatite targets, 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.

Canaccord Genuity received a fee for its role as Joint Lead Manager to Dreadnought Resources \$20m equity raise at \$0.10 on 1 February 2023.

Figure 1: Hardrock REE EV/Resource comps

Ticker	Project	Company	M/Cap A\$m	Net Cash A\$m	EV A\$m	Location	Equity	Type	Resource Mt	Grade % TREO	Contained REO (kt)	Type	% NdPr	%Dy+Tb	Stage	Capex US\$m	Product	REO ktpa	EV/Resource kt A\$m
LYC-AU	Mt Weld	Lynas Rare Earths	7,503	934	6,569	Australia	100%	Hardrock	54.5	5.2%	2,834	LREE	24.2%	0.2%	Operating	NA		15.8	2.32
ARU-AU	Nolans	Arafura Resources	1,267	125	1,142	Australia	100%	Hardrock	56.0	2.6%	1,456	LREE	26.4%	NA	DFS	\$768	REO	13.3	0.78
ASM-AU	Dubbo	Australian Strategic Metals	323	63	261	Australia	100%	Hardrock	75.2	0.7%	556	LREE	14.0%	NA	DFS	\$1,050	RE Metal	6.3	0.47
HAS-AU	Yangibana	Hastings Tech. Metals	388	172	215	Australia	100%	Hardrock	27.5	1.0%	266	LREE	35.0%	0.7%	DFS	\$372	MREO	8.5	0.81
REE-AU	Cummins Range	FlareX Resources	32	2	30	Australia	100%	Hardrock	18.8	1.2%	216	LREE	NA	NA	ResDev	NA	RE CON	NA	0.14
DRE-AU	Yin	Dreadnought Resources	300	23	277	Australia	100%	Hardrock	14.3	1.1%	162	LREE	30.0%		Resource				1.71
Average																			1.04
Size W. Avg																			1.55
Grade W. Avg																			1.47

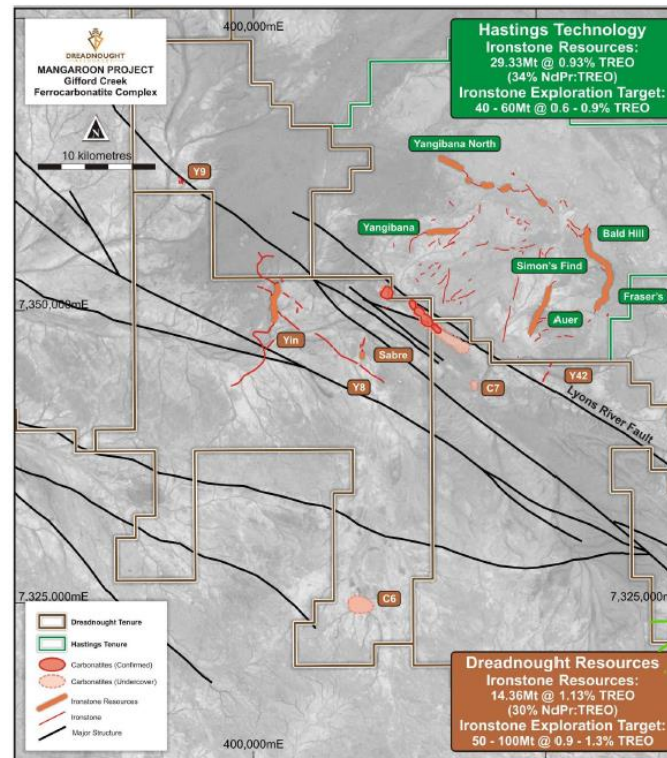
Source: Company Reports, Canaccord Genuity estimates

Figure 2: Valuation Methodology

Valuation Methodology	A\$m	Weighted %
Resource Multiple: 60Mt @ 1% TREO x 1.47 (EV/Resource multiple)	903.8	50%
Takeover Premium: 20% premium on current Mkt Cap of A\$300m	359.7	50%
Mangaroon Project value	631.7	100%

Source: Company Reports, Canaccord Genuity estimates

Figure 3: Plan view of the Yin & Yangibana REE province



Source: Company Reports

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: February 19, 2023, 14:29 ET

Date and time of production: February 17, 2023, 02:26 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 20% 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.

Distribution of Ratings:

Global Stock Ratings (as of 02/19/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	602	63.84%	23.59%
Hold	170	18.03%	12.35%
Sell	16	1.70%	6.25%
Speculative Buy	145	15.38%	40.69%
	943*	100.0%	

*Total includes stocks that are Under Review

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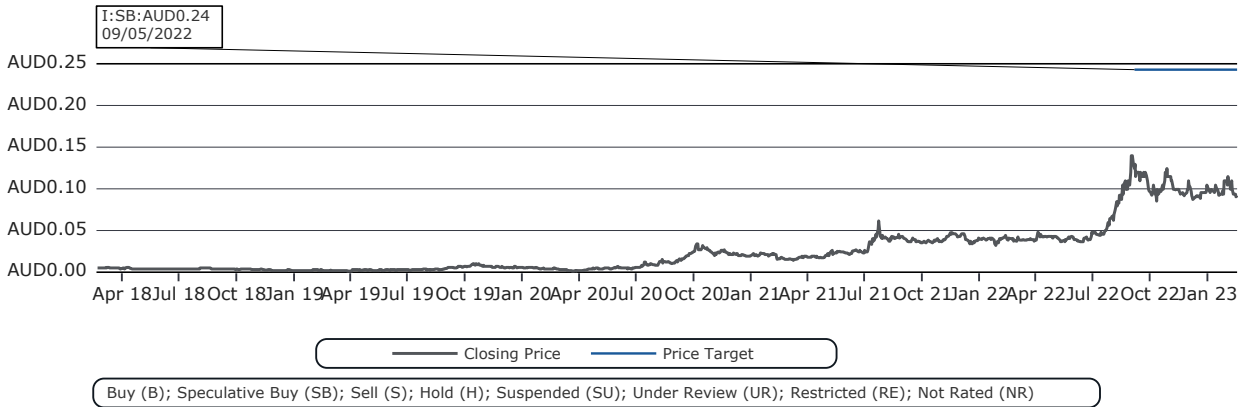
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Dreadnought Resources Limited Rating History as of 02/16/2023



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