

Dreadnought Resources Limited

EV Materials

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Rating
SPECULATIVE BUY

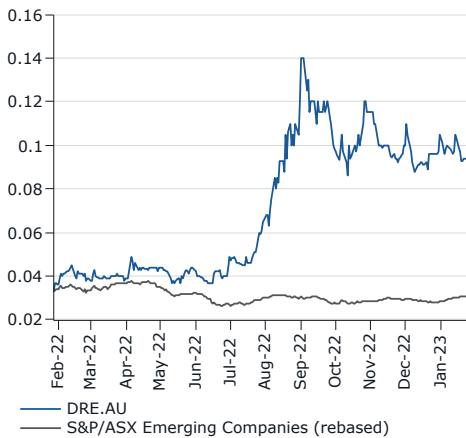
Price Target
A\$0.24

DRE-ASX

Price
A\$0.09

Market Data

52-Week Range (A\$) :	0.03 - 0.16
Avg Daily Vol (000s) :	5,032.45
Shares Out. (M) :	3,089.7
Market Cap (A\$M) :	290.4
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 25 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 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.

Mangaroon potential expands further

Mineralised ironstones now mapped over 43km strike: Dreadnought Resources (DRE-ASX) has added a further 13km and two new ironstone trends to the broader Yin Ironstone Complex within the 100%-owned Mangaroon Project in the Gascoyne, WA. Recent surface sampling has uncovered the Y9 and Y42 prospects where recent rock chips have returned up to:

- 5.65% TREO, 2.54% Nd₂O₃+Pr₆O₁₁ (45% NdPr:TREO) at Y42
- 4.05% TREO, 1.01% Nd₂O₃+Pr₆O₁₁ (25% NdPr:TREO) at Y9

Y42 has produced some of the highest NdPr:TREO ratios to date, while Y9 significantly expands the scale of the Yin Ironstone Complex and is located ~12kms northwest of Yin (figure 1 overleaf).

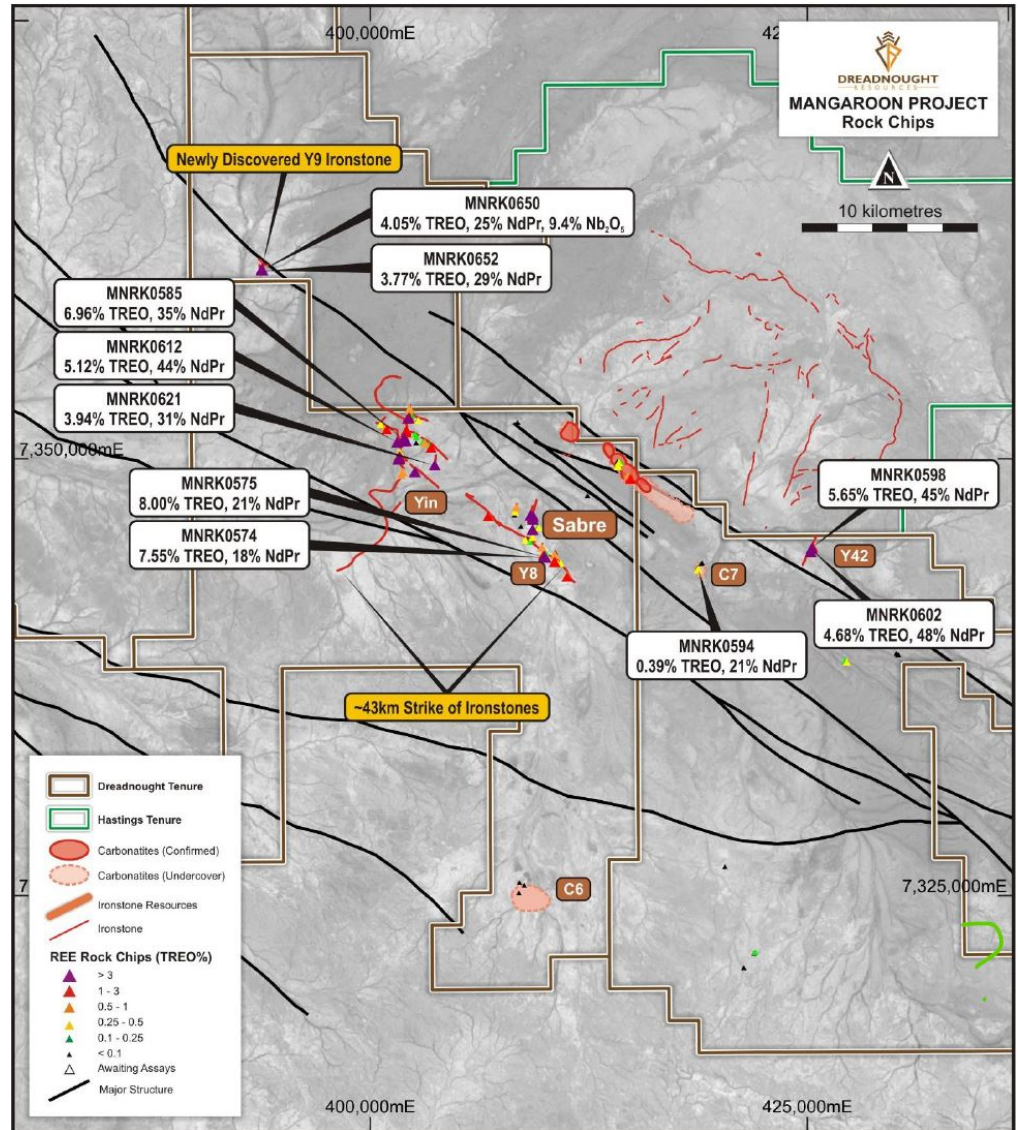
C7 shaping up, too: In addition to the ironstones, sampling over the C7 carbonatite has confirmed REE mineralisation similar to that seen at C3 and C4. [As reported last week](#), initial drilling at C3 returned ~100m intervals of REE mineralisation. DRE is still working through its first pass drilling 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 in February/March 2023.

Resource intensity points to large scale: Once again, we reiterate our previously mentioned remark on resource intensity for the project. DRE's maiden 14.36Mt resource over 3km at Yin implies a resource intensity per strike kilometre of 4.8Mt/km. Similarly, Hastings Technology Metals' (HAS-ASX: \$3.59 | SPEC BUY, TP \$6.90 | Reg Spencer) exploration target for the nearby Yangibana Project (29.93Mt @ 0.93% TREO & 0.32% Nd₂O₃+Pr₆O₁₁) implies a resource intensity of 1.2Mt/km. DRE's 4.8Mt/km resource intensity would imply over 200Mt of resource potential at Mangaroon (given it is now mapped/interpreted over 43km) and 77Mt at Yin alone. Applying the HAS' resource intensity still demonstrates that DRE could achieve over 50Mt in resources across the project. We also note DRE's long-term incentive plans to deliver 30Mt @ >1% TREO by end of CY24; this was set in August 2022 when DRE had only mapped and/or interpreted 16km of strike at Yin.

Recap on ironstones and carbonatites: There are two aspects to DRE's Mangaroon Project: (1) ironstones; and (2) carbonatites. The classic carbonatite model (figure 2 overleaf) 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.

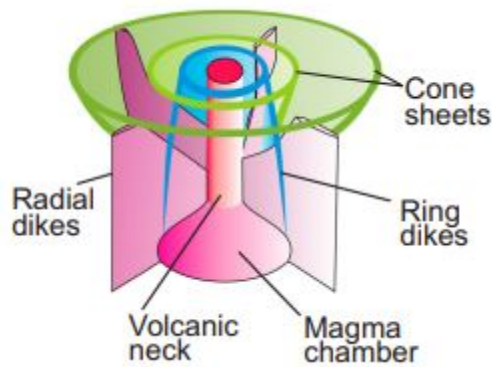
Valuation and recommendation: We maintain our SPECULATIVE BUY recommendation and price target of \$0.24. Our valuation is underpinned by an EV/Resource multiple centering around a 40Mt resource defined at Mangaroon, as well as a takeover scenario given the strategic nature of the project. In our [initiation of coverage](#), we believed that 40Mt was achievable from the ironstone targets defined at the time. We still hold this view but are coming to the belief that the potential scale from additional ironstones, as highlighted today, plus the carbonatites potential such as that seen at C3 last week, means the Mangaroon could offer much greater tonnes to take the project inventory well beyond our initial 40Mt estimate. We await drilling to confirm the extent of further mineralisation (both ironstone and carbonatite hosted) across the project area before increasing our resource expectation beyond 40Mt.

Figure 1: Plan view of the 43km long Yin Ironstone Complex



Source: Company reports

Figure 2: Schematic cartoon of carbonatite intrusion (pink) and associated ironstones (green and purple)



Source: Company reports

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: January 26, 2023, 22:01 ET

Date and time of production: January 26, 2023, 22:01 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 50% 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.

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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 01/26/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	610	64.28%	25.74%
Hold	167	17.60%	14.97%
Sell	13	1.37%	0.00%
Speculative Buy	148	15.60%	41.89%
	949*	100.0%	

*Total includes stocks that are Under Review

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Dreadnought Resources Limited Rating History as of 01/25/2023



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