

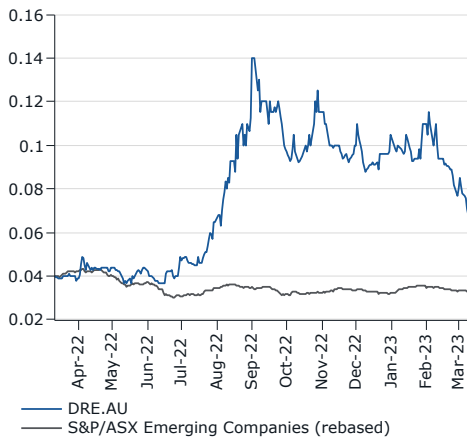
Dreadnought Resources Limited

EV Materials

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Rating
SPECULATIVE BUY
Price Target
A\$0.24
DRE-ASX
Price
A\$0.07
Market Data

52-Week Range (A\$) :	0.03 - 0.16
Avg Daily Vol (000s) :	6,381.85
Shares Out. (M) :	3,293.7
Market Cap (A\$M) :	224.0
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 10 March 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.

Latest drilling extends Yin

Dreadnought Resources (DRE-ASX) has received the assay results for nine RC holes that have extended the Yin deposit at depth. All nine holes have returned high NdPr:TREO ratios (i.e. >30%) and will likely have a positive impact on the current 14.4Mt @ 1.13% TREO resource given the holes have shown continuity outside this resource. Results include:

- **23m @ 1.28% TREO** from 115m (incl. 11m @ 2.28% TREO & 32% NdPr:TREO);
- **12m @ 1.25% TREO** from 136m (incl. 5m @ 2.03% TREO & 31% NdPr:TREO); and
- **10m @ 1.74% TREO** from 99m (incl. 6m @ 2.54% TREO & 34% NdPr:TREO).

Why were these drilled? The initial drilling of Yin tested a 3km strike and targeted a nominal depth of 150m below surface (mbs). Due to scheduling and permitting at the time, this initial ~150m depth target was achieved over ~2.1km strike. These latest nine holes represent the final 0.9km of strike to target down to 150m below surface, so now DRE has 3km strike and down to 150m depth completed over Yin.

Drilling of the Yin Ironstone Complex shows that the main lode pinches, swells and changes dip and orientation along strike and ranges in thickness from 1-54m. In addition, parallel lodes have been intersected above and below the main lode and often exhibit a similar orientation as the main lode with thicknesses ranging from 1-10m.

Our take on the results and what's to come: Given the consistency seen to date at Yin, these last remaining holes to test down to 150mbs were also going to be successful, in our view, and we note the increasing NdPr:TREO ratio to the north at Yin. We are excited and eagerly await DRE's extensional drilling at Yin and further afield given its ~14Mt resource represents just 7% of the mapped ironstones within its tenure.

Is share price impacted by limited news flow...? DRE's share price has fallen sharply over the past six weeks. We note that this period has coincided with limited news flow release (other than the [exploration target](#)) from a company that has a strong retail following. The limited news is likely to be a knock-on affect of a summer drilling break over Christmas, but we should start to see a more steady flow of results in the coming weeks in the form of assays for 66 holes at the C1-C5 carbonatite targets drilled late in 2022. Drilling will also ratchet up with the arrival of a second RC rig.

...or is it that Tesla is developing a rare earth-free permanent magnet? We recently reported on [Tesla's claims](#) that it is developing a rare earth-free permanent magnet for use in its next generation EV drive trains. We believe this has likely had an impact on potential rare earth miners/suppliers such as DRE. However, we expect rare earth magnets (i.e., NdFeB) to continue to power a large percentage of future EVs and therefore we maintain our bullish view on rare earths.

Valuation and recommendation: Our valuation remains underpinned by an EV/Resource multiple centring around a 60Mt @ 1% TREO ironstone resource defined at Mangaroon. We justify this given DRE has already defined 14Mt of resource and has a further 50-100Mt defined in a JORC exploration target. We also model a takeover scenario given the strategic nature of the project. We maintain our SPECULATIVE BUY recommendation and price target of \$0.24.

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Investment Recommendation

Date and time of first dissemination: March 12, 2023, 20:39 ET

Date and time of production: March 12, 2023, 20:39 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 03/12/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	602	63.70%	22.59%
Hold	162	17.14%	11.11%
Sell	16	1.69%	0.00%
Speculative Buy	155	16.40%	40.00%
	945*	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.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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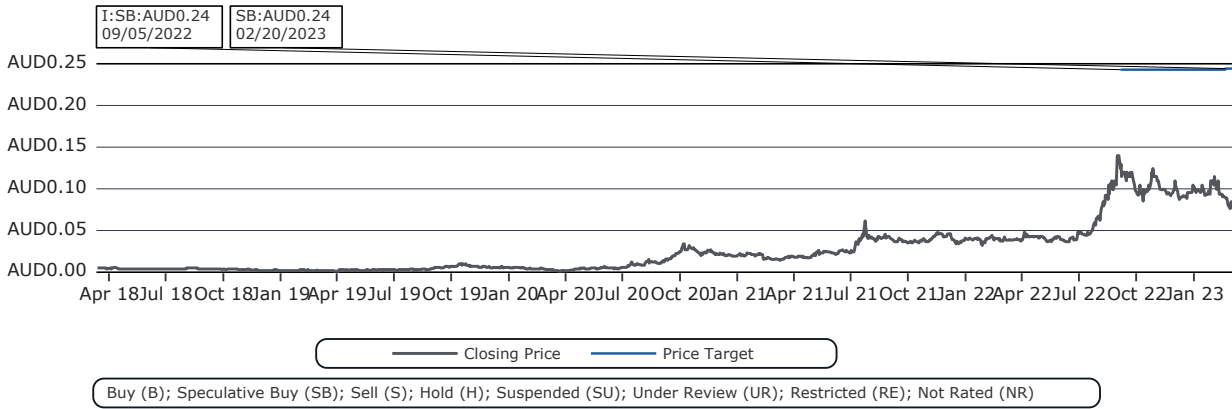
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Dreadnought Resources Limited Rating History as of 03/10/2023



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