

#### Stock Data

Share Price:	1.43p
Market Cap:	£44.0m
Shares in issue:	3,077m

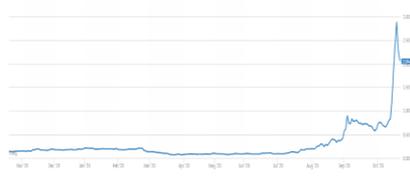
#### Company Profile

Sector:	Mining
Ticker:	UFO
Exchange:	AIM

#### Activities

Alien Metals ('Alien', 'UFO', 'the Group') holds a multi-commodity portfolio of mostly wholly owned mining projects in jurisdictions with established mining communities and a stable political background, where strong operational controls can be assured. The Group's management team are experienced explorers, mine developers and operators.

#### 1-year share price performance



Source: [LSE](#)

Past performance is not an indication of future performance.

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## Alien Metals Limited

Further to the exclusivity agreement for a potential farm-out of an interest in its [Donovan 2 Copper-Gold project](#) that was detailed on [9 September 2020](#), Alien has this morning announced its execution of an Earn-in Agreement (the 'Agreement') with [Capstone Mining Corp.](#) ('Capstone') (TSX:CS). This transaction, which is in accordance with the Group's stated business model of unlocking value across its portfolio, is expected to result in significant exploration investment in Donovan 2 over the next few years as the project progresses through to feasibility studies. It also releases Alien's management team to focus their exploration efforts on both the 51%-owned [Hamersley Iron Ore projects](#) and 100%-owned [Elizabeth Hill Silver Project](#) in Western Australia, while also commencing a maiden drilling programme at its 100%-owned [Los Campos and San Celso](#) silver projects in Mexico. With prices of its exploration metals recently hitting multi-year highs as demand soars on the back of aggressive monetary policy and governmental stimulus boosting expectation of significant post-Pandemic infrastructure investment, Alien's share price might now anticipate further potential for high-impact results across the Group's exploration portfolio.

### Donovan 2 Earn-in Agreement with Capstone

Capstone has the opportunity to acquire up to an 80% interest in Donovan 2 by sole funding the Project up to completion of a Prefeasibility Study. It can earn an initial 65% interest in Donovan 2 through a combination of cash payments and committed expenditure, consisting of:

- US\$290,000 in cash payments to Alien over three years; and
- US\$3,600,000 in valid exploration expenditure over three years (including US\$150,000 being incurred by 31 December 2020)

Capstone can then increase their interest from 65% to 75% by making a further cash payment of US\$200,000 and funding the costs associated with a Preliminary Economic Assessment ('PEA'). Following delivery of the PEA, in the event Alien elects not to contribute pro-rata to its 25% interest, Capstone has the opportunity to independently fund the costs of a Prefeasibility Study ('PFS') to earn an additional 5% in Donovan 2 (bringing their holding to 80% and leaving the balance of 20% with Alien). Thereafter, each party will fund their pro-rata interest in the Project or dilute according to industry standard mechanisms. In the event Alien dilutes to below 5%, its interest will convert to a 2% Royalty. This transaction with Capstone can be seen an ideal solution, delivering risk-free potential for near-term advancement of the Donovan 2 Copper-Gold project while allowing it to focus exploration activities elsewhere in its highly prospective project portfolio.

### Zacatecas – Located in world's largest silver producing country

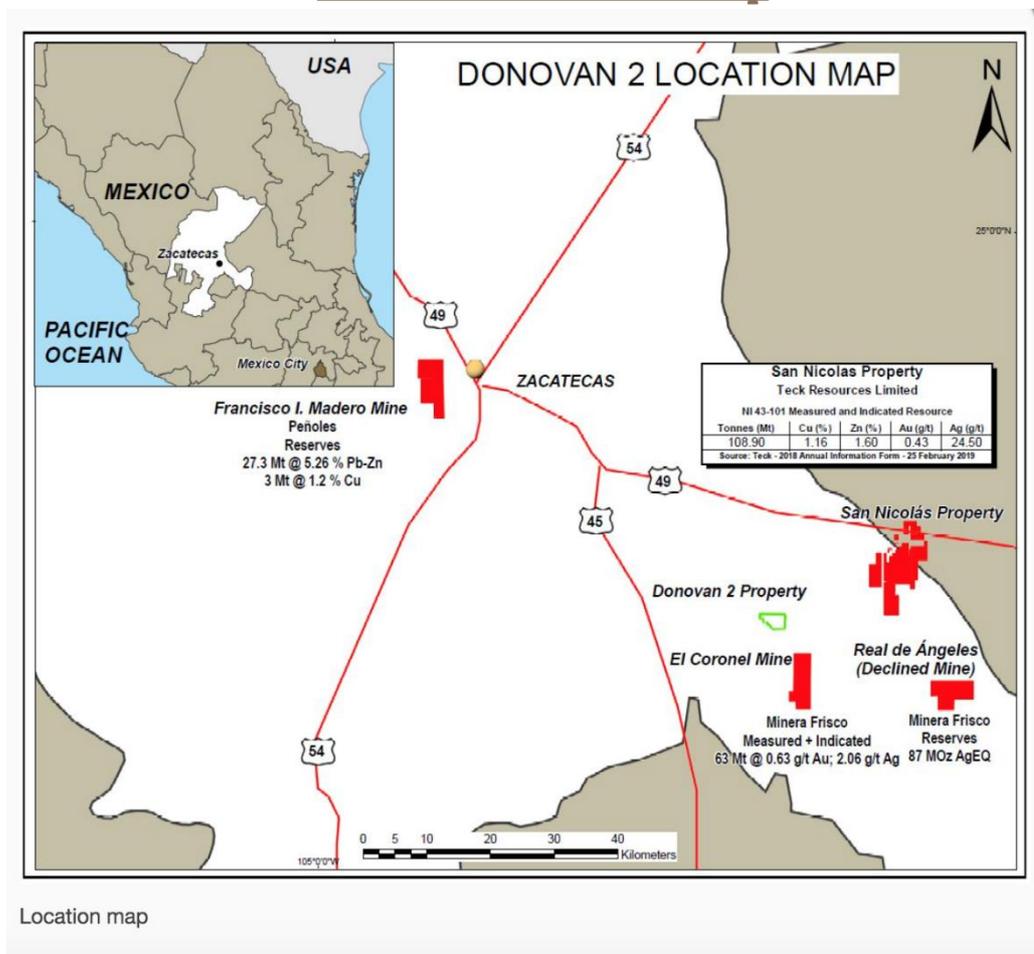
With prolific mineral potential and mining history, [Mexico is the largest silver producing country in the world](#) and has significant base metal production. It also comes with excellent transportation and energy infrastructure which, together with proximity to numerous other world-class CU/AG/AU/ZN mines, attracted the Americas-focused Capstone to Donovan-2.

Alien's existing Mexican portfolio includes wholly owned exploration stage assets include volcanogenic massive sulphide ('VMS') style mineralisation (copper, zinc and lead) and high-grade silver projects. Consisting of 12 concessions spanning 1,500 Ha in Zacatecas State, Alien has initially identified three priority focus areas, namely, the Donovan 2 Copper-Gold Project (746 hectare), the Los Campos Silver project (500 hectare) and the San Celso Silver project (a high-grade silver project with five significant veins identified to date), all of which have provided indications to target future drilling campaigns.

## Donovan-2 – An ideally located prospect

Donovan-2 itself is located 25km from [Teck Resources Limited's San Nicolas VMS deposit](#), for which sample results show high average grades (3.34% Cu and 2.68 g/t Au) and low overall project complexity. The location map below also details other nearby mines along with their base and precious resources and reserves:

### Donovan-2 Location Map



Source: Alien, [RNS 22 October 2020](#)

## Capstone Mining – High-reputation innovative producer/explorer

Capstone Mining Corp., the mid-tier North American mining company, is a producer, explorer, and developer of mineral properties in the Americas. It has operating mines in the US, Mexico, and Canada, and development projects in Chile and Canada. Capstone's main focus is copper, but the company also produces zinc, lead, molybdenum, silver, and gold with two producing copper mines: Pinto Valley in the US and Cozamin in Mexico. Capstone also owns 70% of Santo Domingo, a large scale, fully permitted, copper-iron-gold project in Region III, Chile, as well as a portfolio of exploration properties. Its focus is on operations, development projects and exploration opportunities in politically safe jurisdictions, with an emphasis on the Americas. In its [half year 2020 statement](#), Capstone's SVP and CFO, Raman Randhawa, reported that his company's strong financial position would enable it to reap the "rewards of 20% production growth and 10% lower costs next year, with improving copper and silver prices serving as upside".

Capstone's exploration and low-cost production success has seen its market valuation rise more than four-fold so far in 2020. With significant exploration experience in the vicinity of Donovan-2 and having been offered development participation in a number of other early stage projects in the immediate region, their selection of Donovan-2 has built considerably on Alien's confidence in the project.

The detailed earn-in stages agreed with Capstone are tabulated overleaf:

## Donovan-2: Earn-in stages agreed with Capstone

Earn-in Stages – Donovan 2				
Stage 1	Period	Cash Payment to Alien	Work or Other Expenditure	% Earned
1A	On the date of Execution of the Earn-in Agreement	US\$40,000	US\$150,000 by 31 December 2020	-
1B	By Dec 31 2021	US\$50,000	US\$450,000 by 31 December 2021	-
1C	By Dec 31 2022	US\$100,000	US\$1,000,000 by 31 December 2022	-
1D	By Dec 31 2023	US\$100,000	US\$2,000,000 by 31 December 2023	+65%
<b>TOTAL (Stage 1)</b>		<b>US\$290,000</b>	<b>US\$3,600,000</b>	<b>65%</b>
<b>Stage 2</b>		<b>US\$200,000</b> (within 90 days of 3 <sup>rd</sup> Anniversary)	Delivery of Preliminary Economic Assessment (PEA)	+10%
<b>Stage 3</b>		-	Delivery of Prefeasibility Study (PFS)	+5%
<b>TOTAL (All stages)</b>		<b>US\$490,000</b>	<b>US\$3,600,000 + cost of PEA and PFS</b>	<b>80%</b>

Notes:

1. Capstone can accelerate work expenditure at their election
2. If Alien chooses not to fund its pro-rata cost of the PFS, Capstone is entitled to a further 5% interest post-delivery of PFS
3. If Alien dilutes to a 2% Royalty, Capstone has the ability to buy back 1% of the Royalty for US1 million
4. The estimated cost of delivery of the PEA is US\$1 million,
5. The estimated cost of delivery of the PFS is US\$5 million

Source: Alien, [RNS 22 October 2020](#)

## Additional updates from across Alien Metals' project portfolio

### Brockman and Hancock Ranges within the prolific iron ore region of the Pilbara

The two projects are within the Hamersley Province of Western Australia, which is known as one of the world's premier high-grade (Direct Shipping Ore) iron producing regions.

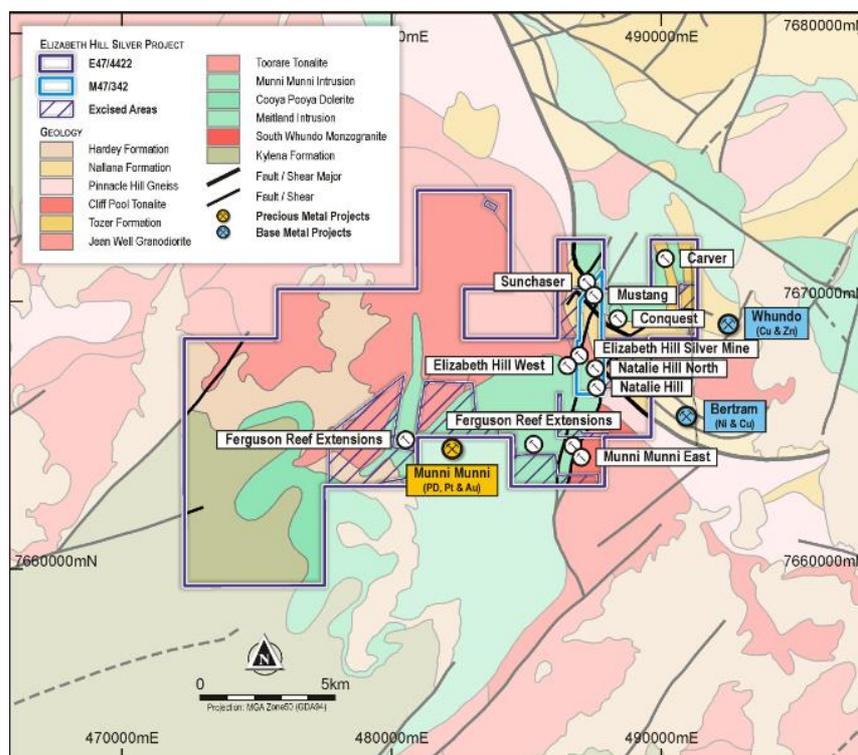
As announced on the [9th October 2020](#), two priority prospects in the Brockman Project were covered by detailed traverses across and along strike of the prospects with over 50 samples taken and some more detailed mapping of the main units completed. Initial interpretations were said to be 'excellent', with indications of the presence of a larger amount of the mineralised Brockman Iron Formation than originally thought. The two main prospects in the Hancock Project were also covered with some helicopter support to transport the team directly into areas of the Kalgan prospect to maximise field time against travel time and over 40 further samples were taken with more detailed and positive mapping carried out. As a result of the completion of this recent field work on the 51%-owned [Hamersley Iron Ore projects](#), upon which Alien now has an exploration target of up to 245Mt, detailed mapping is now underway and expected to be made available shortly.

### Elizabeth Hill Silver Project, Western Australia (100%-owned)

Having [finalised the 100% acquisition](#) of the Elizabeth Hill Licence from Karratha Metals Group, the formal transfer is expected to be announced imminently. This prospect, which was last mined in the early 2000's is expected to allow for relatively rapid re-development which may be initially focused around the mine and adjacent Natalie Hill.

A trenching program is in its final planning stages, to explore for repeat silver mineralisation close to the existing mine as a first stage of field work. The [acquisition of ELA 47/4422](#) was also very recently announced and work has begun to collate and review the data associated with this large area, some 117 Km<sup>2</sup>, which wraps around the Elizabeth Hill Mining Licence and a major [palladium/platinum \('PGM'\) deposit along with 2m ounces of gold, Munni Munni](#), on which Empire Metals plc (AIM:EEE) has been attempting to gain control. This constitutes an excellent new land holding for the Group with multiple targets in this fast-developing region of Western Australia. This is particularly relevant given that PGE prospects the size of Munni Munni can presently only be found in higher risk locations, such as Africa, Russia etc. and Alien now has secured the [Ferguson Reef 'extensions'](#) to the deposit.

## Map of ELA47/4422, incl. Elizabeth Hill, Natalie Hill and the Munki Munki Deposit



Source: Alien, [RNS 22 October 2020](#)

### San Celso and Los Campos Silver Projects, Mexico (100%-owned)

Both projects are drill ready and, following the [recent field work](#), which indicated that the historic underground workings have become too dangerous for easy and cost effective access, the Group is now focused on getting the necessary drilling permits issued to be in a position to carry-out Maiden drill programs on both projects, the essential next steps in their development.

### TPI now looking to significantly reset its original base-case valuation

Alien's recent share price performance recognises the development potential of its carefully selected base and precious metals portfolio. Today's news highlights the opportunity value contained in just one of these assets to which, arguably, the market had been awarding a nil or negligible contribution. This has been immediately changed by the fact that a high-reputation producer/explorer is willing to committed c.US\$10m in order to earn-in to 80% of Donovan 2, drawing comparison, for example, with the transformative effect of [Newcrest Mining Limited](#) (ASX:NCM) which made a similar commitment to Greatland Gold plc (AIM:GGP) back on [12 March 2019](#), subsequent to which its valuation has recently approached £1bn. Reflecting also the importance of so called 'closeology', it is worth noting that [Teck Resources Limited](#) valued Donovan 2's nearest developed prospect, the [San Nicolás Project, at US\\$250m](#) back in 2017 when it purchased 21% of the project from Goldcorp. Inc.

Alien's successful fund raising on [4 September 2020](#) is now expected to progress the Group's other Mexican and Australian exploration projects. This is expected to contribute toward lowering their risk profiles, including the extensive data review of Alien's Hamersley Iron Ore Projects (on which it now has an exploration target of up to 245Mt), as well as the start of maiden drilling at San Celso and Los Campos. TPI's original assessment of Alien in its [Initiation Research of 6 April 2020](#) considered the Group's lack of compliant resource estimates and so chose to employ a relative valuation approach. Contemplating potential for as much as 10m oz silver, non-compliant mineral resource estimates for both Alien's Donovan 2 and San Celso Volcanogenic Massive Sulphide ('VMS') projects were based on nearest neighbours, having applied an EV/resource multiple derived from a selected peer group. While applying the same methodology, TPI may now consider whether recent exploration progress also provides scope to reduce the aggressive 60% discount factor that was applied to account for remaining execution, financing and dilution risks. With an earn-in now in place for the former and finalisation of a drill programme for the latter that anticipate both declaring compliant resources, along with heightening recognition of prospective value elsewhere in the Group's exploration portfolio, Alien's share price might now anticipate further potential for high-impact results.

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