

Stock Data

Share Price:	0.76p
Market Cap:	£26.1m
Shares in issue:	3,430m
52-week high/low:	3.19p/0.51p

Company Profile

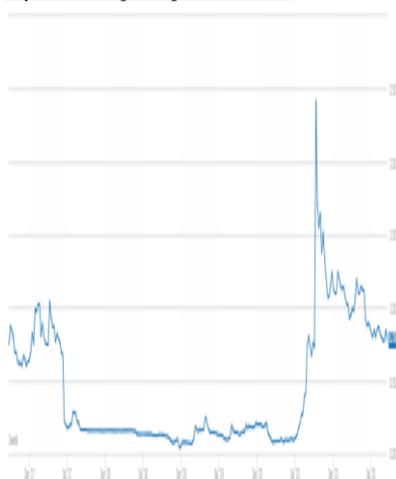
Sector:	Mining
Ticker:	UFO
Exchange:	AIM

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.

www.alienmetals.uk/

5-year share price performance



Source: [LSE](https://www.lse.com)

Past performance is not an indication of future performance.

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TPI acts as joint broker to Alien Metals Limited

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Alien Metals Limited

Alien has announced a much-anticipated maiden iron ore resource estimate ('MRE) in excess of 10Mt Direct Shipping Ore ('DSO') on its Hancock Iron Ore Project in the Pilbara region of Western Australia. The initial Inferred JORC compliant resource stands at 10.4Mt @ 60.4% Fe including 7.8Mt @ 60.1% at the Sirius Extension target, 1.5Mt @ 61.2% on the Ridge E target and 1.1Mt @ 61.9% Fe at the Ridge C target. Yet with not even a quarter of the available ridge targets having been tested, the Board is confident there remains considerable potential to define substantially further accessible DSO grade material. Accordingly, it is now pushing ahead with detailed development and study work to bring this online as soon as is practical while planning continues for its Phase 3 drilling program which should ensure news flow remains heavy into 2022.

Considerable potential beyond Hancock's Maiden MRE

The MRE, independently completed by Baker Geological Services Ltd. ('BGS'), covers three targets within the tenement boundary, namely the Sirius Extension Target, Ridge C and Ridge E that form part of the Western Ridge prospect. All targets are shown in the image overleaf, along with the drill collars/traces and the final optimised pit shell used for reporting the final Mineral Resource Statement. All deposits have initially been classified as Inferred Mineral Resources. This was primarily due to the lack of density data, the limited data at Ridges C & E, and the lack of verification diamond drilling to confirm the grade identified through the reverse circulation ('RC') drilling and the drilling challenges observed. That said, continuous packages of mineralised branded iron formation ('BIF') have been identified and BGS appears confident that future drilling will increase the classification confidence category assigned.

The tenement area consists of a series of low east/west running rocky ridge lines separated by shallow valleys. The area has been structurally deformed with the presence of numerous fold hinges, some isoclinal, but all trending east/west with a shallow (<34°) plunge. Most of the ridge lines consist of BIF, being part of the Weelli Wolli Formation, which is described as a thick succession of jaspilite, shale, and dolerite overlying the Brockman Iron Formation. These stand out as ridges on which there is some exposure, albeit only rarely on intervening shale and dolerite.

The logging and assay data has been used to define the mineralised BIF units along with a weathered cap domain where possible. At the Sirius Extension target, a steeply dipping BIF unit has been modelled along with a weathered cap domain. The BIF domain has been further subdivided into low/high silica domains following a review of geochemical data. At the Sirius Extension Target, the base of the Inferred Mineral Resources was restricted to the deepest drillhole intersections within the mineralised body. All mineralised BIF material modelled at Ridge C and Ridge E was similarly classified with no depth restriction due to the limited down dip extent of the models.

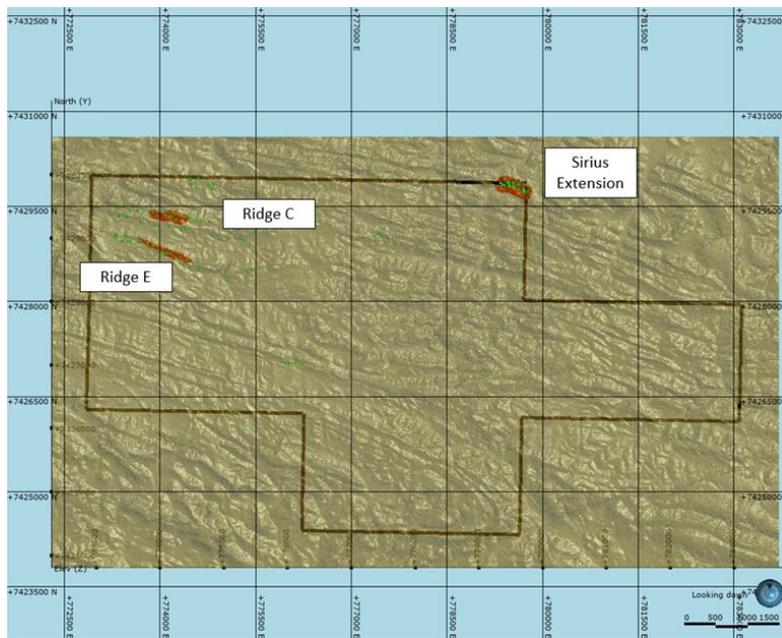
To determine the final Mineral Resource Statement, the model was subjected to an optimisation exercise to determine the proportion of the material defined that has a reasonable prospect of economic extraction via open pit mining methods. The optimisation was carried out by independent consultants Mining Plus. In addition, Mining Plus undertook an audit of the Mineral Resource Estimate carried out by BGS with no material issues identified. Considering that not even 25% of the Project's available ridge targets have been tested to date, Alien's Board considers there to be significantly more very accessible DSO material available to be added to the already economic resource.

Hancock Iron Ore Project Mineral Resource Summary Table, September 2021

Classification Category	Target	Mass Mt	Average Value					
			Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %	MnO %
Inferred	Sirius Extension	7.8	60.1	4.1	3.72	0.17	5.2	0.05
	Ridge E	1.5	61.2	4.8	3.38	0.13	3.5	0.02
	Ridge C	1.1	61.9	4.4	2.93	0.12	3.5	0.03
Total		10.4	60.4	4.2	3.6	0.16	4.8	0.04

Source: Alien, RNS of [22 September 2021](#)

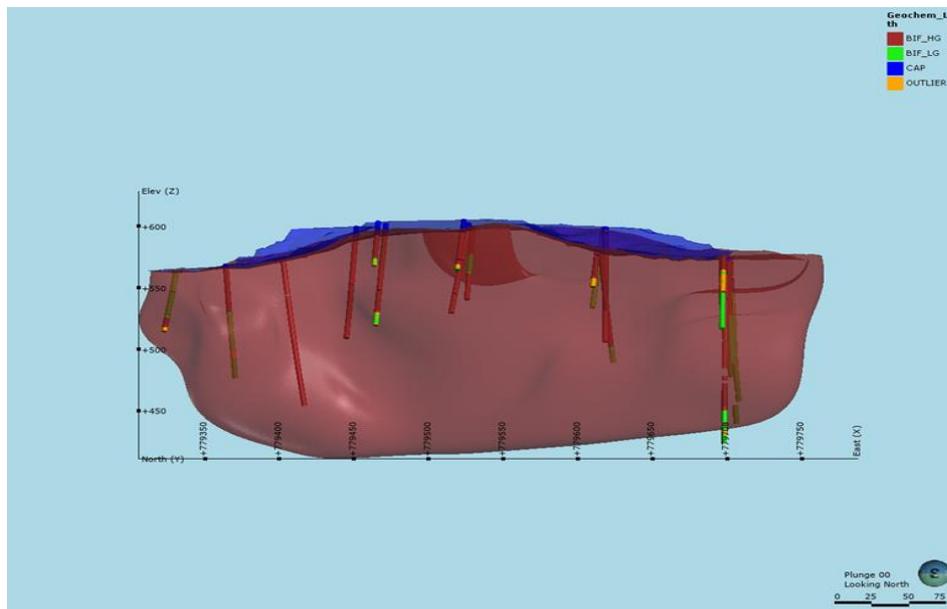
Tenement boundary and target location*



* Drill collars shown in green, and the optimised pits shown in red

Source: Alien, RNS of [22 September 2021](#)

Sirius Extension BIF (Brown) and Weathered Cap (Blue)

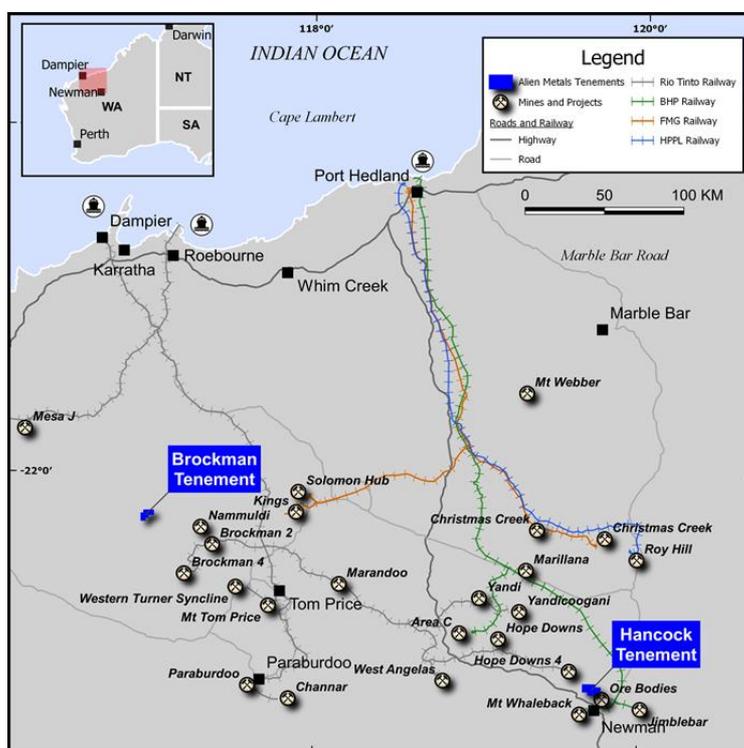


Source: Alien, RNS of [22 September 2021](#)

TPI sees potential for an upward reassessment of its current valuation

Today's impressive initial MRE provides just reward for a Board that has repeatedly reaffirmed its confidence in the Hancock Iron Ore Project. Having gained a high understanding of the enrichment horizon together with the large extent of highly prospective ridges still to be tested, there remains significant opportunity to deliver an updated and substantially enlarged future resource. With this in mind, Alien has already put down plans to target the specific horizons in the next drilling programme, with the hope to increase both volume and confidence in the initial results along with its ability, in due course, to lift the assigned classification confidence category a further notch to Indicated. Ideally located in the highly prospective Pilbara region of NW Australia on the doorstep of giant producers including Rio Tinto (ASX: RIO), BHP (NYSE: BHP), Fortescue Metal Group (ASX: FMG) and Hancock Prospecting, such an outcome could well spark interest from a number of potential development partners.

Highly Prospective Location of Hancock Iron Ore Project, Western Australia



Source: Alien, RNS of 22 September 2021

At this time, Alien remains reasonably well capitalised with sufficient financial resources to provide a working runway beyond the end of 2021. The coming months are expected to see it continue to build upon the recent exceptional run of development progress reported across its portfolio of highly prospective base and precious metals exploration projects. These include not only its 90% controlled high grade Hamersley Iron Ore Project and 100%-owned Elizabeth Hill Silver Project in Western Australia, but also the recently acquired surrounding Exploration Licence, Munni Munni North, while carrying out a maiden drilling programme at its 100%-owned Los Campos and San Celso silver projects in Mexico. Management will also continue to review other potential projects for acquisition that might complement the Group's existing portfolio.

In this respect, it is worth recalling that on 25 February 2021 TPI published an updated assessment of Alien. This individually assessed each of the Group's continuing projects, from which it derived a sum-of-parts upside valuation of £82.9 million. Hamersley dominated these, contributing some £61.2 million of the total; since then, of course, Alien has successfully increased its holding in the Brockman and Hancock Ranges projects from 51% to 90% through a cash and shares transaction which now clearly presents opportunity to boost this figure beyond that indicated in the original assessment.

Since February the spot US\$ price of iron ore has been highly volatile. Initially surging quite dramatically in the face of global supply-constraints following international governments and private consortiums commissioning major, relatively near-term infrastructural projects in an effort to support economic recovery as they move into a post-Pandemic

environment to peak at a US\$230 per tonne all-time high, before setting back sharply from mid-July, with 62% Fe fines imported into Northern China touching more than a 12-month low of less than \$100/tonne at the end of last week, as the government instructed major producers in its steel provinces to limit production to 2020 volumes, raised export tariffs on certain materials and removed rebates on cold-rolled products, in an effort to curb national carbon emissions. Given that China presently buys about 70% of global seaborne volumes, the price retreat of recent weeks should be no great surprise. That said, global iron ore production growth expected to average only 3.6% between 2021–2025 according to an August report by Fitch Solutions, while Pandemic-accelerated infrastructural spending (largely dominated by metal-hungry power sector spending) witnessed a 5.5% increase spread across a large number of projects in 2020 according to Refinitiv Financial Solutions, a figure that is expected to be followed by a similar increment in the current year. With many spot base metals continuing to trade at a premium to later-dated contracts signalling tight supplies, a repeat of August's sharp rebound early in 2022 in anticipation of a boost to China's real economy amid rising confidence in its vaccination drive should not be discounted. Moreover, recognising that that China's steel industry aims to reach peak carbon emissions by 2025 and achieve a 30% reduction from peak by 2030, its decarbonisation push is seen providing new demand for high-grade direct feed products, possibly spiking premium ore prices around the time that scale production from Hancock gets underway.

Taking this together with reduced exploration risk being suggested by Hancock's recent run of positive drill results and today's initial MRE, the relatively low cost of processing its DSO and valuation comparison with Alien's possibly most obvious (albeit more advanced) peer, Fenix Resources Limited (ASX: FEX), which is presently valued at AUD\$139.3 million (£73.7 million) based on a total of 10.5Mt @ 64.2% Fe (Indicated and Inferred) Mineral Resources, suggests quite significant potential for an upward reassessment. Assuming Fenix's own production cash costs of AUD\$65/t (US\$47/t), for example, this suggests it might enjoy a gross margin of c.US\$50/t offering opportunity to translate this to EBITDA in excess of US\$40/t each year based on current ore prices according to industry watchers. Being surrounded by major iron-ore producing mines while also recognising Hamersley's overall confirmed exploration target of between 50 and 245Mt @ 50% to 65% Fe, TPI is now considering these factors along with scope to reduce the aggressive 80% discount presently applied to the opportunity. Similarly prudent valuations apportioned elsewhere amongst the Group's exciting, albeit earlier stage portfolio, to which applied exploration-stage discounts range from 60% to 90% (in order to account for remaining execution, financing and dilution risks), might also need to be revisited. In expectation of continued heavy news flow, Alien's share price is seen anticipating potential for further high-impact releases.

(Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone. Also please note that past performance is not a reliable indicator of future results.)

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