

Stock Data

Share Price:	0.775p
Market Cap:	£31.8m
Shares in issue:	4,106m
52-week high/low:	1.65p/0.65p

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 successfully intersected bonanza-grade silver mineralisation at its Elizabeth Hill Project ('the Project') in Western Australia. Results from the 4 diamond drill holes completed to date list amongst the highest of any Australian silver project, with initial assay results supporting the management's long-held view that the near-surface oxide expression of the deposit was never fully tested, nor its potential fully explored for both the silver and the base metals present. The large number of results from the remaining RC drill holes, due in the coming weeks, can be expected to enable further interpretation combined with historic data in support of comprehensive follow-on work programmes capable of rapidly advancing what appears to be a very highly prospective mineralised system.

Bonanza silver intercepts at Elizabeth Hill

Inaugural assay results from the high-grade Elizabeth Hill Silver Project in the Pilbara Region of Western Australia released yesterday, strongly support the exceptional polymetallic indications originally identified through portable X-ray fluorescence analysis ('pXRF'). Along with silver grades that list amongst the highest recorded in Australia, the shallow southerly dipping mineralised body also contains a range of base metals including copper, nickel, cobalt, zinc and lead, which have potential to be classed as significant associated products in a production scenario.

The Project drill program consisted of a total of 1,991 metres in 22 holes, with results taken from the first stage of 4 diamond drill holes completed for 211m. The remaining results are scheduled to be released in the coming weeks.

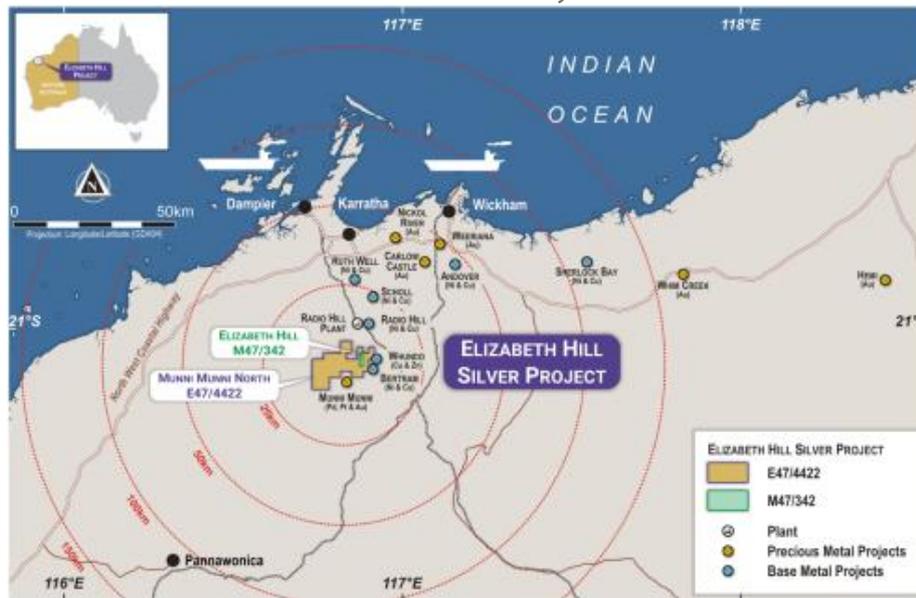
Project drilling highlights

- 9.7m @ 8,326 g/t Ag (267oz/t Ag) from 15m in drillhole 21EHDD003; and,
- 24.8m @ 829 g/t Ag (27oz/t Ag) from 2m including 11.7m @ 1,735 g/t Ag (56oz/t Ag) and 1.7m @ 19,865g/t Ag (639oz/t Ag) from 23m, in drillhole 21EHDD001.
- 4.2m @ 0.18% Cu, 0.14% Ni, 0.36% Pb, 0.12% Zn and 140 g/t Co from 10.5m including 9.7m @ 0.18% Cu, 0.14% Ni, 0.27% Pb and 0.13% Zn in drillhole 21EHDD003; and
- 24.8m @ 0.15% Cu, 0.11% Ni, 0.3% Pb, 0.22% Zn and 222 g/t Co from 2m in drillhole 21EHDD001.

Being partially outside of the former historical resource envelope (see image overleaf), these diamond core results indicate that the mineralised zone at Elizabeth Hill may be larger than suggested by earlier exploration work. Using a reverse circulation ('RC') rig to complete the remaining planned diamond holes (4 of the original 8), the historic silver orebody was targeted to secure a better understanding of the grade, orientation and potential for a mineralised polymetallic halo that management believed to exist around the original orebody.

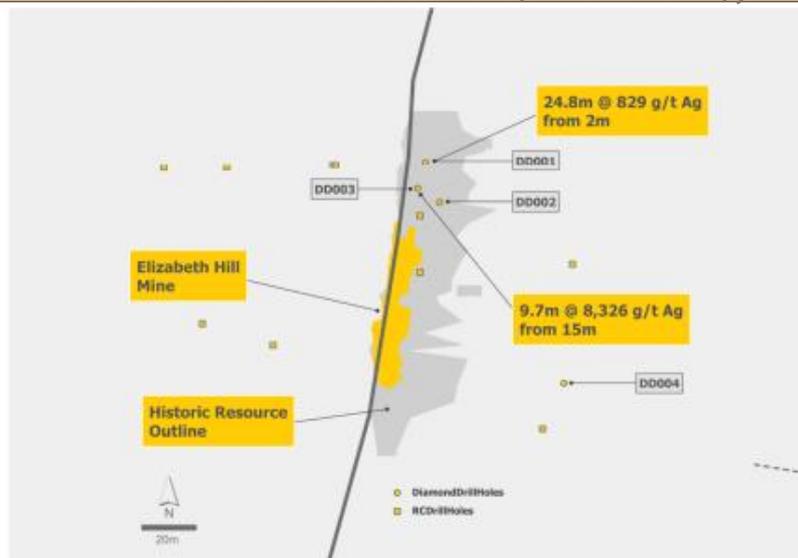
The RC programme has also been testing other targets along strike from the mine and the surrounding J-Reef to the east and south of the orebody within the Elizabeth Hill mining licence. The mineralisation starts at surface in highly weathered, soft and easily extractable material. Not surprisingly, results from all the remaining assays are now eagerly awaited

Location of Elizabeth Hill Silver Project, Western Australia



Source: Alien Metals, [RNS of 27 January 2022](#)

Plan view with results of diamond core holes, Elizabeth Hill, January 2022



Source: Alien Metals, [RNS of 27 January 2022](#)

The transfer of the Elizabeth Hill Mining Lease and the Munni Munni North tenement ELA 47/4422 (which surrounds the Project) are still ongoing, with statutory paperwork being completed in order to finalise the transfers as soon as possible.

Extension to completion date for acquisition of 2.2Moz Munni Munni PGE Project

On 21 January, 2022, Alien updated investors regarding the Binding Heads of Agreement (the 'Agreement') with ASX listed Platina Resources Limited (ACN 119 007 939) (ASX: PGM) ('Platina') to conditionally acquire Platina's 30% joint venture interest in the Munni Munni Platinum Group Metals and Gold Project in the West Pilbara, Western Australia ('Munni Munni PGE Project') as per the Group's 24 November 2021 announcement. Subject to satisfaction (or waiver) of the conditions precedent to the Agreement, Alien has agreed to acquire Platina's joint venture interest in the project for a combined consideration of c.£1.2 million (AUD\$2,230,000), through the issue to it (or its nominee) of cash and shares. The Agreement also determines that Alien will have a right of first refusal for the acquisition of the Project's remaining interest held by Artemis Resources Limited (ARV:ASX) ('ARV'), in the event of it seeking to dispose of its holding, thereby allowing Alien to move to 100% should it wish.

Completion is subject to a number of conditions precedent, including the undertaking of technical, financial and legal due diligence

by Alien on the assets, within 21 days of the date of execution of the Agreement and also obtaining necessary regulatory approvals and all necessary third-party consents and approvals to give effect to the proposed acquisition. A significant amount of work has already taken place between the parties and it is expected that all deliberation can now be completed in a timely manner.

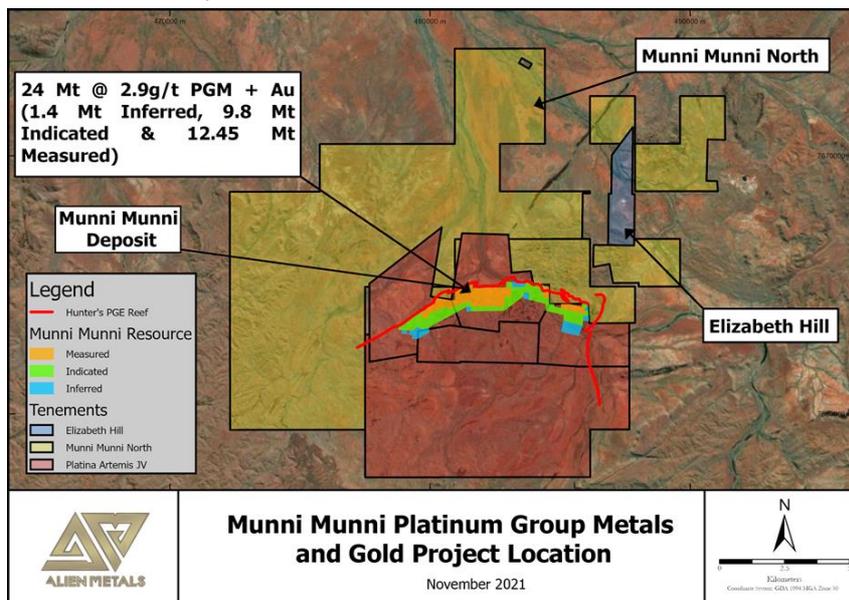
Significant historical expenditure on this major Platinum/Palladium project

In excess of AUD\$20m has been spent on the project over the past 20 plus years, resulting in the completion of various feasibility studies. Dating back to May 2001, in its first deal outside South Africa since becoming a focused platinum group metals producer, Lonmin plc (formerly the mining division of Lonrho plc) signed a memorandum of understanding ('MoU') with Helix Resources Limited (ASX: HLX) ('HLX') to help develop the opportunity. Lonmin's subsequent withdrawal in March 2003 coincided with the completion of AUD\$8.5 million of exploration and development expenditure over the previous two years and resulted in delivery of a full Feasibility Study. At that time, however, the palladium price had tumbled from US\$600/oz in May 2001 down to US\$250/oz in January 2003 compared with a spot price of US\$2,272/oz today. Recognising its long-term potential, however, HLX's management confirmed its intention at that time to continue working on the Project.

On 5 July 2021, Artemis published the most recent results from reverse circulation ('RC') drilling of 15 drill holes for 2,740m that was completed in April and May 2021, with drill holes spread through the entire upper portion of the mineralisation, to a maximum depth of 250 metres. Samples were processed at ALS Global and continued to demonstrate significant development potential. Drilling highlights included:

- 9m @ 1.67g/t 2PGE + Au (1.04g/t Pd, 0.54g/t Pt, 0.09g/t Au) from 117m, 21MMRC002
- 5m @ 2.34g/t 2PGE + Au (1.2g/t Pd, 0.886g/t Pt, 0.25g/t Au) from 108m, 21MMRC003

Location of Munni Munni PGE Project in relation to Alien's Elizabeth Hill & Munni Munni North Projects



Source: Alien Metals, [RNS of 24 November 2021](#)

Alien well-resourced to ensure continued heavy news flow in coming months

Today's news adds yet another exciting spoke to Alien's fast revolving development wheel. With the completion of a £4 million (gross) equity placing on 4 November 2021, even given with the likely acceleration of works surrounding Elizabeth Hill, the Group still appears to have sufficient financial resources to provide a working runway out toward the end of 2022. The coming months might accordingly be expected to continue to build upon the recent exceptional run of development progress reported across its portfolio of highly prospective base and precious metals exploration projects. The list includes further key assay results from Elizabeth Hill, completion of the proposed acquisition of the 2.2Moz Munni Munni Platinum Group Metals & Gold Project, progress with the 90% acquisition of the Hamersley Iron Ore Tenements, while carrying out a maiden drilling programme at its 100%-owned Los Campos and San Celso silver and copper-gold Donovan 2 projects in Mexico. Management can also be expected to continue to review other potential projects for acquisition that might complement the Group's existing portfolio.

In this respect, it is worth recalling that back on 25 February 2021, TPI published an updated assessment of Alien. This individually reviewed 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. Subsequently, of course, Alien announced negotiations were underway in order to take its holding in the Brockman and Hancock Ranges projects from 51% to 90% through a cash and shares transaction; now being finalised, this transaction (before even considering the significant progress being made elsewhere in the portfolio) clearly presents opportunity to boost this figure beyond that indicated in the original assessment.

Since February 2021, 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, 62% Fe fines imported into Northern China peaked in May 2021 at a c.US\$230/tonne, an all-time high. Setting back sharply from mid-July, following the government instructing major producers in its steel provinces to limit output to 2020 volumes, while raising export tariffs on certain materials and removing rebates on cold-rolled products in an effort to curb national carbon emissions, the coincident debt crisis faced by over-extended Chinese property companies and national power shortages have resulted in it recently touching lows of around US\$82.5/tonne last November. Prudently, this is close to the level incorporated in the Scoping Study's DCF assessment, despite which it has more recently rebounded to above US\$130/tonne. Of significance also, is that the project's total Capex is estimated to be less than US\$30m.

Given that China presently buys about 70% of global seaborne volumes, the price sensitivity of the past twelve months 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 2021 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 have been followed by a similar increment in 2021. With many spot base metals continuing to trade at a premium to later-dated contracts signalling tight supplies, a repeat of August 2021's sharp rebound already appears to be underway in 2022, seemingly anticipating a boost to China's real economy amid rising confidence in its strict isolation and vaccination drive. Moreover, recognising 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.

With Hancock's operating costs of <US\$60/tonne Free-on-Board ('FOB') resulting in potential annual operating cashflow of c.US\$70/tonne at current spot prices along with significant opportunity to substantially enlarge the Project's total resource, management are now focussed on accelerating development, permitting and mine design with a view to moving into production within a short timeframe.

Taking this together with reduced exploration risk being suggested by Hancock's run of positive drill results, the MRE and the initial Scoping Study, the relatively low cost of processing its DSO along with valuation comparison with Alien's possibly most obvious (albeit more advanced) peer, Fenix Resources Limited (ASX: FEX), which is presently valued at AUD\$108 million (£57.5 million) based on a total of 10.5Mt @ 64.2% Fe (Indicated and Inferred) Mineral Resources, suggests quite significant potential for an upward reassessment. Demonstrating the shareholder value Hancock has potential to generate, it is worth noting Fenix's quarterly report of 12 October 2021, which indicated a C1 FOB cash cost of AUD\$86.77 (US\$64.4, £46.9) per wet metric tonne ('wmt') resulting from production of 197,848 wmt of lump and 143,422 wmt of fines, from which it produced AUS\$25m (£13.5m) of net operating cashflow. 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), 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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