

Stock Data

Share Price:	0.52p
Market Cap:	£25.00m
Shares in issue:	4,762m
52-week high/low:	1.24p/0.52p

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.

Turner Pope contact details

Tel:	0203 657 0050
Email:	info@turnerpope.com
Web:	www.turnerpope.com

Andrew Thacker
Corporate Broking & Sales

Barry Gibb
Research Analyst

TPI acts as joint broker to Alien Metals Limited

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Alien Metals Limited

Alien has announced it has executed a binding put and call option agreement ('Option Agreement') with Windfield Metals Pty Ltd ('Windfield') which grants the Group the option to acquire an additional 39% interest in the Hancock and Brockman Direct Shipping ('DSO') grade iron ore projects ('the Projects'), through which its direct holding will rise from 51% to 90%. This key development milestone replaces the previous arrangement released on 20 May 2021, whereby Alien and Windfield had agreed for Alien to acquire 80% of Windfield (which holds the other 49% of the Projects), thereby providing it with an indirect 90% participation. Subject to certain conditions and title assignment, Alien now expects to exercise this cash, shares and warrants-based transaction early within the Option Agreement's 18-month exercise period. The Group's fast-track development of the Projects, which is expected to lead to first DSO from the Hancock tenement being delivered to port during H1 2023, presently dominates TPI's current sum-of-parts-valuation. Today's news presents opportunity for significant upward reassessment, before even considering the important progress being made amongst elsewhere in the portfolio. The Board expects to update investors on Hancock's expected early move to production in the coming weeks, while exploration work on the highly prospective Brockman and Vivash projects will remain ongoing.

Key Terms of the Option Agreement

1. Under the terms of the Option Agreement, Alien can acquire an additional 39% interest in the Projects from Windfield Metals Pty Ltd through paying the following consideration to Windfield:

- £60,000 cash payable on signing of the Option Agreement;
- 260,000,000 UFO shares issued at a deemed price of £0.0067 pence each (Deemed Issue Price) on exercise of the option; and
- 100,000,000 share purchase warrants, exercisable at £0.01 each before 31 December 2025, together, the Upfront Consideration.

Alien will free-carry Windfield's remaining 10% shareholder in the Projects until completion of a Bankable Feasibility Study on either the Brockman or Hancock Ranges projects.

The Option Agreement is subject to various standard conditions precedent and contains standard warranties on both Alien and Windfield.

If, within 60 months of executing the Option Agreement, Alien disposes of its interest in the Projects, the Company will pay Windfield a performance payment in addition to the Upfront Consideration (Performance Payment).

The Performance Payment is calculated by:

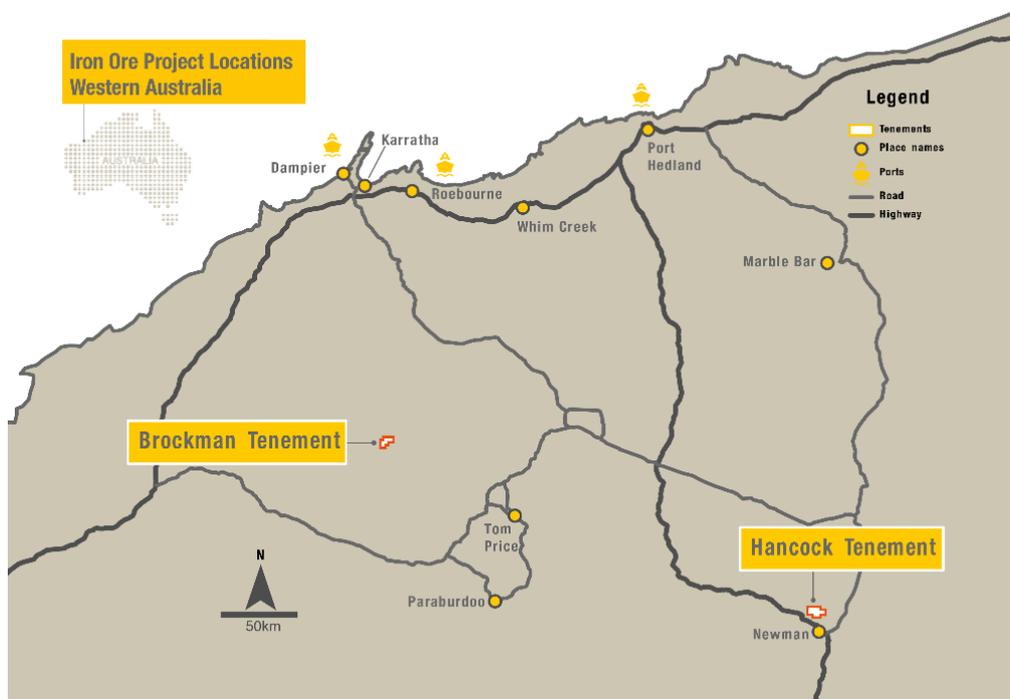
- In the event of a Tenement Sale: 50% of the value uplift attributable to the Projects;
- In the event of an IPO/Spin-out event on a recognised stock exchange: 50% of the value uplift attributable to the Projects; or
- In the event a decision to mine is made: 50% of the project valuation uplift attributable to the Projects.

Note: In each case, the uplift payments are reduced by 50% of the incurred project expenditure.

As part of the transaction Alien has agreed to transfer its interest in the Projects to its wholly-owned subsidiary, the Iron Ore Company of Australia Pty Ltd. ('IOCA'), which will become the manager of the Projects.

In the 12 months to 31 December 2021 the Projects incurred costs of US\$1.5m with Alien funding 100% of the projects and as such 100% of the costs are reflected in the accounts. The carried value of the Hamersley Project as at 31 Dec 2021, being the last audited financial statements, was US\$2,025,320.

Location of Hamersley Iron Ore Project Tenements, Western Australia



Source: Alien, [RNS of 24 August 2022](#)

Hancock Project hosts significant potential to identify further DSO grade material

Hancock hosts a JORC compliant inferred Mineral Resource of 10.4Mt @ 60.4% Fe (see RNS announcement of 22 September 2021), offering significant potential to find more DSO grade material with low impurities on the tenement across ridges F, G & H (see RNS of 30 March 2022). As such, Alien's management remain confident that future production from Hancock will be a highly sought-after product. All necessary metallurgical work remains ongoing, as do compliant tender requests from third party contractors to support the Hancock's mining project along with continued field work. Detailed offtake and marketing strategies/discussions continue with interested parties.

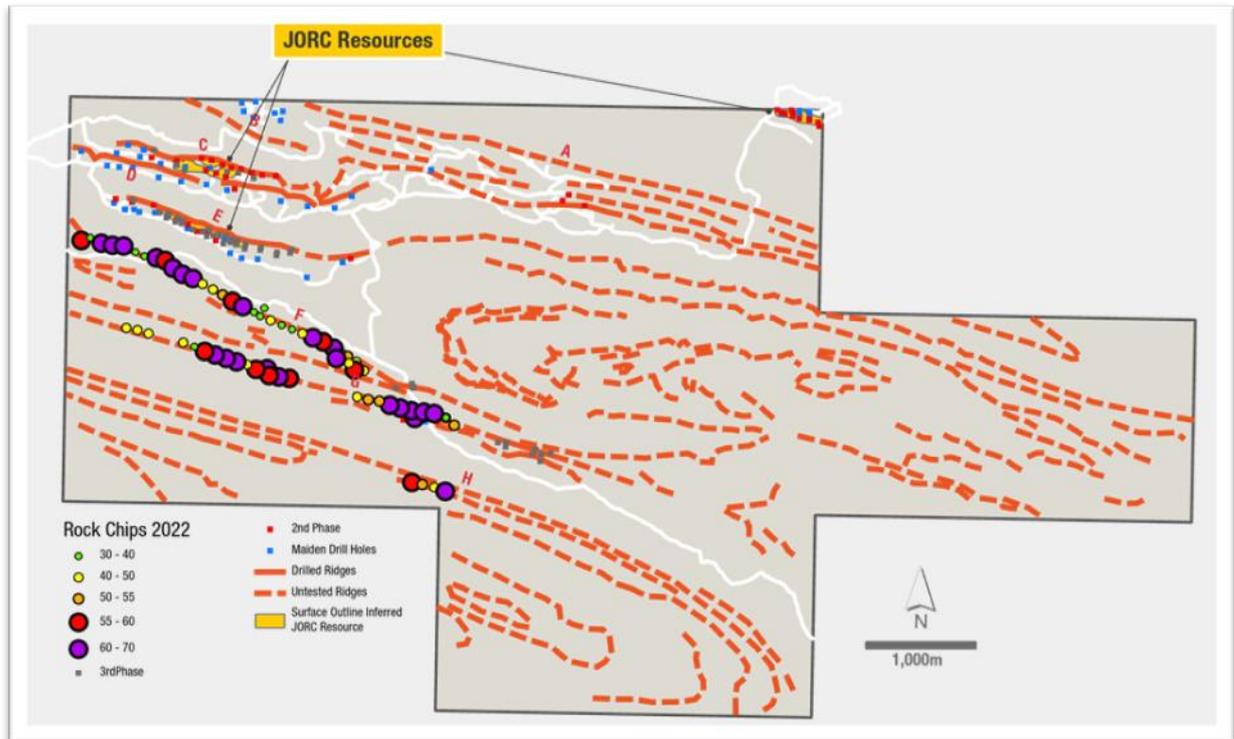
Mineral Resource Statement, Hancock Iron Ore Project, Alien Metals, September 2021*

Classification Category	Target	Mass (million tonnes)	Net mass attributable to Alien (51%)	Average Value					
				Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %	MnO %
Inferred	Sirius Extension	7.8	3.98	60.1	4.1	3.72	0.17	5.2	0.05
	Ridge E	1.5	0.77	61.2	4.8	3.38	0.13	3.5	0.02
	Ridge C	1.1	0.56	61.9	4.4	2.93	0.12	3.5	0.03
Total		10.4	5.31	60.4	4.2	3.6	0.16	4.8	0.04

*Based on Gross and Net Attributable at 51%

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

Location and Results of Rock Chip Sampling Program, Hancock Iron Ore Project, March 2022



Source: Alien, [RNS of 24 August 2022](#)

Board and Management Changes confirmed at Alien's AGM

Alien's AGM of 28 July 2022 confirmed a number of immediate changes at both Board and Management level. Mr Roderick ('Rod') McIllree will join the Group as Executive Chairman (elect), until his formal appointment subject to normal director onboarding procedures, including regulatory approval. Until such time, Rod will be engaged as a consultant to work with the Board to undertake a strategic review and detailed assessment of how to unlock the value of what is a portfolio of significant metal projects, worldwide. In conjunction with his proposed appointment, Bill ('Bill') Brodie Good stepped down as a director, but will remain as a non-board CEO to focus on operational matters, primarily in completing the final studies and permits required to start production at the Group's high-grade Hancock Iron Ore Project in Western Australia. Dan Smith, presently the Group's Non-Executive Chairman will also step down but remain as a Non-Executive Director upon Rod's appointment.

Rod is a recognised senior mining executive based in London with 25 years of understanding in M&A, project generation, project management, international logistics, global finance as well as precious and base metal production. Rod was most recently Executive Chairman of AIM-quoted Bluejay Mining plc (AIM: JAY) where he oversaw the significant growth and development of the company and is currently an Executive Director at More Acquisitions plc.

Upon his appointment, Executive chairman (elect), Rod McIllree stated: "Alien's portfolio is impressive. I look forward to sharing with all stakeholders the results of the review. The Company has amassed a multi commodity suite of very interesting assets at various stages of development with Hancock and Munni Munni being the clear stand outs. This is the first time in several generations Munni Munni has been owned 100% at the licence level after settlement of multiple long running legal disputes dating back decades in regard to ownership. It's a credit to Bill, the Board and the rest of the team that they were able to acquire and move forward a portfolio of quality projects such as this. I look forward to working with Bill and the team as we now focus on completion of the BFS and final permitting for production at Hancock."

Opportunity to lift valuation reassessment following acquisition of 90% of Hamersley Iron Ore Project

Alien continues to build on the exceptional development progress reported right across its portfolio of highly prospective base and precious metals exploration projects. Dominating these for the time being must of course be the fast-track development of its Hancock Iron Ore Project, which appears to be set to deliver its first DSO to port in H1 2023. TPI published an updated assessment of Alien back on 25 February 2021, in which it reviewed each of the Group's continuing projects. This derived a sum-of-parts upside valuation of £82.9 million (presently equivalent to 1.74p/share), of which Hamersley contributed c.£61.2 million (or around 74% of the total). Today's announcement that it has now executed a binding Option Agreement to acquire an additional 39% interest in the Hancock and Brockman DSO iron ore projects to take its direct interest from 51% to 90%, presents significant opportunity to boost the Group valuation beyond that indicated in the original assessment.

This of course is before considering the progress being made elsewhere in the portfolio, including current planning for the next stage of development work at Elizabeth Hill, advancing on-ground exploration at Munni Munni while also progressing initial drilling programme at the Group's 100%-owned copper-gold Donovan 2 projects in Zacatecas, Mexico, where management sees potential for a VMS-type mineralised system. At this time, the Group's new Board/Management has not indicated any change to the strategy originally adopted by Bill Brodie Good upon his appointment as Board Member and CEO back on 1 September 2020; as such it might be expected that the changed Board will continue to advance all development assets while also continuing to review acquisition opportunities that might complement its existing portfolio.

Since February 2021, the spot US\$ price of iron ore has of course 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 Chinese government instructing major producers in its steel provinces to limit output to 2020 volumes, while also 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 resulted in it touching lows of around US\$82.5/tonne last November. Prudently, this was close to the level incorporated in Hancock's Scoping Study's DCF assessment, although the metal subsequently rebounded to above US\$160/tonne in April 2022 and presently trades around US\$106/tonne.

Given that China presently buys about 70% of global seaborne volumes, the price sensitivity over this period should be no great surprise. That said, global iron ore production growth is 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 could anticipate a boost to China's real economy amid rising confidence that its strict isolation policy/vaccination drive are now delivering the desired results. 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'), current spot prices indicate prospective annual operating cashflow of over US\$45/tonne. Recognising that it also has 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. Of significance to interested producers, is the fact that the Project's total Capex has been estimated to be less than US\$30m with high grade material being found at depth as low as just 1m.

Given the reduced exploration risk being suggested by Hancock's continuing run of positive drill results, the MRE and the initial Scoping Study along with its low cost of extracting/delivering DSO to port, a valuation comparison with Alien's possibly most obvious (albeit more advanced) peer, Fenix Resources Limited (ASX: FEX) is instructive. Having seen its share price rise sharply over the past five months to a market capitalisation close to AUD\$178 million (c.£104 million) based on its 10.5Mt @ 64.2% Fe (Indicated and Inferred) Mineral Resources, suggests significant potential for upward reassessment of Alien's iron ore assets.

Demonstrating the returns Hancock has potential to generate, for example, it is worth noting Fenix's quarterly report of 12 October 2021, which indicated a C1 FOB cash cost of AUD\$86.77 (US\$60.17, £50.00) 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\$25.00m (£14.39m) 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 considering these factors along with scope to reduce the aggressive 80% valuation discount it originally applied to this iron ore 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. Ahead of this, TPI's valuation (before factoring in today's agreement to lift its Hamersley participation from 51% to 90%), still nevertheless indicates c.200% upside potential, which may be reflected in Alien's share price as it responds to anticipated news flow in the coming weeks and months.

(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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