Stock Data

Share Price:	0.80p
Market Cap:	£27.4m
Shares in issue:	3,430m
52-week high/low:	3.19p/0.51p

Company Profile

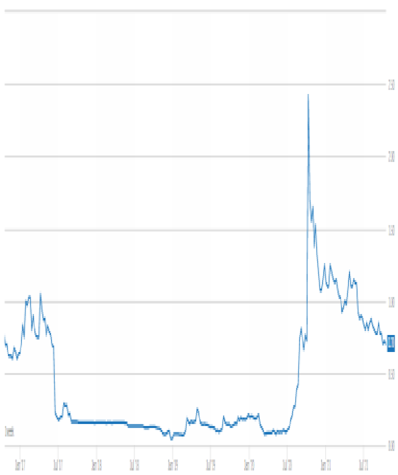
Sector:	Mining
Ticker:	UFO
Exchange:	AIM

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

Past performance is not an indication of future performance.

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Alien Metals Limited

Following September's publication of a much-anticipated maiden iron ore resource estimate ('MRE) in excess of 10Mt Direct Shipping Ore ('DSO') on its Hancock Iron Ore Project ('the Project') in the Pilbara region of Western Australia, Alien has today released the results of an initial independent scoping study ('the Scoping Study'). Optimisations completed using an iron ore price of US$100/tonne (compared with a current spot price of US$123.4/tonne for Fine China Import 62% Fe grade), resulted in the design pits extracting all of the initial JORC resources identified to date (10.4Mt @ 60.4% Fe) over an estimated 8-year with Life of Mine ('LOM'). With operating costs of <US$60/tonne Free-on-Board ('FOB') resulting in potential annual operating cashflow of greater than US$50/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.

Investor webinar scheduled for today at 5:30pm

Alien's Chief Executive Officer, Bill Brodie Good will be presenting this news along with a corporate update followed by a Q&A session in an investor webinar, hosted jointly by Turner Pope Investments and Vox Markets, today at 5:30pm. Should you wish to participate, please register your interest at: https://voxmarkets.brand.live/c/alien-metals-webinar-19th-october-2021

Strong returns anticipated from prospective development

Initial LOM studies show the current resource will sustain an 8-year life based on the following parameters:

- A mining rate of 1.25Mtpa with a pre-production capital estimate of <US$30m
- An exceptionally low strip ratio's (c.1:1 on the Ridges deposits)
- Operating costs of <US$60/t FOB resulting in potential annual operating cashflow of greater than US$50/t at current spot prices

Given the Scoping Study's favourable result, Alien's Board has already begun planning the next stages of development with the appointment of a highly experienced iron ore operations manager, Lloyd Edmunds (who has a background in project delivery at Australia's third largest iron ore miner, Fortescue Metals Group (ASX: FMG)), to commence the permitting process. It is also in the final stages of planning the next phase of drilling, which will target extensions to the Ridges resources where it considers there is potential for substantial resource growth.

Significantly, initial sample analysis indicates a high-quality ore with very little adverse deleterious minerals that would affect its customer appeal or usability. The average grade of the Western Ridges DSO product to date is around 61.5 % Fe, with initial ore proposed to be mined from Ridges C plus E which together presently offer a volume of 2.6Mt, or in excess of 2 years extraction at the proposed rate.

Updated DCF highlight particularly low capex and rapid payback

The Project enjoys a low pre-production capital estimate of <US$30m, suggesting a rapid payback for investors. Given that the DSO output will require minimal processing

and that local contact mining, ore transport and infrastructure are readily accessible, based on current planning and spot iron ore prices, such outgoings are expected to be covered in less than six months into the mining cycle. The mining method expected to be adopted entails the use of surface machines, similar to those that have already been demonstrated by Fortescue Metals Group Limited (ASX: FMG). As such, no onsite fixed plant, rail facility or port requirement of any type will be needed ahead of commencing works. With a focus on minimising project capex, the preferred option is likely to be the engagement of an independent contract mining and ore transport team, who would simply locate a mobile screening and crushing unit at the mine face and then rapidly transport surface mined ore away from site by road.

The Project is located just 20kms from the iron ore town of Newman so, other than a small central office on site, no camp/service facilities are expected to be required. Instead, the principal capex requirement will be for construction of a suitable road between the mine face and the Great Northern Highway to the west of the tenement. Current planning suggests a cost in the range of AUD$10 to 12 million for completion, although minimal ongoing maintenance needs are expected thereafter.

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 Weeli 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.

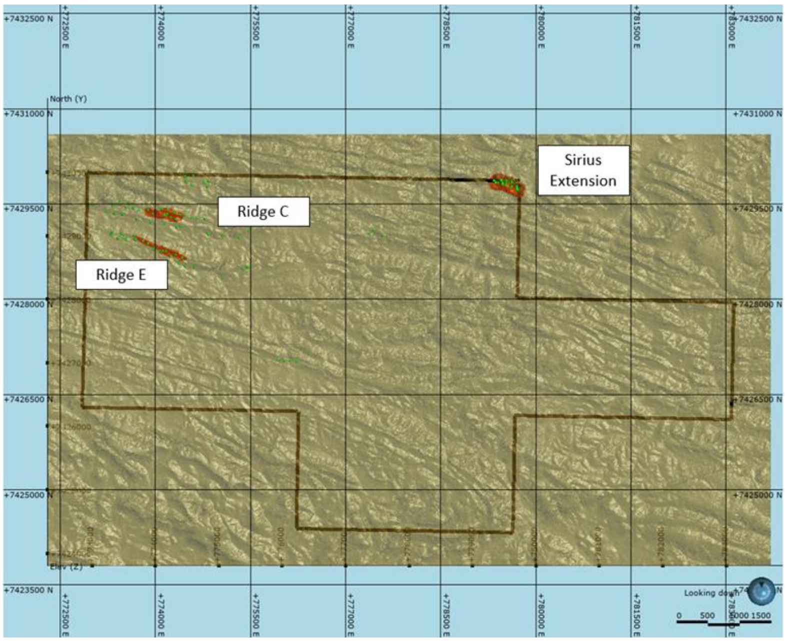
Hancock Iron Ore Project Mineral Resource Summary Table, September 2021

Classification Category	***Target***	**Mass** Mt	***Average Value*** **Fe** %	**SiO_2** %	**Al_2O_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 19 October 2021

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.

Tenement boundary and target location*

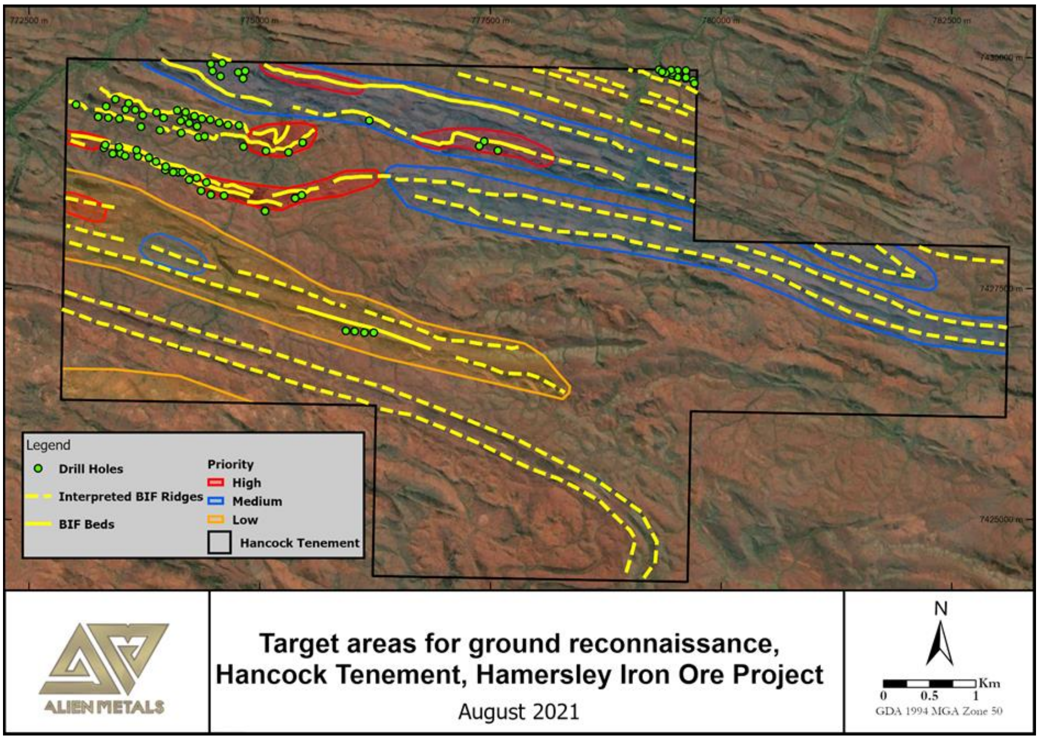


** Drill collars shown in green, and the optimised pits shown in red*

Source: Alien, RNS of 19 October 2021

With the improved understanding of the DSO bearing horizon and the large extent of untested highly prospective ridges remaining, Alien plans to target these specific horizons in the next drilling programme, Phase 3, with the plan to increase both the size of the initial resource as well as the confidence. The figure below shows the location of the current drilling and the extensive ridge targets still to be drill tested.

Target areas for further ground reconnaissance

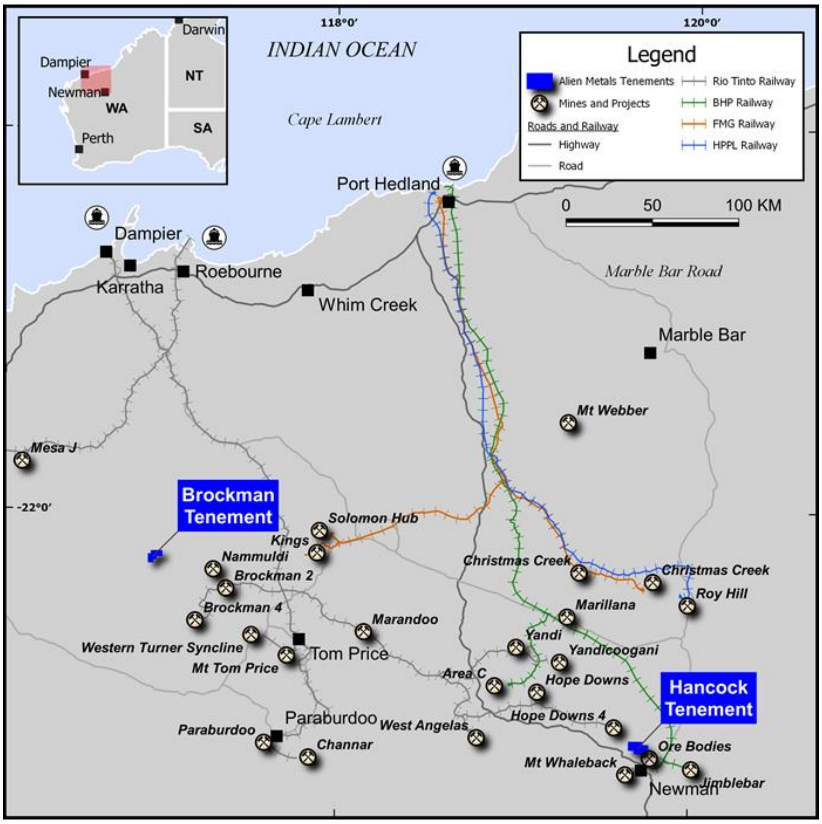


Source: Alien, RNS of 19 October 2021

TPI sees potential for an upward reassessment of its current valuation

Today's Scoping Study and September's impressive initial MRE provide 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. Indeed, recognising that they are now equipped to discuss detail with several parties regarding the Project's possible development, Alien's Board have confirmed that they are looking at various options, including off-take agreements, as a means of securing its feasibility and full potential.

Highly Prospective Location of Hancock Iron Ore Project, Western Australia



Source: Alien, RNS of 19 October 2021

At this time, Alien remains adequately 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 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 and copper-gold Donovan 2 project 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. 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 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, 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 resulted in it momentarily hitting a low of just under US$100/tonne in late September. Prudently, this level was incorporated in the Scoping Study's DCF assessment, despite the rebound up to a level of US$129/tonne this month as Australia's department of Industry, Science, Energy & Resources confirmed its expectation that supply/demand constraints will see the price rise back to c.US$150/tonne before the end of 2021.

Given that China presently buys about 70% of global seaborne volumes, the price sensitivity 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, the MRE and today's 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$118.1 million (£63.8 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), 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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