

Stock Data

Share Price:	0.77p
Market Cap:	£30.0m
Shares in issue:	3,902m
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 entered into a Binding Heads of Agreement (the 'Agreement') with ASX listed Platina Resources Limited (ASX: PGM) ('PGM') to acquire its 30% joint venture ('JV') interest in the Munni Munni Platinum Group Metals and Gold Project in the West Pilbara, Western Australia ('the Project'). Covering four granted Mining Leases and one Exploration Lease over a combined 75.9 km², Artemis Resources Limited (ARV:ASX) ('ARV'), the JV's Project operator, holds remaining 70%. Hosting what is generally considered to be one of Australia's largest platinum group elements ('PGE') deposits and having seen more than AUD\$20 million spent on it over the past two decades, Alien's Board consider there is significant potential to rapidly update feasibility and development planning of this exciting palladium dominant opportunity.

A cash and shares transaction

Subject to satisfaction (or waiver) of the conditions precedent to the Agreement, Alien has agreed to acquire PGM's joint venture interest, which is 30% of the JV, in the Project for a combined consideration of c.£1.2 million (AUD\$2,230,000), through the issue to PGM (or its nominee) of cash and shares in the following measures:

- £1,066,250 (AUD\$1,980,000) worth of fully paid Alien ordinary shares at the 15-day volume-weighted average price ('VWAP') prior to the date the Agreement
- A cash payment of c.£135,000 (AUD\$250,000).

The Agreement also determines that Alien will also have a right of first refusal for the acquisition of the Project's remaining interest held by Artemis 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 the conditions precedent will be completed in a timely manner.

Located adjacent to Alien's highly prospective Elizabeth Hill project

The Munni Munni Platinum Group Metals and Gold Project is located adjacent to the Group's highly prospective Elizabeth Hill project, which already offers potential for further significant silver, copper, nickel and PGE mineralisation. The Project hosts the largest intrusion in the West Pilbara and is one of the most significant undeveloped primary PGE resources in Australia. Discovered over 25 years ago, the associated deposit was the subject of a non-JORC 2012 compliant resource which returned 24Mt @ 2.9g/t PGE and Au (see table overleaf). Dominated by almost 60% palladium, the resource reportedly contains 1.14Moz palladium, 0.83Moz platinum, 152Koz gold and 76Koz rhodium with the potential for more along strike and at depth.

The Project's potential was first recognised by renowned expert Dr. John Ferguson (the former Division Head/Acting Director at the BMR Journal of Australian Geology & Geophysics, now Geoscience Australia, and ex-Platina Non-Executive Director) in the 1980s, and accordingly, the identified mineralised horizon is referred to as the 'Ferguson

Reef. Exploration activities since the initial discovery have defined a significant PGE and gold resource, all within the four granted mining leases and all likely extensions of the Ferguson Reef are also within the exploration tenement.

Summary of non-compliant JORC 2004 Munni Munni Resource*

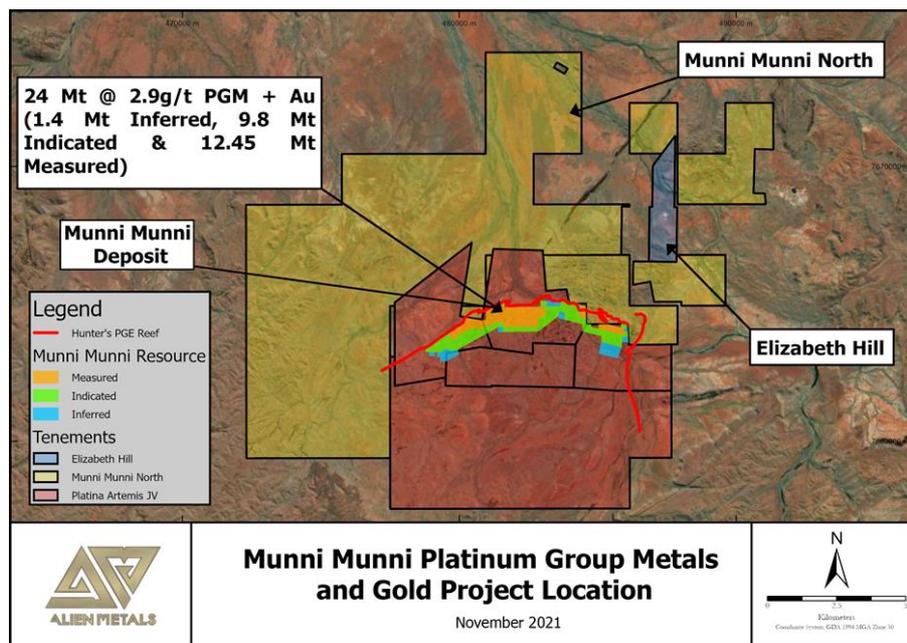
JORC Category	Million Tonnes	Pt (g/t)	Pd (g/t)	Au (g/t)	Rh (g/t)	Cu (g/t)	Ni (%)	Pt (koz)	Pd (koz)	Au (koz)
Measured	12.4	1.1	1.4	0.2	0.1	0.09	0.07			
Indicated	9.8	1.1	1.6	0.3	0.1	0.22	0.11			
Inferred	1.4	1.1	1.6	0.3	0.1	0.15	0.09			
Total	23.6	1.1	1.5	0.2	0.1	0.15	0.09	835	1,138	152

*Munni Munni undiluted resource estimate at a cut-off grade of 1.9g/t PGM + Au, published by Artemis Resources and Platina Resources (SRK, 2002, subsequently confirmed by Snowden, 2003).

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

The original JV between PGM and ARV is governed by an agreement entered into by both parties in August 2015. This enabled Artemis to earn a 70% interest in the Project JV by expending AUD\$750,000 over a 3-year period. This condition was satisfied in August 2018.

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



The Munni Munni PGE Project has seen significant historical expenditure

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\$2,072/oz today. Recognising its long-term potential, however, HLX's management confirmed its intention at that time to continue working on the Project.

In July 2021, ARV went on to execute an agreement allowing formal formation of a JV over 100% of the Project with Platina Resources Limited in the ratio of their 70%/30% beneficial interests. At this time, however, both companies recognised the need to devise a strategy that could allow for value creation going forward, possibly involving divestment to a third party in order to permit the true value of Munni Munni to be realised.

Drilling and Multi-elements Results

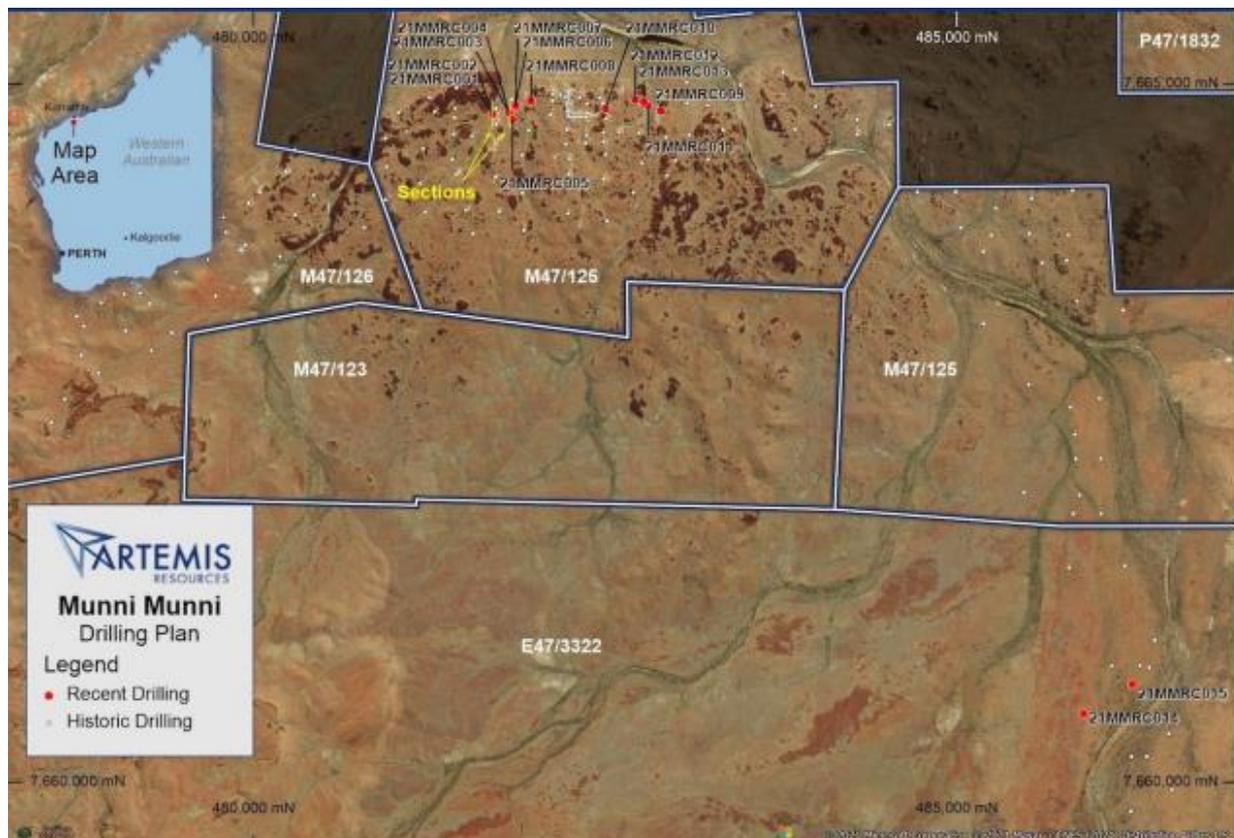
On 5 July 2021, Artemis published the most recent results from reverse circulation ('RC') drilling of 15 drill holes for 2,740m that was completed in April and May 2021, with drill holes spread through the entire upper portion of the mineralisation, to a maximum depth of 250 metres. Samples were processed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

Highlights from Recent Results from Munni Munni RC Drilling Program

- 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
- 3m @ 2.61g/t 2PGE + Au (1.23g/t Pd, 1.11g/t Pt, 0.27g/t Au) from 81m, 21MMRC004
- 7m @ 2.20g/t 2PGE + Au (1.46g/t Pd, 0.67 g/t Pt, 0.07g/t Au) from 124m, 21MMRC005
- 7m @ 2.35g/t 2PGE + Au (1.33g/t Pd, 0.84 g/t Pt, 0.18g/t Au), from 96m, 21MMRC006
- 4m @ 2.45g/t 2PGE + Au (1.31g/t Pd, 0.85g/t Pt, 0.29g/t Au) from 60m, 21MMRC007
- 5m @ 2.35g/t 2PGE + Au (1.36g/t Pd, 0.68g/t Pt, 0.31g/t Au) from 75m, 21MMRC008
- 4m @ 2.87g/t 2PGE + Au (1.76g/t Pd, 0.89g/t Pt, 0.22g/t Au) from 115m, 21MMRC010
- 3m @ 2.06g/t 2PGE + Au (1.18g/t Pd, 0.69g/t Pt, 0.19g/t Au) from 142m, 21MMRC011

Source: Artemis Resources, [ASX Announcement of 5 July 2021](#)

Munni Munni Location Map - Recent Drilling (in red) and Section Locations (in yellow)



Source: Artemis Resources, [ASX Announcement of 5 July 2021](#)

The RC drilling programme was designed to add further confirmation of the PGE horizon position around the northern nose of the >20km long Munni Munni mafic intrusive Complex, such that hole pierce points in the PGE horizon approach a 50m x 50m basis. Historical drilling had shown the zone presence and was utilised to prepare a non-JORC 2012 compliant resource estimate; RC holes were targeted at infilling the definition of the PGE horizon. As it is essentially a stratigraphic zone, historical drilling has been widely spaced and very selectively assayed; Artemis accordingly has undertaken a broad multi-element analytical suite to better refine the subtle lithological variations.

Alien is now adequately resourced to ensure continued heavy news flow in the coming year

Today's news adds a further exciting spoke to Alien's fast revolving development wheel. With the completion of a £4 million (gross) equity placing on 4 November 2021, the Group now finds itself with sufficient financial resources to provide a working runway out to the end of 2022. As a result, 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. Alongside today's 30% proposed acquisition of the 2.2Moz Munni Munni Platinum Group Metals and Gold Project, these include not only its 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 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. 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 have resulted in it recently touching lows of around US\$92/tonne. Prudently, this level has been incorporated in the Scoping Study's DCF assessment, despite the rebound to a level of US\$130/tonne in October 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 by 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 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\$35/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 recent 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\$108.6 million (£58.6 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.

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