

Tin prices strong

BUT how about a metal that has "alarmingly strong fundamental prospects" in the words of BNP Paribas analysts?

It is a view shared by fellow London analyst David Thurtell at Citigroup. On Thursday, he noted the sharp decline in stockpiles at the London Metal Exchange and said the metal had the strongest fundamentals in the base metals complex. Pure Speculation has long been a lone voice in local media regarding tin, but vindication is in sight with the metal now back firmly over the \$US20,000 a tonne level (closing at \$US20,725/tonne on Friday).

But all this bullishness on the other side of the world wasn't much help to Consolidated Tin Mines (CSD), which has managed to get only 3.7 million new shares away under its entitlement issue, raising just \$148,044. The remainder of the \$2.16m entitlement was not taken up. Perhaps it was the 4c price tag. The shares last saw that level on July 12 and closed on Friday at 3.1c.

This is despite a recent scoping study that showed its Mt Garnet tin project to have robust economics at a tin price of \$US18,000/tonne. At that level, a mine would generate a surplus of \$245m over a 7.5-year mine life.

BNP says a tin supply crisis may be in the making. Given that the price is now well below its 2008 peak of \$US25,500/tonne, the report said it would probably be the first of the base metals to reach a new all-time high. This doesn't mean no corrections this year, and tin's corrections tend to be particularly painful. But the metal would be less vulnerable in 2011, the analysts said.

World mine production reached its peak in 2005. The Indonesians continue to crack down on illegal miners and high-grade ore in the country is becoming scarce, mine output in Brazil is falling sharply, and conflict issues have hit buying of tin from the Democratic Republic of Congo.

"But tin, like lead, is not really on the map for the major mining companies and, instead, we can see only small incremental additions to supply over the next two years at least," according to BNP.

A new record price could be reached in the latter part of 2011. The report concluded: "Sky-high prices may eventually be needed in order to ration demand."

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Scramble is on in the search for lithium

IT may often be true that the trend is your friend, but going with the trendy can be something different.

Is it just us, or is there anyone else out there who is getting the feeling that we might be seeing another speculative bubble developing?

We're talking about lithium, the key ingredient in rechargeable batteries used in electric cars, computers, cameras and mobile phones. A trusted Pure Speculation sounding board tells us that he was astonished at the recent annual knees-up of the Prospectors and Developers Association of Canada to see, among the 2700 or so company stands, so many lithium players.

Yes, we know, rechargeable batteries are a huge growth sector. Just last week, for example, Panasonic forecast it would triple production of such batteries by 2016. But, by the same token, the amount of lithium used in each battery is very small. Moreover, who is to say that scientists won't come up with a new technology for batteries that will use a different feedstock? Hypothetical, sure, but technology changes so quickly.

On balance, then, there is going to be greater demand for lithium, but the unknown factor is how much. And this is a critical point given what is happening in the world of lithium development. The scramble is on, but we don't know if the sector is going to overshoot.

There are suggestions that Chile might relax its production controls on its huge brine resource base. (Brine is water with very high concentrations of dissolved constituents.)

Meanwhile, Chinese companies are eyeing a 19 million tonne lithium resource in Bolivia, one of the biggest in the world.

And the Canadian companies are in top gear with their exploration operations. One of the smaller Toronto-listed players has just announced \$US1 million (\$1.08m) for drilling in northern Argentina.

A sure sign that lithium is attracting hot money was the recent launch of an exchange-traded fund for this minor metal. Among the companies included in the ETF are Orocobre (ORE), which is in advanced exploration in Argentina, and Galaxy Resources (GXY), which has started mining ore at its West Australian mine and is proceeding with Chinese backing. Galaxy has been favoured by investors for having early mover advantage.

Then we have Reed Resources (RDR), which recently raised new funds, some of which will be used to advance that company's Mt Marion lithium deposit. On Friday, Altura Mining (AJM) announced it had begun drilling at its Pilgangoora deposit in the Pilbara, following up some very encouraging rock chip sampling.

Unfortunately, Australian investors won't have a chance to invest in the world's biggest hard rock producer of lithium. Talison Minerals, which runs the old Sons of Gwalia Greenbushes mine in Western Australia, seems to have finally abandoned plans for an Australian IPO. In a move that went largely unnoticed here, Talison just a few weeks ago agreed to a merger with a Canadian-listed company exploring lithium brines in Chile. A Toronto listing for the new Talison Lithium entity is expected to follow.

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Dragon's drills

AND now for our "aren't they having a busy week" segment.

On Wednesday, Dragon Mining (DRA) reported drilling results from its Kaapelinkulpa gold project in Finland. These included 1.65m at 34.07 grams/tonne gold and 2.05m at 4.32g/t. It says this could become its third mining operation in Finland.

Then on Thursday came the announcement of an updated resource at its Jokisivu mine. This is based on two deposits, and the Arpola deposit now has an estimated 441,000 tonnes at 6.7g/t, or 94,400oz. Finally, on Friday Dragon reported final drilling results from extension drilling from across the border at its Svartliden mine in Sweden. These include intercepts of 10m at 14.87g/t and 2m at 27.56g/t.

There was a timely announcement from Crossland Uranium Mines (CUX) that it had widened its central Australian uranium focus by acquiring more ground near its flagship Charley Creek project in the Northern Territory from a subsidiary of Global Geoscience (GSC). Drilling began last week at the main target at Charley Creek.

Timely because of the move during the week by Paladin Energy (PDN) to form the start of an alliance with one of two Chinese companies permitted to import uranium. That same Chinese company controls Paladin's partner in the Bigrlyi uranium deposit, Energy Metals (EME), and signals that development can't be far away. The background and implications of that deal were outlined in our online edition on Thursday. But the key is that the focus is back on the NT's uranium scene. A day later, CXU announced another extension to its project area through a joint venture with Western Desert Resources (WDR).

Wrong grading

RED-FACED moment. Last week when referring to results by a Canadian company drilling at Temora, NSW, and which is controlled by Straits Resources (SRL), Pure Speculation decided to enhance the grades. We got the copper and molybdenum right, but the gold was not 46 grams/tonne but 0.46g/t. Silly mistake.

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The writer implies no investment recommendation and this report contains material that is speculative in nature. Investors should seek professional investment advice. The writer does not own shares in any company mentioned.