

CONSOLIDATING A PLACE IN THE TIN MARKET

After a tough start, exploration junior Consolidated Tin Mines is making headway in its quest to become a significant producer within Queensland's historically prolific Herberton tin field.

IT TAKES A STRONG strategic vision and an equally strong group of core investors for a minerals newcomer to stage a public float against a backdrop of a flailing economy.

But that pretty much sums up the beginnings of Cairns-based Consolidated Tin Mines, which made its debut on the Australian Securities Exchange in early 2008 at a time when the world's worst financial crisis since the Great Depression put extreme pressure on capital markets and saw initial public offerings in the 12 months to June 2009 all but dry up nationwide.

Adding to the challenge was the historical performance of Consolidated's commodity of choice, characterised by a rocky 30 years which saw global tin prices fall as low as \$US3000 per tonne and peak at \$US24,000/t by 2008.

But it presented opportunity and optimism, and for managing director and chairman Ralph De Lacey, seizing tin's lack of popularity in an economic downturn was a key moment in the creation of the \$8 million market capitalised venture he co-founded.

"Tin was of very little interest across the board when we set out to do

this but we believed it would recover eventually," he said.

"What we did not predict was that lead would be increasingly recognised for its noxious qualities and superseded in many applications by friendlier metals.

"Tin was seen as an obvious substitute which helped the price peak at \$24,000 per tonne prior to the economic crisis."

Long before that peak, De Lacey and business partner John Sainsbury had accumulated a suite of known deposits in the Herberton tin field near Cairns in far north Queensland – a huge area considered one of Australia's premier tin producing regions, having yielded more than 76,000t of high-grade (+60%) metal from more than 2000 mines in its 130-year history.

The duo also acquired a vast amount of historical tin data resulting from decades of extensive research and exploration by numerous companies, with a view to establishing if their new deposits could be bought into viable production with increasing tin prices.

By February 2008 Consolidated had listed on the ASX with a portfolio of hard rock and alluvial tin prospects and was working hard to advance

the potential for a large-scale, low-grade mining operation, based on a conceptual JORC resource of 8-10Mt at 0.5% tin.

The resource in turn would justify the establishment of a large-scale central mill capable of treating 1Mt of ore to produce 5000t of tin metal per year.

But when the "wheels fell off the economy", De Lacey said the company was forced to adopt a different approach to achieving the same vision, which had since formed the cornerstone of Consolidated's involvement in the tin game.

"We initially set out to raise \$8 million through our IPO, which we planned to split equally on the development of an alluvial and a hard rock tin project," he said.

"But access to ongoing funding had tightened up by that stage and we only managed to raise \$4 million so we decided to cross the alluvial project off the list and focus just on the hard rock side of our business as we believe it has the greatest revenue raising potential."

Having attracted 400 "very supportive" shareholders by the time it listed, Consolidated set to work developing the Mount Garnet project in the lower Herberton field, comprising the Gillian, Pinnacles and Windermere hard rock tenements.

Gillian is currently the most advanced of the three but with its JORC resource of just 3Mt (1.2Mt measured), De Lacey said the company would need to chase at least an additional 6Mt from the remaining two tenements to realise its vision.

"Before we started this project, we used our historical data to search for opportunities within Herberton

"We consider ourselves a development company, rather than an explorer, and the scoping study helped reflect the strong economic potential we believe lies within the project."

RALPH DE LACEY
CONSOLIDATED TIN MINES



that have larger, higher-grade volumes of tin but those areas no longer exist," he said.

"Over the last century, the high-grade targets that could be easily mined and milled have been exhausted from all angles, leaving behind an abundance of what we call the 'next generation' of prospects at surface, which are essentially the lower-grade areas.

"Our three tenements within Mount Garnet are small in volume compared to Herberton's historic finds – there are no known areas of 10 to 20 million tonnes left, but there are many between 3 to 4 million tonnes which is what we are targeting.

"Gillian is the one we put most of our effort into after listing – it is a very valuable asset but its resource is not enough to sustain a long-term project under our current vision.

"When we add it to Pinnacles and Windermere, which have about 2 million tonnes each, we get around 7 million tonne resource so we clearly have some additional work on our hands to increase our resource base and get to our 8 to 10 million tonne goal."

Certainly the outcome of a 2010 preliminary scoping study based on a throughput of 700,000t a year at 0.6% tin – which indicated a \$124 million capex with a 7.5 year mine life producing 22,868t of tin concentrate for a net cashflow of \$245 million at \$18,000/t tin – appears to be a goal worth chasing.

"We consider ourselves a development rather than an exploration company and the scoping study helped reflect the strong development and economic potential we believe lies within the Mount Garnet project," De Lacey said.

"Our goal from the very beginning has been based around the average grade of 0.5 per cent tin which is much lower than the 60 per cent grades that were mined in the 1800s and early 1900s.

"But by comparison to the 0.4 per cent global average grade [of tin] today, we are doing very well especially in areas where we have intersected up to 3 per cent.

"If we can get an average 0.5 per cent grade with 1 million tonnes per annum through our central mill, we could recover 5000 tonnes of metal in concentrate per year which could see us net \$100 million a year at a \$20,000 per tonne tin price.

"There are presently no tin smelters in Australia, so we would send it offshore possibly to China,



Indonesia or a handful of other regions that have already expressed an interest in smelting our product."

De Lacey said such projections could come to fruition provided Consolidated succeeded in maximising Mount Garnet's combined JORC resource.

In August the company made some headway with the intersection of significant near-surface mineralisation at Windermere during a 4000 metre, 49-hole drilling program designed to target and extend the higher grade zones identified from historic exploration.

Final assay results confirmed four new tin mineralised zones with strike lengths of up to 430m within the tenement, with the potential to uncover healthy additional resources for the project.

Consolidated is now gearing up for the start of a similar resource extension program at Pinnacles, and plans to move into the Mount Garnet prefeasibility study by year end.

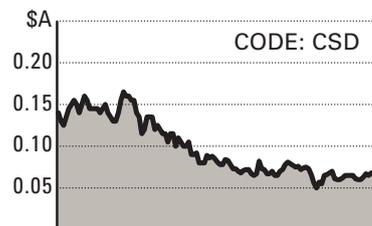
If all goes well, Consolidated could be eyeing a start up of its company-maker Mount Garnet project by the end of 2013.

"We are confident that Mount Garnet will be the one that puts us on the map," De Lacey said.

"We currently have a 7.4 million tonne JORC resource containing 44,000 tonnes of tin metal and if we can push that over 50,000 tonnes we will definitely have a world-class tin mine on our hands." – **Imelda Cotton**

Drillers working at Consolidated Tin's Windermere tenement

CONSOLIDATED TIN MINES AT A GLANCE



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MARKET CAPITALISATION

\$A9.9 million (at press time)

QUOTED SHARES ON ISSUE

145,645,700

MAJOR SHAREHOLDERS

Beacon Minerals 10.78%
Geocrystal 7.55%
Ralph De Lacey 7.04%
John Sainsbury Cons Pty Ltd 5.73%
Ji Baoxian 3.43%