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Kagara's demise a boon for Consolidated Tin

If predictions of tin's imminent rise to the top of the commodity pops turn out to be true, Consolidated Tin Mines Ltd's future should be rosy.

Forecasts for the small global tin market suggest that in the next few years, the closure of a few mines and an export clampdown on Indonesian tin will mean a supply gap and higher prices. Industry watchers are forecasting tin prices of \$US28,000/t or higher from next year, above recent highs of \$US23,300/t.

For Consolidated, which plans to bring its Gillian tin mine in Queensland into production by the end of 2014, that is sweet timing.

The company released a PFS into the project in late September detailing a 1 mtpa open cut mine that will produce 2,944t of tin each year for at least nine years.

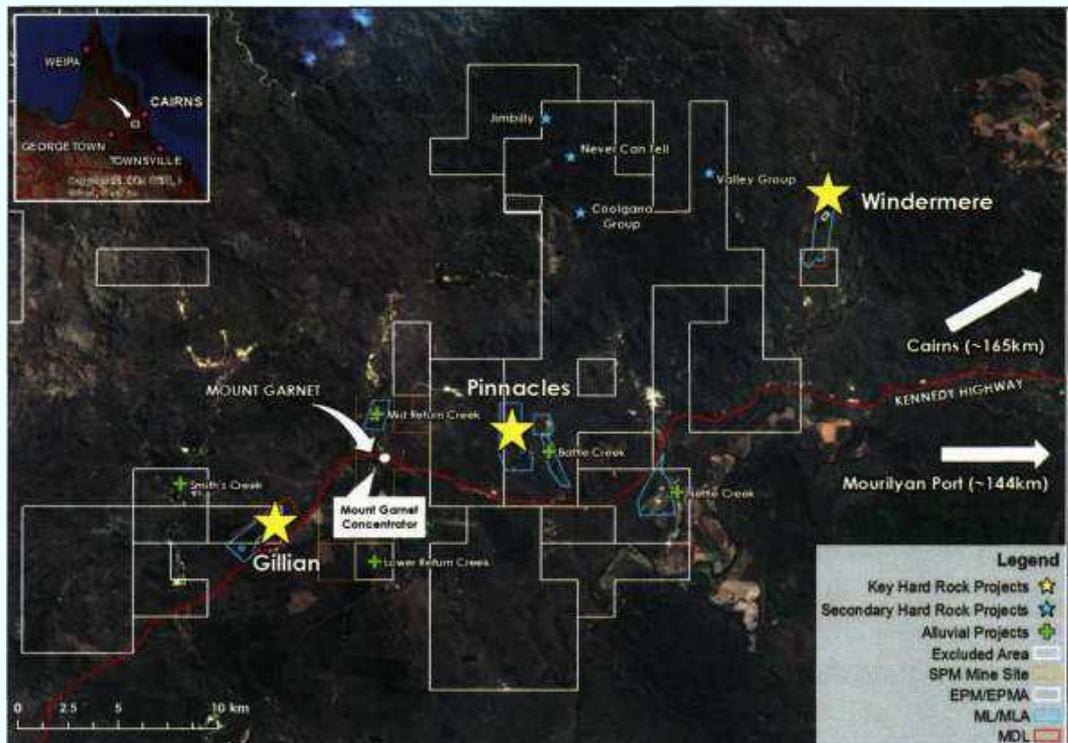
The company forecast project capital costs to first production of \$76 million, revenues of \$127.4 million a year and cash flow of \$29.7 million a year. Based on these assumptions and using base case tin price of \$US24,000/t the project would have an NPV of \$184.1 million, a capital payback period of two years, and IRR of 111%.

There are several details that will need to be sorted out, however, before the project can go ahead. The project's low capex is contingent on the company accessing the Mt Garnet concentrator, which is now owned by its largest shareholder, Snow Peak Investments Ltd, a private Hong Kong-based, China-backed company.

The Mt Garnet concentrator was owned by failed base metals miner Kagara Ltd and serviced its Central Region project with a copper circuit and polymetallic circuit. Snow Peak bought the entire Central Region project and the plant for \$40 million from Kagara's administrators. And pending a deal, Consolidated will be able to modify the plant to allow it to process the tin ore, which is vastly less expensive than the \$160 million needed for a new 1 mtpa plant.

"This capital cost is very cheap for a million tonne per annum plant," Consolidated director Darryl Harris told **Paydirt**.

"The PFS is based on modifying the con-



Consolidated plans to use Kagara's former copper and polymetallic Mt Garnet plant to process the tin from the Gillian mine

centrator and the biggest cost out of the capital will be the kiln for the tin fuming. The rest of it is pretty straight forward. Mt Garnet already has an operating license and approvals – we will need to do another application for the tin fuming, but everything else is there."

The project already has power, a tailings dam, and is located on the major highway, making it a very simple exercise to restart.

The company has moved straight into a DFS and is also looking at merging Consolidated with Snow Peak to simplify the ownership of the project and the plant.

"The logical way will be that we will bring Snow Peak into the listed company. We've engaged one of the big five consultancies to look at that, so there is value on both sides," Harris said.

"We will have a deal put away within the next three months – by the end of the year we'll definitely have a deal that is agreeable to both parties."

And with the merger completed Harris said he hoped the company would be in a position to make a project commitment by the end of the year and bring the project into production before the end of 2014.

"The DFS should be tidied up within three months, because it's really building on what

we've got. What we would like to do is larger scale fuming tests in a bigger kiln, which is one of those risk areas. We also need to do geotechnical drilling at Gillian to see if we can reduce the stripping ratio and bring down our opex."

Kagara's other assets in the Central Region project included prospective copper exploration ground as well as several existing deposits, and Harris said if the Consolidated and Snow Peak merger goes ahead those assets would be up for sale or a spin-out to keep the focus on tin.

As for the big question of project financing, Harris said he did not believe it would be a problem for the company, especially with tin off-take on the table.

"We're holding off on off-take although we've had several offers. We think we're better off getting it to the financing stage by ourselves and then looking at the market, as we don't see it going south, we see it going north if anywhere and we don't want to tie ourselves into any sort of deal before we need to."

– Kate Haycock