

Tuesday 5th November, 2013

Consolidated Tin – Mt Garnet tin project activity update

Consolidated Tin (ASX: CSD, Share Price: \$0.072, Market Cap: \$17m) is our prime Portfolio tin exposure. We introduced the company to our Portfolio during December 2010 and our most recent coverage was during MLW 140 in early October. The company's flagship project is its advanced Mt Garnet tin project in northern Queensland, where the company has maintained ongoing appraisal activity. Prefeasibility Study (PFS) work on the project was completed prior to the end of September and there is a host of other important work currently taking place prior to first tin production during late 2014.



Market Significance

In recent coverage we had highlighted the fact that the release of the PFS should result in a stabilizing of the company's share price, following recent volatility. This has proven to be the case, with CSD's share price surging from a low of \$0.05 over recent weeks to a recent high above \$0.08 – a jump of more than 60%. Based on the positive outcomes of the PFS and opportunities to significantly enhance the PFS cost-base via project optimisation, the company has approved the immediate initiation of a Definitive Feasibility Study for the Mt Garnet Project. Consolidated Tin is now well on track for first tin production from its Mt Garnet project during H2 2014, which should drive further market interest and share price momentum.

Announcement Detail

The company has provided an update on its Mt Garnet Tin Project in North Queensland. The project has the potential for a significant open-cut mining operation, which could generate total project revenues of more than \$1.1 billion over an initial nine-year mine life. Further to the PFS results, the company has provided additional details with respect to the project's proposed revenue and production figures, and a break-down of numbers by specific product stream.

Key points of the PFS include:

- 1Mtpa open cut mine forecast to produce average 2,944t per annum of tin in concentrate
- Minimum 9-year mine life
- NPV of A\$184.1M before tax (A\$110.3M after tax) at 8% discount rate using base case tin price of A\$24,000/t
- Capital payback indicated at 2 years, IRR of 111% after tax
- Highly competitive production costs of A\$91.94/tonne of ore Free On Board (FOB)
- Robust combined total cost of A\$13,917/t tin FOB (with by-product revenue credits)
- Project capital cost to first production of A\$76M
- Project average annual revenue expected to be A\$127.4M
- Annual average operating cash flow (after capital costs, before tax) of A\$29.7M

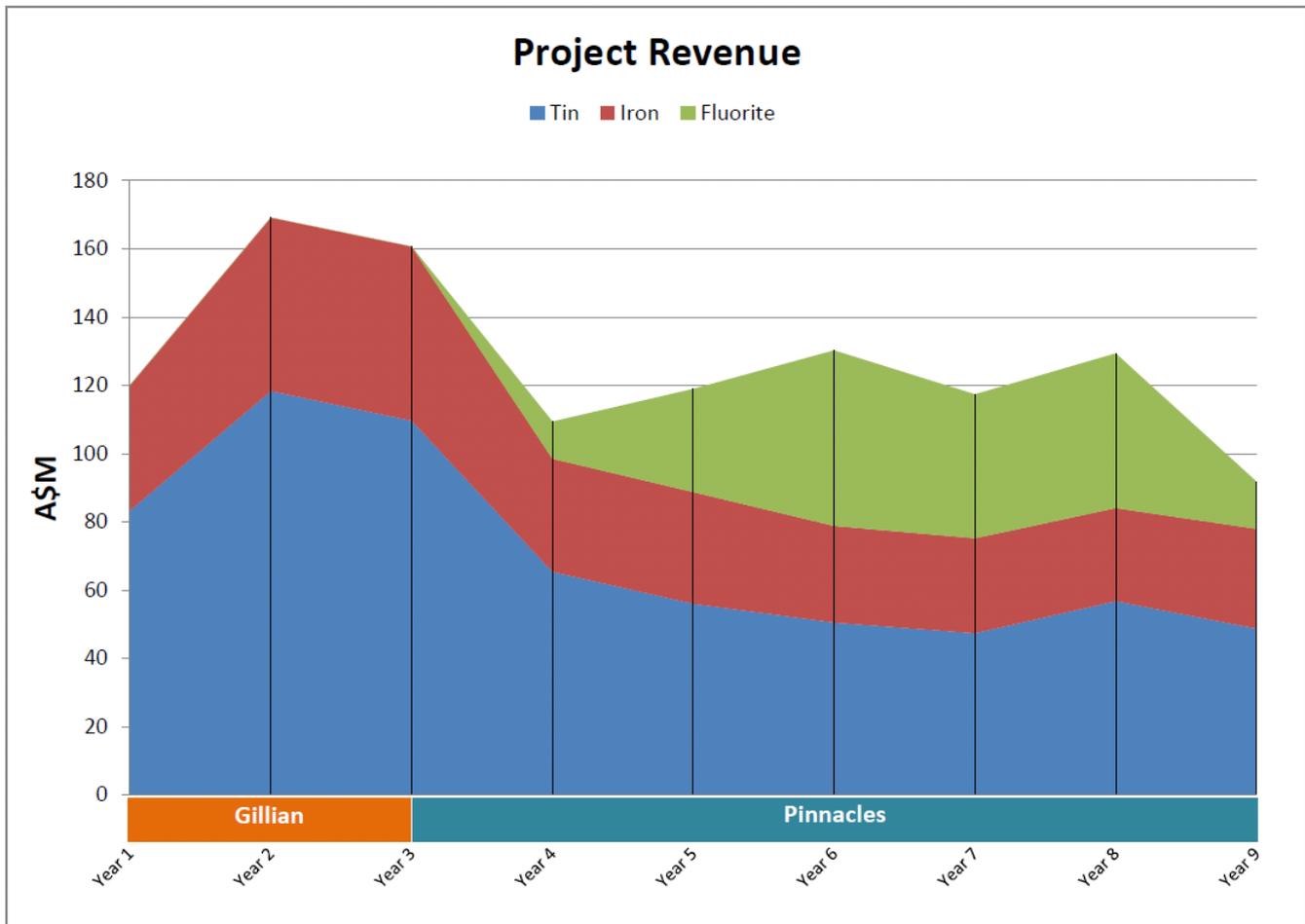
The PFS did not incorporate any resource from the Windermere deposit, and further evaluation work will be carried out at Windermere, with a view to extending the project's mine life and expanding its production profile. The Company will also seek to maximize the value of the significant number of other exploration opportunities within the broader Mt Garnet tin project area, to further expand the project's resource base.

Technical Significance

The study has demonstrated an economically robust tin development project. Unlike other projects, Mt Garnet boasts existing infrastructure and near surface ore, which are the drivers of low capital and operating costs. There are also numerous opportunities for financial improvement, with further design optimisation of mining and processing stages. These will be examined during DFS process. The DFS will commence with the Gillian deposit, with further evaluation work to follow at Pinnacles and later at Windermere. It is anticipated that Gillian will provide the mill feed for the first three years of mining.

Discussions are well advanced with the company's major shareholder, with the aim of achieving tin production by the end of 2014. Snow Peak International Investments Pty Ltd (SPII) earlier this year established a new company, Snow Peak Mining (SPM), which acquired Kagara Ltd's Central Region Project. Consolidated Tin holds a 10% interest in SPM.

Crucially, the acquisition includes an operating 1Mtpa concentrator processing facility located at Mt Garnet, in close proximity to the Mt Garnet Tin Project. Planning has now begun on reconfiguring the Mt Garnet concentrator for processing tin ore from the Mt Garnet Tin Project when production commences.



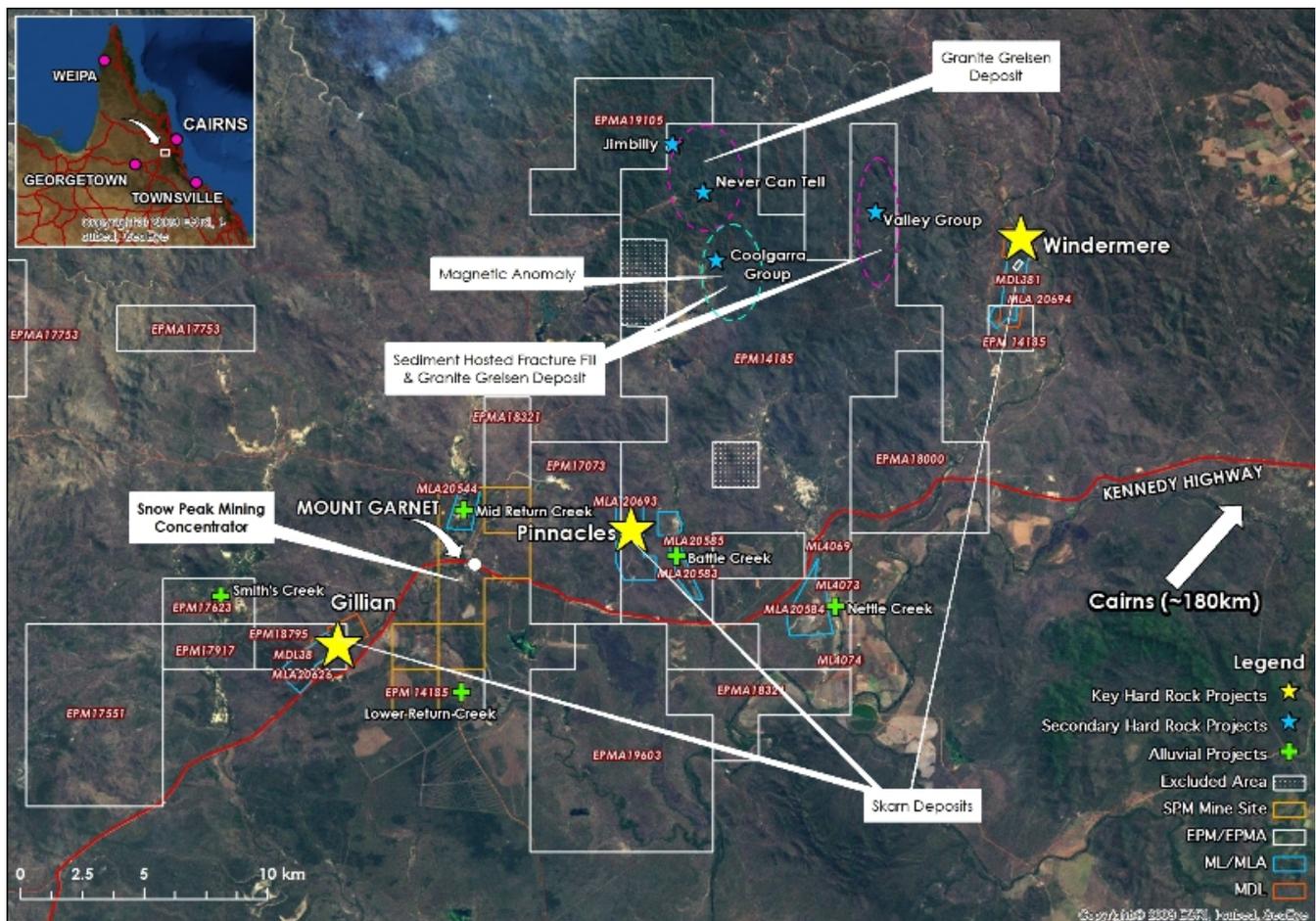
Project Background

The Mt Garnet Project lies 180km southwest of Cairns in northern Queensland, and is the company's core project. The aim is to develop the project into a significant hard-rock, open-pit tin mining operation. During 2010 the company Consolidated Tin undertook a Scoping Study based on the concept of a proposed centrally-located mill at Mt Garnet to be used to process tin ore from the project area.

The company recently upwardly revised its resource base by 24.1% to 13.12Mt @ 0.39% tin (Sn) (0.56% Sn equivalent). The Total contained tin metal has increased from 46,500t to 51,160kt. The revised resource further strengthens the Mt Garnet project's resource inventory and its ability to support an initial 10-year mining operation at a 1Mtpa processing rate.

A final in-fill and geotechnical drill program will be conducted at the Gillian deposit. It is designed to add confidence to the Resource model and provide geotechnical information for open cut pit design. Potential increases to Tin and Iron grades are expected as well as an upgrade in Resource category. The program is also designed to produce pilot scale metallurgical samples.

The company is continuing with test-work and design for its proposed rotary kiln, with the intention of locating a suitable off-shore partner (ideally a steel smelter) that will allow the company to locate and manage the tin fuming process on their (off-shore) site. The company and Snow Peak Mining Pty Ltd are also continuing to work towards finalising an agreement to facilitate the future utilisation of Snow Peak's concentrator at Mt Garnet for tin processing of output from the Mt Garnet Project.



Summary

The company's production ambitions have been significantly enhanced through the acquisition earlier this year of the Kagara Central Region Project, which includes an operating concentrator. This has allowed Consolidated Tin to advance its PFS at Mt Garnet based on the processing the project's tin ore at the recently-acquired concentrator. The PFS results are highly positive and demonstrate the project's economic and technical development potential and have allowed the company to immediately progress with a full DFS and remain on target for first production before the end of 2014.

Consolidated Tin remains our preferred tin exposure and we are encouraged by the strong results achieved so far. Importantly, the company will have access to key infrastructure, which other companies don't. Accordingly, we maintain our Spec Buy recommendation around \$0.072.

Melbourne Cup

With respect to this year's tips I have bowed to the equine expertise of Mr Hugh Wallace-Smith of Bell Potter in Geelong, who has offered up the following selections for today's big race. According to Hugh, the first four places in this year's Melbourne Cup will be:

1. No. 10 Fawkner \$19.00
2. No. 19 Simenon \$21.00
3. No. 16 Royal Empire \$21.00
4. No. 2 Green Moon \$41.00

You could just back the winner No. 10 Fawkner straight out

OR

You could perhaps back some or all each-way, i.e. Nos 2,10,16,19 and then box them all in a quinella, a trifecta, and a first-four and when they all get up you can join me in the South of France.

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