



Resourcestocks Saturday 1/03/2014

Page: 59
Section: General News
Region: National, AU
Circulation: 9352
Type: Magazines Trade
Size: 352.60 sq.cms.



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EMERGING PRODUCER'S PERFECT TIME

Stock research is a tough game, which is why Gavin Wendt does the hard work for readers every edition in *Market Watch*.

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CONSOLIDATED TIN Mines (ASX:CSD) is an emerging tin producer at just the right time as far as taking advantage of strong fundamentals within the tin industry is concerned. These positive market circumstances have in fact led to tin being the best-performing metal within the resource sector over recent years.

There are presently numerous environmental, cost and legislative challenges that are impacting the world's second-largest tin producer, Indonesia, which places a significant question mark over the reliability of future tin supplies.

London Metal Exchange tin stockpiles are currently at their lowest level since 2009 and have fallen by 6.4% so far during 2014, which follows on from a 24% drop during 2013.

CSD is set to commence production during late 2014 at a time when tin fundamentals remain outstanding.

Its Mt Garnet tin project in northern Queensland is located in an established mining area, with all essential infrastructure already in place. Subject to an enhancement of resource confidence and completion of appraisal and feasibility work, CSD is set to become one of the few new operating tin mines anywhere in the world.

The Herberton tinfield near Mt Garnet has been mined since 1880, with literally thousands of mines established throughout this vast mineralised area.

Many of these mines were small-scale, while others were operated at company scale and worked for many years. Almost all of these operations began mining outcropping, high-grade ore and in many instances this ore extended to considerable depth.

The Mt Garnet project is made up of three key deposits: the Gillian, Pinnacles and Windermere deposits.

CSD's development strategy is to confirm an initial JORC resource base

of between 8Mt and 10Mt of tin from the three deposits, which will in turn be used to feed a proposed centralised milling operation that will process in the vicinity of 1Mtpa.

CSD recently upwardly revised its Mt Garnet resource base by 24.1% to 13.12Mt at 0.39% tin (0.56% tin equivalent), with total contained tin metal increasing 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 based on a nominal 1Mtpa processing rate.

CSD is currently focused on work programs that continued during Q4 2013 which are required to complete definitive studies on the Gillian deposit and to optimise the mine design.

This work is ongoing and is a top priority during H1 2014.

Test work and design for the proposed rotary kiln is continuing, with a 15t sample of core and RC drill samples from various locations within the Gillian deposit sent to ALS Amtec laboratory in Perth during late 2013 for reverse silica flotation test-work.

This is the final preparation for the pilot-scale reduction roasting trials that commenced during Q1 2014 at the ANSAC facility at Bunbury in WA.

CSD is also continuing advanced-stage discussions with a Chinese company on an agreement to establish the reduction roasting equipment at their facility in China. The plan is to export the Mt Garnet iron ore product with contained tin to this facility, with CSD being paid free on board for this product. The Chinese company will manage and operate the facility on a toll-treatment basis, with CSD providing technical support.

The offshore relocation proposal is a positive outcome, as it will result in significant cost savings and improved economics for the Mt Garnet project.

It will also mean only minimal changes are required to the current operating licence for the Mt Garnet plant. Importantly too there will be no additional freight costs, further de-risking the project from a capital cost perspective.

CSD has negotiated a memorandum of understanding with Snow Peak Mining Pty Ltd (SPM) to acquire Snow Peak's Mt Garnet processing plant, which provides a clear pathway for development of the Mt Garnet tin project. SPM is majority owned by CSD's major shareholder, Snow Peak International Investments (SPII).

SPM acquired the Mt Garnet processing plant and a package of base metals projects from the administrators of Karara Ltd during January 2013.

Under the MoU, CSD will acquire the Mt Garnet processing plant and the mining tenements directly associated with the processing plant, whilst the Surveyor/Balcooma, Einasleigh, Maitland and Baal Gammon projects will remain with SPM. The acquisition cost includes the cost of the replacement of environmental bonds.

CSD will issue 285 million ordinary shares as consideration for the acquisition to SPM, which has agreed to a voluntary escrow period of two years in respect of these shares. CSD will also issue 30 million ordinary shares to SPII as repayment of a \$A3 million advance payment. SPII has also agreed to the same voluntary two-year escrow period.

The company is currently undertaking a full DFS, while a PFS completed during late 2013 highlighted the technical and economic viability of the project. Based on a 1Mtpa open-cut mine producing an average 2944tpa of tin-in-concentrate, the project would have a minimum nine-year mine life and generate an NPV of A\$184.1 million before tax (\$110.3 million after tax) at an 8% discount rate using a base-case tin price of \$24,000/t.

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