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Tin gathers lustre

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SHORTAGES, coupled with high demand, are adding fresh lustre to tin and two Australian companies are working to capitalise on this. By John McIlwraith.

Tin is the new precious metal, with its price rivalling that of silver in recent times. Shortages of the metal – which are unlikely to end for at least several years – are a striking contrast with the market during the global financial crisis. Back then the price plunged to \$US10,000 (\$A9468) a tonne (\$A.

It has trebled since, with forecasts that it will reach \$US40,000 a tonne in the next year or two.

The industry argues that it is no longer in a cyclical upswing, but being swept along by two changes in the market – a decline in supply, and increasing demand, driven largely by environmental factors.

The giddy market swings have benefitted two Australian companies, one of which is close to launching an offshore project, the other expanding historic deposits in Tasmania.

The exotically named Kasbah Resources is Perth-based, but its only prospect is in Morocco.

It is proving up deposits it hopes will yield 5000 to 6000 tonnes of tin a year from 2013. On recent prices that would yield \$150 million.

The Achmmach deposit has an indicated and inferred resource of 7 million tonnes (with a grade of 0.8%).

Kasbah was floated three years ago, enjoying strong support initially. However, during the financial crisis its shares plunged to 3c and its future was precarious.

Promising drilling results and a recovery in tin prices prompted a strong recovery and these days it is quoted at ten times that near-fatal level.

Among its supporters is the World Bank, one of its two largest shareholders.

Kasbah recently raised \$30 million to complete drilling and help launch the project (capital cost estimated at \$85 million). The tin concentrate is to be treated in Spain, across the Straits of Gibraltar.

The company has no prospects in Australia.

Managing director Wayne Bramwell said the political climate in Morocco was healthy and bore no relationship to upheavals in other parts of North Africa.

Metals X is mining tin in the historic Renison deposits in Tasmania, but it has been a difficult task in recent years.

The mine was closed for some time during a serious depression in the market, but reopened in 2009. It produces about 2.5% of the world's tin and its cash costs are little more than a third of recent tin prices.

Metals X plans significant expansion, with the strong support of Yunnan Tin Parksong, the world's largest tin producer, which sells 60,000 tonnes of refined tin, a fifth of global consumption.

A year ago the Chinese company paid \$50 million for a half interest in the Tasmanian operation.

Higher prices have stimulated wider interest in the metal. Minemakers plans to list a tin offshoot, TNT Mines, and raise \$10 million to examine a tin prospect at an alluvial deposit at Ringarooma Bay, also in northern Tasmania. This property had a previously estimated resource of 26,000 tonnes.

The area had many small tin and tungsten mines operating for nearly a century, until poor prices in



Metals X's Renison tin project

the 1990s forced most of them to close.

Venture Minerals recently announced a reserves upgrade at its Mt Lindsay deposit also in northwest Tasmania, taking the resource base to 120,000 tonnes of tin/tungsten.

Fuelled by a \$28 million capital raising, Venture is carrying out extensive drilling.

Consolidated Tin Mines has completed drilling at its Windermere project, near Cairns, based on a promising inferred resource.

ITRI – the body that represents the global tin industry – estimates tin consumption peaked at more than 360,000 tonnes in 2007, having grown at some 4% a year over the previous decade.

However, growth rates were slowing even before the onset of recession, and demand dropped very sharply in the final quarter of 2008. It has recovered since and more growth is anticipated.

This year ITRI estimates there will be a deficit of 13,000 tonnes in production versus consumption and that London Metals Exchange stocks of tin could fall to the equivalent of three weeks' consumption.

Lead soldiers and lead solders are contributing to the long-term growth in demand – as countries around the world insist on reducing the use of lead, tin replaces it.

Electronics, a major consumer of tin, is expected to be the major contributor to future growth.

Ten years ago the lead-free share of the electronics solder market was only 2%. It is now about two thirds. However, it is expected to take a decade to complete the transition.

An ITRI report completed last year said the recovery in demand would gain strength this year and reach 385,000 tonnes annually in the next few years.

Almost all the demand growth is likely to be in China, which already consumes 40% of the world's tin output, and other emerging Asian markets with both solder and tinplate usage increasing.

Paradoxically the increased use of solder and higher prices have not had a serious impact on electronics prices.

This is because solder companies can transfer the rise to manufacturers with little complaint.

Besides, the cost of tin solder is a very small part of the price of the completed electronic product.

This year production and consumption of refined tin in China is expected to be roughly in balance, at about 150,000 tonnes.

Foster Stockbroking points out that production in Indonesia, one of the bigger producers, is likely to decline.

PT Timah, Indonesia's largest tin producer, fell more than 10,000t short of expected production in a recent reporting period while 18 smaller Indonesian smelters are set to close.

Because of issues related to conflict minerals in parts of Africa, mining activities in the eastern provinces of Democratic Republic of the Congo, which accounts for 5% of global supply, closed in mid-September. There are, however, suggestions that some operations may be allowed to reopen.

With no mines expected to come online until next year at the earliest, global shortages are likely to persist in the medium-term.

Underground development drilling at Metal X's Renison mine in Tasmania.

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