Battery-charged metal makes tin tempting

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CITIREVIEW

Already touted as the next "battery metal", tin has nine different uses in lithium-ion batteries and plenty of other applications in electronics as a solder.

And, yes, it’s also used for tin cans, with tin-plate still accounting for 14% of global demand.

At the same time, tin supply is challenged because (a) the mines aren’t in easy locations or (b) they’re too low grade.

The problem — or perhaps opportunity — lies with the fact that not much has happened with tin price-wise and inventories have been disengaged.

Having hardened close to $1822,000 ($30,500) a tonne in February, the tin price has retreated to below $1589,000 a tonne.

Even the International Tin Association isn’t going overboard, forecasting a $1789,000 price for 2019 (improving to $1822,000 by 2022).

But with the battery boom, demand for tin looks robust.

However, as participants at this year’s Beer & Co tin conference in Melbourne heard, there’s more intrigue on the supply side.

One issue is that the two biggest undeveloped deposits are in what you might call difficult locales — Biaxie in the Democratic Republic of the Congo and Strynelt in Kazakhstan.

They’re not exactly places to go for a holiday, let alone build a mine.

Kasbah Resources (KAS) 0.5c

The dearth of supply is music to Kasbah Resources, which happens to own 75% of the world’s third biggest undeveloped deposit, Aitchmar in northern Morocco.

The company is in funding discussions to kickstart an underground operation, mining 750,000 tonnes a year to produce about 4500 tonnes of tin in concentrates.

The $570m million of required funding is likely to come from a new subscription, a Jumbo loan and from other sources, including Chinese investors.

With production targeted for mid-2020 for a 10-year mine life, one might have thought investors would be rocking to the Kasbah story.

But the company’s parlous $1.1m market capitalisation reflects a shaky history including a disastrous attempt to integrate with a Vietnamese producer, Kasbah’s board and management were overhauled in 2017.

"I’m conscious Kasbah has been around for a while and I deal with a lot of investors who roll their eyes and say ‘here we go again,”' chief executive Russell Clark says.

Metals X (MLX) 39.5c

While Kasbah strives to be the new king of tin, for Metals X it’s a case of getting more from

Tasmania’s Renison mine, which has operated for more than a century.

Half-owned by China’s Yunnan Tin, Renison is a top 10 global tin producer, churning out the metal on an annualised rate of 6500 tonnes.

The partners are on the cusp of expanding Renison’s resource base and production and have invested in new mining technology to improve recoveries.

They are also furthering a $30m tailings recovery project, Rentsil, which awaits environmental approval.

The problem is attractive: a $3.5m per tonne margin based on the current $76,000 Australian-dollar-denominated tin price.

At the conference, the then chief executive Warren-ballin described Renison as “the one project that just keeps giving”.

In mid-November Hallam was replaced by mining engineer Damien Maranelli, with a clear agenda to ramp up the company’s acquired Nifty copper mine in the East Pilbara.

Metals X also holds the Wingellina project, one of the world’s biggest undeveloped nickel, cobalt and scandium resources.

As with Kasbah, investors are looking a (tin) lid on it.

Metals X has a $320 million cap — having lost 50% of its value over the past six months — backed by $10m of cash.

At current tin prices the company’s half share of the Renison output should generate $30m-$35m of earnings this year.

Stellar Resources (SIZ) 1.5c

Stellar MD Peter Blight describes the company’s Ieemiskirk project near Zechin in Tasmania as “the highest grade undeveloped deposit of significance listed on the ASX.

Stellar’s original feasibility study envisaged a 600,000 tonnes per annum plant to produce 4500 tonnes concurrently mining three deposits within the project.

But management concluded (no doubt wisely) that such a large project, while economic, entailed too much risk.

As a result, it opted for a 45m slimmed down project handling 200,000 tonnes per annum, with deposits developed sequentially. The timetable to start mining has also been bought forward by six months.

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*Disclaimer: Independent Investment Research covers Kasbah Resources.

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