Battery-charged metal makes tin tempting

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CRITERION

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 per cent 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 investors have been disengaged.

Having fluttered close to $US22,000 ($30,500) a tonne in February, the tin price has retreated to below $US19,000 per tonne.

Even the International Tin Association isn't going overboard, forecasting a $US19,000 price for 2019 (improving to $US22,000 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 — Bisie in the Democratic Republic of the Congo and Syrymbet in Kazakhstan. They're not exactly places to go for a holiday, let alone build a mine.

Kasbah Resources (KAS) 0.9c

The dearth of supply is music to Kasbah Resources, which happens to own 75 per cent of the world's third biggest untapped deposit: Achmmach 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 concentrate.

The $US96 million of required moolah is likely to come from a funding and off take deal with Japanese interests, who own the remaining 25 per cent of the operation.

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

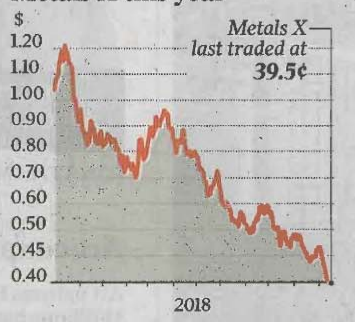
But the company's paltry $10m market capitalisation reflects a shabby history including a disastrous attempted merger with a Vietnam producer. Kasbah's board and management were overhauled in 2017.

"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

Metals X this year



Source: Bloomberg

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

Half-owned by China's Yunan Tin, Renison is a top 10 global tin producer, chugging out the metal an annualised rate of 6500 tonnes.

The partners are on the cusp of expanding Renison's resource base and production and have invested in ore sorting technology to improve recoveries.

They are also furthering a $205m tailings recovery project, Rentails, which awaits environmental approval.

Again the metrics are attractive: a $13,500 per tonne margin based on the current $26,000 Australian dollar-denominated tin price.

At the conference, the then chief executive Warren Hallam described Renison as "the ore body that just keeps giving".

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

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

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

Metals X has a $320 market cap — having lost 50 per cent of its value over the past six months — backed by $100m 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 (SRZ, 1.5c)

Stellar MD Peter Blight describes the company's Heemskirk project near Zeehan 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 grand 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.

Tim Boreham edits The New Criterion.

** Disclaimer: Independent Investment Research covers Kasbah Resources*

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