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Future looks rosy for quiet achiever

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TIN has not been enjoying the same attention as nickel in recent times, and with only a handful of companies in Australia expressing any interest in the metal, its recent price rises have mostly gone unnoticed. But as the tin market becomes more bullish, a number of juniors are looking for a way to profit from its growth. Report by Kate Haycock.

YTC Resources tin exploration in New South Wales.

Tin consumption worldwide has jumped over the last few years, thanks to the international movement towards banning lead in solders, which coupled with China's economic boom has seen the metal grow strongly, with prices for tin on the London Metal Exchange reaching almost $14,6000 per tonne at the end of March.

The International Tin Research Institute (ITRI) in the UK reported that from 2004 to 2006, worldwide consumption of tin grew from 330,000 tonnes to 363,000t, a drop in the ocean when compared to other commodities, but not anticipated to fall given the focus on lead's environmental problems in the first world.

However, tin supply has not kept pace and in fact has dropped this year, thanks primarily to Indonesia's move to crack down on illegal tin mining and smelting. Other tin producers like China, Peru and Bolivia have not rushed in to fill the gap.

This has led ITRI to predict that there will be a shortfall in the tin market worldwide of around 30,000t.

However, tin's stocks, relative to consumption, remains at a relatively high level in comparison to other metals like nickel.

The current tin stockpile on the London Metal Exchange stands at 9925t, and per day, ITRI puts tin consumption around 1005tpd, potentially increasing to 1033tpd this year.

"The world is not about to run out of tin. Stocks relative to consumption at the start of this year were higher than all the other LME metals and are sufficient to cover the supply deficit forecast," ITRI manager for statistics and market studies Peter Kettle said in a release earlier this year.

"However, visible stocks will be drawn down steadily over the coming months and if there is no real progress in freeing up Indonesian supply soon, there is still plenty of upside potential for prices in the second quarter and beyond."

Investment firm Barclays has forecast that tin will reach $15,000/t by the fourth quarter of this year, with prices predicted to average $16,000/t in the third quarter.

Also predicting a strong year for tin is GFMS Metals Consulting, which raised its average annual price forecast for tin to $12,600/t from its estimate of $10,700/t.

"Tin is one of the few metals where we are projecting this year's average to be significantly higher than last year's outcome of $8673/t," GFMS said in its April 5 base metals report.

New South Wales-based company YTC Resources believes the future of tin is promising and the company is focused on the metal, with its projects in the northeast of the state.

The company, which is due to list on the ASX in early May, has also signed an investment deal with one of the world's largest tin producers, the Yunnan Tin Company Group, to help fund its exploration activities.

"The last few years have been exciting on the tin market, and it's responding to industrial pressures as with all industrial metals," YTC Resources chief executive officer Rimas Kairaitis said.

"There's been two anomalies in the tin market that have now effectively been removed –

the first being illegal tin mining in Indonesia. There's been a crackdown on that, and that's removed the illegal tin mining out of the supply side of the equation.

"On the other side is the US Strategic Reserve, which has been sold down and finalised this year – it should end this year. They've been disposing of about 10,000t a year and they've only got 9000t left.

"So tin is now responding to market fundamentals – and the future looks rosy."

The company acquired its properties, which it believes are "advanced", in 2004, when the tin market was significantly weaker, thanks to a rapid price drop and an oversupply from Asia.

YTC's flagship Torrington and Giants Den prospects in the New England district of NSW come from a region famed for its high-grade tin "bungs" and the company expects its exploration will turn up more promising tin deposits.

Another junior dipping its toe into the tin market is Perth-based Stonehenge, which has tin and other base metals prospects in Tasmania.

"There are a few other tin players that are further ahead of us. But I think the market is going to remain pretty strong given the demand profiles of tin," Stonehenge managing director Todd Hibberd told *MiningNews.Net*.

"There are plenty of places where when price gets about $10,000/t, there's lots more potential for producers to come to the market. [But] our projects appear to be very low cost."

Stonehenge is looking to get tin production moving by processing existing stockpiles at its Granville East project, which should enable the company to extract between 80t and 100t of the metal while conducting further exploration.

Hibberd believes the supply gap will continue to widen and there will not be a repeat of the 2004 price crash.

"It's a matter of constantly assessing the supply and demand fundamentals – the regulatory regimes across EU countries and Australia and Canada, and New Zealand, those countries have signed on to eliminating lead from the environment," he said, pointing out that even a product like shotgun cartridges are now made lead-free, which increases the demand for tin.

"So that's one of the key drivers – there aren't that many other metals that can substitute for lead, but tin's one of them. So it should keep the demand side pretty strong … the next couple of years could look pretty good."

Hibberd was also optimistic that tin could rise to as much as $20,000/t, a figure which would be more than welcomed by Australia's only tin producer, Metals X, a company formed out of the merger of Bluestone Tin and Metals Exploration last year.

"As small as we are, we're Australia's largest tin producer – [we produce] 3500-4000t per annum from our Collingwood mine," Metals X non-executive director Peter Cook told *MiningNews.Net*.

"We made a conscious decision to move into tin after looking at supply-side analysis and concerns. Obviously with Bluestone we hit a speed bump – as much as the rising price is good for the industry, it can create a rapid oversupply," he said.

In late 2005, the drop in the tin price – falling to around $6000/t – forced the company to close down its Renison tin mine in Tasmania. Cook does not think a repeat of that situation is likely.

"Tin's been in crises for 20-25 years. There's significant consumption growth, 20% year-on-year in China, driven by an international shift towards non-toxic metals. It's an industry driven by lead replacement and there is no new tin supply coming into the market," he said.

Cook also said give tin's price increases, the company has "definite plans" to restart its Renison mine.

"We hope to do [that] later in this year or early next year," he said. "We're also waiting on approval to mine at our Mt Bischoff project [in Tasmania], which we see as being instrumental in restarting Renison.

"[But] the main tin project we have in our group is the Rentails project, which is by far the biggest – it's a 10-year reserve and it will be the biggest benefactor of highest tin prices in the future.

"If we get that up and running, it'll be the catalyst for Metals X to be a long-term player in the tin market. All our projects together would make us the sixth-largest tin producer in the world – and that's at about 18,500t of tin metal per year – it's just over 5% of the world's tin market."

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