



**Breakaway  
Research**

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### Company Information

ASX Code	CSD
Share Price	A\$0.10
Ord Shares	183.1m
Listed Options (CSDO)	61.7m
Unlisted Options	27.3m
<b>Market Cap A\$</b>	<b>A\$18.3m</b>
Cash (end Dec 12)	A\$0.6
Total Debt	A\$0m
<b>Enterprise Value</b>	<b>A\$17.6m</b>

### Directors

Managing Director	Ralph De Lacy
Non-Executive Director	Andrew Kerr
Non-Executive Director	Darryl Harris
Non-Executive Director	Tong Si He

### Substantial Share Holders

Snow Peak Int.	19.9%
Beacon Minerals	8.5%
Ralph De Lacey	5.6%
Geocrystal Ltd.	5.5%

### Company Details

Address	395 Lake Street, Cairns, 4870, QLD
Phone	+617 4032 3319
Web	www.consolidatedtinmines.com.au

### 1 Year Price Chart



Source: Bloomberg

# Consolidated Tin Mines (CSD)

*A clear path to become Australia's next tin producer*

**Recommendation: Speculative BUY**

## Company Update

### Key Points

- **CSD's major shareholder acquires Kagara 1Mtpa processing facilities and surrounding mining operations for \$40M**
- **Processing facilities located just 9km from flagship 'Gillian' deposit**
- **50/50 JV envisaged with CSD to provide 'Mt Garnet Tin Project'**
- **7.3Mt @ 0.6% Sn JORC resource with a resource upgrade expected imminently (targeting an additional 2Mt)**
- **Economics of project likely to be enhanced through the recovery of fluorine and iron by products**
- **PFS largely completed and due for release in the near term**
- **First tin production targeted for 2014**

*The acquisition of the Kagara processing facilities by Consolidated Tin's major shareholder is of major strategic importance, providing the company with a clear pathway to production. A 50/50 JV agreement will soon be signed with first tin production scheduled for 2014.*

### Company Update

Consolidated Tin (ASX: CSD) has taken a major step forward in its ambition to become the next Australian tin producer. 'Snow Peak International' (SPI), CSD's major shareholder, recently agreed terms to acquire the Kagara Central Region processing plant (and surrounding mining operations) for a total consideration of \$40m. The acquisition now creates a clear path to production for Consolidated Tin's nearby Mt Garnet Tin Project with the flagship Gillian deposit located just 9km (by sealed highway) from the Kagara plant.

Terms of a JV between Snow Peak and CSD are currently being formalised (subject to CSD shareholder approval) however, both parties envisage a 50/50 JV with CSD providing the Mt Garnet Tin Project and Snow Peak providing the processing plant. Some modifications will be required to the plant which will be funded on a 50/50 basis. In the short term, CSD will manage the plant and continue to process ore from copper and polymetallic mines (included in the acquisition) for a 10% free carry in any profit made.

The earlier signing of a \$3 million funding package with Snow Peak has been used to advance exploration at Mt Garnet and complete a pre-feasibility study (PFS). The results of the PFS are expected shortly after an understandable delay (due to the acquisition) while the recently completed 10,000m drill campaign is likely to lead to the company soon announcing a resource upgrade (targeting a further 2Mt for a total of 8Mt-10Mt of tin mineralisation, averaging 0.5% tin).



## Investment Thesis

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### Snow Peak Mining Pty Ltd acquires Kagara Central Region Project

*Major shareholder acquires 1Mtpa processing facilities*

On the 14<sup>th</sup> of December 2012, Snow Peak Mining Pty Ltd entered into an agreement to purchase the Kagara Central Region Project from administrators (Kagara went into voluntary administration in April 2012) for \$29.3M plus the assumption of \$10.7M in environmental bonds for total consideration of \$40M. Completion and handover was recently completed on the 25<sup>th</sup> January 2013.

Snow Peak Mining (SPM) is a subsidiary of Hong Kong based investment group 'Snow Peak International Investment Pty Ltd' (SPI) which is also Consolidated Tin's major shareholder with a 19.9% interest in the company.

### The Kagara Central Facilities

*Located ~9km from flagship Gillian Tin deposit*

The Kagara Project is located in close proximity to Consolidated Tin's Mt Garnet Tin Project with the Plant located just 9km (by sealed road, on the Kennedy Highway) to the company's flagship Gillian Tin deposit (which hosts near surface JORC resource of 3Mt @ 0.78% Sn).

*Plant currently has a copper and poly metallic circuit each at 0.5Mtpa*

The acquisition includes a highly prospective and proven package of copper and base metal assets plus a 1Mtpa processing plant. The plant currently has copper circuit and a polymetallic circuit, each with a 0.5Mtpa capacity.

SPM intend to continue to operate the plant in its current configuration, processing ore from the Baal Gammon and Balcooma/Surveyor Mines within the project area

**The strategic value of Snow Peak's acquisition is not to be underestimated.** This is a significant step forward and a 'game changer' for Consolidated Tin as it provides the company with a clear path to production.

### The Next Steps

*Production to continue as normal*

Consolidated Tin recently employed ex Kagara Central Regional General Manager, Mr. John Banning, a well-qualified mining engineer with a long history with the project, to implement the CSD/SPM development plans, which involves a two stage process:

#### Stage 1:

*CSD to manage the plant to earn a 10% free carry in any profits*

CSD will manage the Kagara Project on behalf of SPI as a separate entity. CSD will receive 10% (free carried) on any short term profit from all revenue from the Kagara Project as compensation for managing the project. CSD will complete a PFS on its Mt Garnet Tin Project, with ore to be processed through a reconfigured Kagara Mt Garnet concentrator. Short term opportunity exists to process CSD non-skarn tin deposits, which, if feasible, will be processed by SPM on a cost plus margin basis.

#### Stage 2:

*50/50 JV likely to be formed*

Assuming the likely scenario of a positive PFS outcome, a 50/50 JV partnership will be formed between the two parties whereby SPM provides the plant and CSD provides ore from the Mt Garnet project. Final details of the proposed JV are yet to be formalised (and subject to shareholder approval) however it is envisaged the SPM/CSD JV would install a third tin processing circuit with the CAPEX costs split on a pro rata basis.



## Mt Garnet Pre-Feasibility Study

*Snow Peak International provides funds for completion of PFS*

On the 3<sup>rd</sup> of May 2012, Snow Peak and Consolidated Tin entered into a heads of agreement for a A\$3 million funding package to be used for the completion of a Pre-Feasibility Study of the Mt Garnet Tin Project. In consideration of this payment, CSD issued Snow Peak 27.3m unlisted options which have an exercise price of 7 cents and expire 31 Dec 2013. Should Snow Peak exercise these options, it would raise an additional A\$1.9m for the company.

The PFS study was due for final completion at the end of 2012, however the recent development surrounding the Kagara plant acquisition has led to an additional time requirement to fully assess this processing option.

Following completion of the PFS, if deemed positive, the project will progress to a Bankable Feasibility Study (BFS) which will be used to support additional funding for CSD's share in the CAPEX requirement to implement stage 2.

## Short Term Funding

*Small capital raising required*

Breakaway notes CSD had a cash balance of ~A\$0.6M as at end Dec 2012. Consolidated Tin are likely to raise additional capital (in the near term) to fund future exploration and complete necessary studies. Details of a funding agreement have not yet been formalised, however, Breakaway expects an announcement in the short term.

## Mt Garnet drill campaign - resource upgrade imminent

*1-2Mt resource upgrade targeted*

Consolidated Tin recently completed approximately ~10,000 of drilling within the Mt Garnet project (Gillian, Pinnacles and Deadmans Gully). The drilling campaign was largely designed to upgrade the category of the current JORC resource (7.3Mt @ 0.6% Sn) to mostly 'Indicated' and to target a further 1-2Mt in additional mineralisation.

### Current JORC Tin Resource

Project	Measured		Indicated		Inferred		Total	
	Tonnes (t)	Sn (%)						
Gillian	1,203,000	0.82	824,100	0.73	974,100	0.77	3,001,200	0.78
Pinnacles	-	-	218,200	0.49	1,652,700	0.39	1,870,900	0.40
Deadmans Gully	-	-	401,500	0.49	-	-	401,500	0.49
Windermere	-	-	-	-	2,103,000	0.55	2,103,000	0.55
<b>Sub Total</b>	<b>1,203,000</b>	<b>0.82</b>	<b>1,443,800</b>	<b>0.63</b>	<b>4,729,800</b>	<b>0.54</b>	<b>7,376,600</b>	<b>0.60</b>
<b>Jeannie River</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,240,000</b>	<b>0.60</b>	<b>2,240,000</b>	<b>0.60</b>
<b>Total</b>	<b>1,203,000</b>	<b>0.82</b>	<b>1,443,800</b>	<b>0.63</b>	<b>6,969,800</b>	<b>0.56</b>	<b>9,661,643</b>	<b>0.60</b>

Source: Consolidated Tin Mines

*Resource upgrade due imminently*

All assays have now been received (from ~10,000m already drilled) and will form the basis of the **resource upgrade** currently underway and **due imminently**.



## Mt Garnet - Project Summary

### Gillian Deposit

*High grade open pitiable resource*

Gillian is the most advanced of the three key projects at Mt Garnet and controls on the mineralisation are well understood. 1,000m of drilling was recently completed at the deposit and was largely for the purpose of 'infill drilling' and testing the extent of the down dip extensions of the mineralisation. Assays recently received from this campaign continue to demonstrate broad zones of high grade shallow mineralisation **including 30m @ 1.02% Sn** from 3m below surface and **20m @ 1.31% Sn** from 15m below surface. Breakaway expects the upcoming resource upgrade will largely constitute a shift in resources from the 'Inferred' category to mostly 'Measured and Indicated' resources rather than a meaningful increase to the total tonnes.

### Pinnacles

*Fluorine and Iron by-product credits*

The Pinnacles deposit currently hosts a near surface JORC resource of 1.8Mt @ 0.40 % Sn with potential to host several million tonnes of resource with further exploration. Additional opportunity exists, with significant magnetite iron ore and fluorine mineralisation co-existing within in the deposit and likely to be recovered in the overall processing route and then on-sold as by-products.

*Breakaway expects additional resources at Pinnacles*

Consolidated Tin has drilled over 10,000m since the last resource review, much of which has been 'resource extension' drilling. Exploration results from this extensional drilling, outside of the current resource limits, bode well for the company to meet its short term exploration target of identifying an additional 1-2Mt of resource @~0.6% Sn. Recent highlights include **6m @ 1.84% Sn and 10m @ 1.19% Sn**.

### Windermere/Deadmans Gully

Windermere hosts a JORC Inferred Resource of 2.1Mt @ 0.55% Sn, while the nearby Deadmans Gully contributes a further 401,500t @ 0.49% Sn (Indicated) giving a total JORC Resource of 2.5Mt @ 0.5% Sn for 12,500t of contained tin.

*Further large intersections of mineralisation*

Consolidated Tin recently completed another 500m of RC drilling at the Deadmans Gully prospect which intersected further broad widths of mineralisation. Highlights include 36m @ 0.52% Sn (from surface) and 23m at 0.48% Sn (from 10m below surface).

### Jeannie River

*Jeannie River provides robust project pipeline*

The acquisition of the Jeannie River exploration permit has been another recent positive development. 750k shares have now been issued for the prospect as per the terms agreed in October 2011.

Jeannie River currently hosts a JORC Inferred Resource of 2.24Mt @ 0.6% Sn with significant exploration potential and provides an excellent pipeline for the company. Exploration at the project is expected at a controlled pace as the primary focus is still the Mt Garnet project. In time, Jeannie River may warrant a standalone operation to augment production from Mt Garnet



### **Analyst Verification**

We, Grant Craighhead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

### **Disclosure**

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Consolidated Tin and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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