



**Breakaway
Research**

June 2013

Grant Craighead | Research Manager
gcraighead@breakawayinvestmentgroup.com

Andrew McLeod | Research Analyst
amcleod@breakawayinvestmentgroup.com

Company Information

ASX Code	CSD
Share Price	A\$0.05
Ord Shares	186.1m
Entitlement shares	37.2m
Listed Options (CSDO)	61.7m
Unlisted Options	27.3m
Market Cap A\$	A\$9.8m
Cash (end Mar 13)	A\$0.2m
Total Debt	A\$0m
Enterprise Value	A\$9.6m

Directors

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

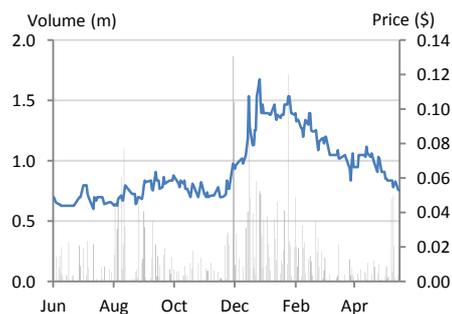
Substantial Share Holders

Snow Peak Int.	19.6%
Beacon Minerals	8.2%
Ralph De Lacey	5.5%
Geocrystal Ltd.	5.4%
John Sainsbury	4.5%
Top 20	63.9%

Company Details

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

1 Year Price Chart



Source: Bloomberg

Consolidated Tin Mines (CSD)

On track to deliver first tin production by mid-2014

Recommendation: Take up your rights

Company Update

Key Points

- **JORC Resource tonnage upgraded by 44% to 10.57Mt @ 0.44% Sn**
- **Snow Peak Mining, CSD's major shareholder, acquires 1Mtpa processing plant for A\$ 40M and seeks JV with CSD**
- **CSD to re-commission the Mt Garnet concentrator for a 10% free carried share in short term profit**
- **Updated PFS (due by Sept 2013) will assess the economics of creating a designated tin circuit for CSD's Mt Garnet project**
- **Economics of project likely to be enhanced through the recovery of fluorine and iron by products giving tin equivalent grade of 0.53%Sn**
- **First tin production targeted for mid-2014**

Major shareholder Snow Peak Mining has now completed the acquisition of the 'Kagara Central Region Project' which includes a 1Mtpa processing plant and a highly prospective land package. CSD recently announced a JORC Resource upgrade and is well advanced with a PFS assessing the economics of modifying the plant to process tin ore (sourced from the CSD's flagship Mt Garnet tin project) at the plant. A modest capital raising is underway to support short term funding ahead of anticipated first production in mid-2014.

Company Update

Consolidated Tin (ASX: CSD) continues to make steady progress in its ambition of becoming the next Australasian tin producer, boosted by a strong relationship with Snow Peak Mining Pty Ltd.

Snow Peak Mining recently paid A\$ 40M for the Kagara Central Region Project which includes a 1Mtpa processing plant and a highly prospective land package. CSD has agreed to manage the re-commissioning of the 1Mtpa Mt Garnet processing facility (scheduled to re-open Sept. 2013) with ore to be initially sourced from the existing Baal Gammon and Balcooma/Surveyor mines, in return for a 10% free carried interest in any short term profit made.

A pre-feasibility study is well underway (due for completion in Sept. 2013) assessing the economics of processing ore from Consolidated Tin's Mt Garnet tin project at the Mt Garnet concentrator. In its current configuration, the plant is not set up to process tin ore and as such, modifications to at least one of the existing 0.5Mtpa circuits will be required (at a fraction of the cost of constructing a stand-alone plant). The economics of the PFS will likely be supported by the recent **44% JORC Resource upgrade to 10.5Mt @ 0.44% Sn**.

On completion of the PFS, a JV company will be formed with Snow Peak and CSD each contributing their relative assets. Each company will then contribute funding on a pro-rata basis for any plant modifications and upgrades.



Capital Raising

On the 28th of May, Consolidated Tin announced its intention to undertake a modest capital raising by way of a **'non-renounceable entitlement issue'**.

1 for 5 share offer

Under the terms of the offer, existing shareholders (shareholders holding stock as of the 6th June) have the right to take up one additional share for every five already held at a price of 5c per share (representing ~17% discount to the closing price the day before the capital raising announcement).

The total number shares offered under this scheme is 37.2M and if fully subscribed, **will raise a total of A\$1.86M**. Encouragingly, Consolidated Tin's Managing Director, Ralph De Lacey, has partially underwritten ~10% the issue (3.94M shares) on top of his entitlement of 2.06M shares (for a total of 6M shares and A\$ 300k).

The closing date of the offer is 2nd July with new shares scheduled to trade on the ASX by 3rd July.

Raising A\$1.86M

Use of Funds

Area	A\$
Pre -feasibility Studies	700,000
Metallurgical test work	350,000
Exploration and mineral resource re-estimation	300,000
Repayment of loan to Snow Peak	300,000
Working Capital	185,753
Expenses of the Offer	25,204
Total	1,860,957

Source: Consolidated Tin

Breakaways View

At the time of Breakaway's last update on Consolidated Tin, we flagged the company's low cash position and the likely scenario of an upcoming capital raising. Unfortunately for Consolidated Tin, the market appeared all too weary of this and, compounded by weak market conditions for miners, the stock declined to ~6cps. This has forced CSD to raise (a modest amount) capital at a sub optimum share price of 5c.

EV of A\$10.4M post capital raising

Post Capital Raising Capital Structure

Shares on Issue	223,314,881
Options CSDO (EXP 31 Dec -13 @ \$0.20)	61.7m
Unlisted Options (EXP 31 Dec -13 @\$0.07)	27.3m
Estimated Cash	A\$ 1.86m
Debt	A\$ 0.4m
MCAP (@A\$ 0.053)	A\$ 11.8m
EV	A\$ 10.4m

Source: Breakaway Estimates

Company appears significantly undervalued

Breakaway estimate a post capital raising enterprise value (EV) for Consolidated Tin of A\$ 10.4M. We view this valuation inexpensive and compelling, given the company's quality JORC Resource (recently upgraded) and near term production profile. As such, **Breakaway Research recommends eligible shareholders take up their share allocation.**



Investment Thesis

Processing Plant Secured

*Kagara project
acquired for A\$ 40M*

*Project includes
1mtpa plant +
prospective land
package*

*Plant to be re-
commissioned by
September 2013*

*All major
infrastructure and
permitting in place*

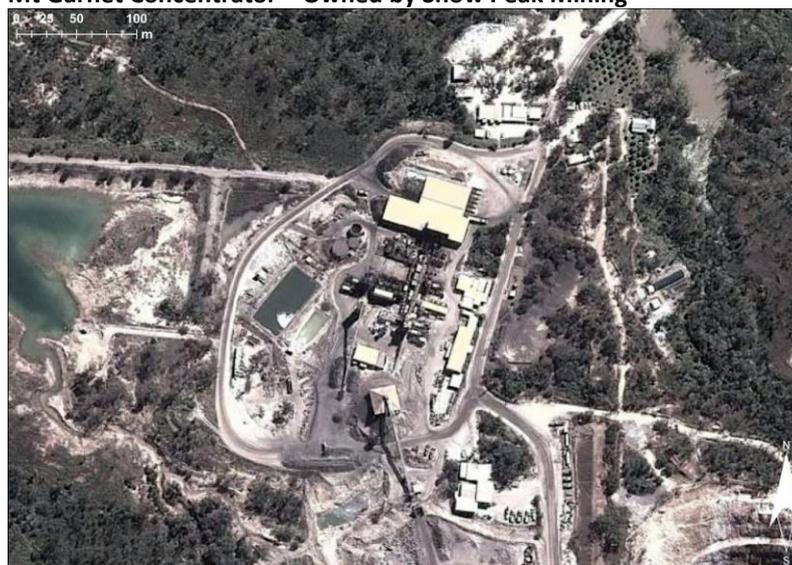
On the 25th January 2013, Snow Peak Mining completed the acquisition of the Kagara Central Region Project for total consideration of A\$ 40M. The project is strategically located just 9km (by sealed road, on the Kennedy Highway) to the company's flagship Gillian tin deposit (which hosts near surface JORC resource of 3Mt @ 0.78% Sn).

The ex-Kagara Central Region Project includes a highly prospective and proven package of copper and base metal assets including the Baal Gammon and Balcooma/Surveyor mines and a 1Mtpa processing plant (the Mt Garnet concentrator).

The processing facilities currently incorporate copper and polymetallic circuits, each with a 0.5Mtpa capacity. It is envisaged the plant will be re-commissioned in its current configuration by September 2013, processing ore from the existing Baal Gammon and Balcooma/Surveyor deposits (included in the acquisition).

As previously stated, CSD will manage the Project on behalf of Snow Peak as a separate entity and will receive a 10% free carried interest on any short term profit as compensation.

Mt Garnet Concentrator – Owned by Snow Peak Mining



Source: Consolidated Tin

Mt Garnet Pre-Feasibility Study

*PFS due on CSD's Mt
Garnet Tin Project*

On the 3rd 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.

The PFS study was due for completion at the end of 2012, however it has been justifiably delayed given the recent developments surrounding the Kagara plant acquisition. The PFS is now scheduled for completion by September 2013 and is expected to highlight significant cost savings and favourable project economics.



Formation of a Joint Venture Company

JV company to be formed

A tin circuit to be built at a fraction of the cost of a stand alone operation

CSD trading a significant discount to the Kagara Central region Project acquisition price

Value Metrics

Estimated EV	A\$ 10.3M
Mt Garnet JORC Resource	10.65Mt
Contained Tonnes Sn	46,508
EV/Resource t	A\$1.0
EV/Contained Sn tonne	A\$221
Current tin price per tonne	US\$ 21,600

Assuming an economically attractive PFS, a Joint Venture Company is envisaged with Consolidated Tin contributing its tin projects and Snow Peak contributing the 'Kagara Central Region Project'.

In its current state, the processing plant is not configured to process tin ore and as such, a tin circuit will need to be installed. Importantly, all the existing infrastructure including the costly crush & grind facilities can still be utilised, significantly reducing the costs compared to a stand alone operation. No formal decision has yet been made on how this additional circuit will be funded (estimated costing's to be delivered with PFS) however, it is envisaged the CAPEX would likely be split on a pro-rata basis. First tin production is then envisaged for Q2 2014.

Value Proposition

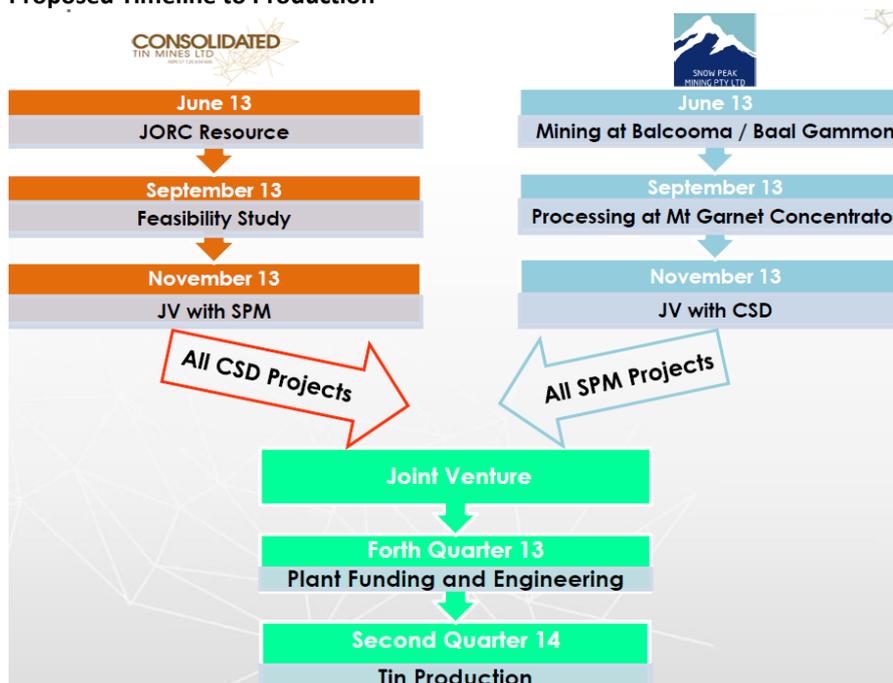
The formation of a JV company, with Snow Peak contributing the Kagara Central Region Project and Consolidated Tin contributing the Mt Garnet Tin Project, highlights the apparent 'discount' CSD is currently trading at.

Snow Peak Mining paid a total of A\$ 40M for the Kagara Central Region Project (representing its half of the JV company) while CSD is expected to have a post capital raising EV of just A\$10.6M (representing the other half of the JV company).

Breakaway believes Consolidated Tin's current valuation (relative to the soon to be JV partner) is unwarranted. The combined entity is a near term producer with a fully permitted plant on the door step of a significant tin deposit, augmented by a highly prospective and proven package of copper and base metal assets including the Baal Gammon and Balcooma/Surveyor mines.

A clear path to production has now been forged in a market where few explorers have the opportunity to transition to 'producer' status. The significance of this JV should not be underestimated.

Proposed Timeline to Production



Source: Consolidated Tin

Near term production



Mt Garnet Resource Upgrade

Consolidated Tin recently upgraded their JORC Resource tonnage by 44% from 7.3Mt @ 0.6% Sn for 44.2kt of contained tin to 10.57Mt @ 0.44% Sn for 46.5kt of contained tin. When taking into account the fluorine and iron credits the upgraded Resource stands at 10.57Mt @ 0.53% Sn Eq.

Current JORC Tin Resource

2Mt Resource upgrade targeted

Project	Measured		Indicated		Inferred		Total	
	Tonnes (t)	Sn (%)	Tonnes (t)	Sn (%)	Tonnes (t)	Sn (%)	Tonnes (t)	Sn (%)
Gillian	1,100,000	0.73	1,550,000	0.62	1,550,000	0.62	3,570,000	0.65
Pinnacles	-	-	4,270,000	0.33	1,120,000	0.32	5,390,000	0.33
Deadmans Gully	-	-	420,000	0.35	-	-	420,000	0.35
Windermere	-	-	410,000	0.37	780,000	0.34	1,190,000	0.35
Sub Total	1,203,000	0.82	1,443,800	0.63	4,729,800	0.54	10,570,000	0.44
Jeannie River	-	-	-	-	2,240,000	0.6	2,240,000	0.60
Total	1,203,000	0.82	1,443,800	0.63	6,969,800	0.56	12,810,643	0.47

Source: Consolidated Tin Mines

While the Resource upgrade has only resulted in a modest increase (~5%) of 'contained tin', the inclusion of an additional 3.3Mt of ore into JORC classification is significant in supporting development of an open pit mining operation. With a +10Mt Resource now in place, there is sufficient feedstock to move into the next phase of development.

Economics likely to be enhanced by fluorine and iron credits

Metallurgical Test Work

Metallurgical studies are also being finalised. Test work indicates that fluorine and iron can both be recovered during a simplified processing route, further enhancing the economics of the project.

Short Term Funding

Snow Peak provide short term funding

Immediately prior to the capital raising, Snow Peak agreed to provide Consolidated Tin with a A\$ 1M short term loan facility. Breakaway estimate CSD has drawn down ~400k of this facility. Under terms agreed, Consolidated Tin is to pay back outstanding funds within two months of first draw down and expect to do so with proceeds from the capital raising.

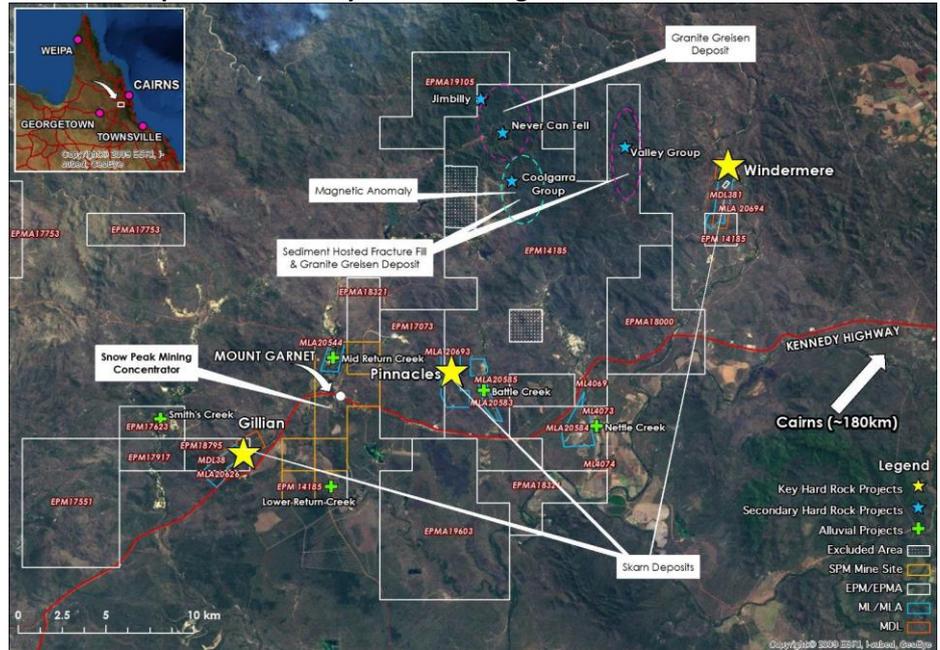
Exploration Potential

Exploration potential still exists within the project area

While the Resource is now deemed sufficient to commence mining operations, opportunity still exists to extend the Resource through the testing of nearby targets. These targets will be tested in due course, once the plant is up and running and cash flow positive.



Mt Garnet Deposits and nearby additional target areas



Significant exploration potential still exists

Jeannie River

Pipeline of projects

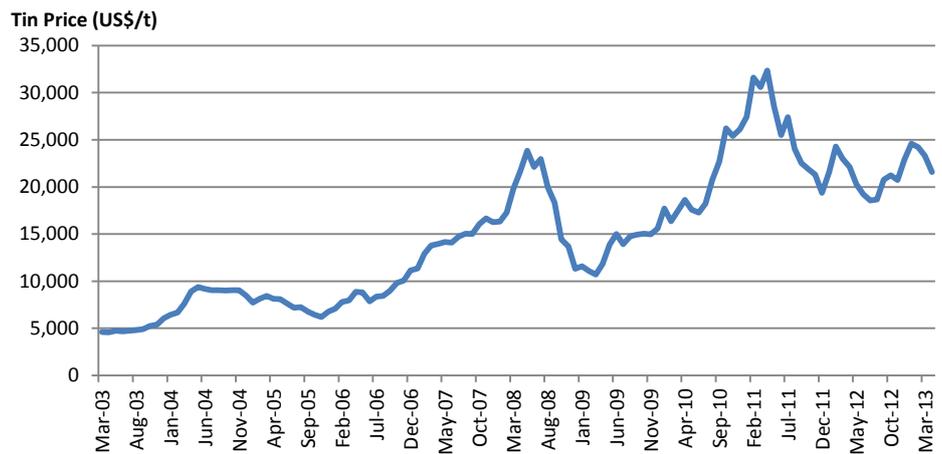
Jeannie River currently hosts a JORC Inferred Resource of 2.24Mt @ 0.6% Sn with significant exploration potential and provides an excellent pipeline for the company. Exploration at the project is expected at a controlled pace as the primary focus is still the Mt Garnet project. In time, Jeannie River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

The Tin Price

The chart below shows the price per tonne of tin over a 10 year period. Although the PFS has not yet been released, Consolidated Tin estimates operating costs of ~US\$12,000/t (against a current (April 2013) tin price of US\$21,600).

CSD estimates operating costs at ~US\$12,000/t

Strong tin price on an upward trend.



Source: Indexmundi



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.

Disclaimer

Any observations, conclusions, deductions, or estimates of figures that have been made by Breakaway Research and the Breakaway Investment Group in this report should not be relied upon for investment purposes and the reader should make his or her own investigations. This publication has been issued on the basis that it is only for the information and exclusive use of the particular person to whom it is provided. Any recommendations contained herein are based on a consideration of the securities alone. In preparing such general advice no account was taken of the investment objectives, financial situation and particular needs of a particular person. Before making an investment decision on the basis of this advice, investors and prospective investors need to consider, with or without the assistance of a securities adviser, whether the advice is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor or the prospective investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission that may have occurred therein.

Breakaway Investment Group
AFSL 290093 ABN 84127962387
T+61292621363
F+61292792727
PO Box H116 Australia Square
Sydney, NSW 2001
Suite 505, 35 Lime Street,
Sydney, NSW 2000