

## Getting in on tin

ROBERT GOTTLIEBSEN | 29 NOVEMBER 2013



**Summary:** Automotive giant Toyota is taking a punt on tin, with an option to buy a strategic stake in an Australian-based mining company. Demand for the base metal is set to accelerate, through the development of more electric cars and via the growth of miniature electronic devices that use tin for solder.

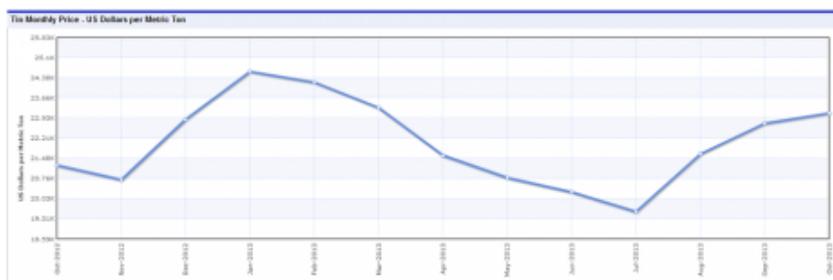
**Key take-out:** There are numerous entry points into tin via companies listed on the Australian Securities Exchange. Australia's biggest tin producer is Metals X (MLX), which owns half of the famous Renison Bell tin operation.

**Key beneficiaries:** General investors. **Category:** Commodities.

This week I was at a conference where one of the speakers suggested that, while all the indications are the US dollar will rise in 2014 as quantitative easing is tapered, it still made sense to have around 3-5% of your money in gold – just as a hedge.

I have no problem with the basic philosophy that states you invest small amounts of your funds in strategic asset situations on a hedge basis.

But I think, if I had a mind to make a play on a particular metal outside of iron ore, I would go for tin. Look down the LME (London Metal Exchange) list of metals and you will see that all have declined from their 2012 levels, except tin and lead.



[1]

When you look at the consumption of tin you discover it has risen in most years over the last decade, but the supply has simply not increased. Indeed, what we are now doing is going back to old mines and treating tailings and embracing other mechanisms to try and maintain the level of output.

As a result, tin is a lot more stable in terms of its pricing and the current tin price level makes it possible to open new mines.

Two events alerted me to tin. I was looking at some material on the motor industry and I discovered that Toyota had taken an option to buy some 20% of the Australian-based Kasbah Resources (KAS), which is looking to develop a tin mine in Morocco. Why would Toyota do this? I believe what they are doing is punting that if the world goes in the direction of the electric car an amazing amount of extra solder would be required, and the tin price would go through the roof. I suspect that we aren't going to go to the electric car because of the discovery of enormous oil and gas reserves, but it certainly could happen.

The second 'tin alert' came from a friend, stockbroker Michael Beer, who dedicates his business to keeping small miners alive in tough times. He believes tin is in a class of its own. What happened in the tin market is that, as we moved from the PC and large mobile phones to miniature devices, we used less and less tin in

soldering. But the sheer magnitude of these miniature devices has enabled the demand for tin to be maintained, and new markets are also developing. Mining magnate Gina Rinehart's closest minerals advisor is Dr Ian Plimer, who believes tin will be the great metal of the first part of the 21<sup>st</sup> Century.

The wonderful thing about tin is that it has absolutely no glamour so tin shares are available at relatively low prices. Australia's biggest tin producer is Metals X Limited (MLX). Metals X owns half of the famous Renison Bell tin operation. When I was a boy my father was a great investor in Mount Lyell, and we would go to Queenstown and look at the mine. Not far away was the emerging star – the Renison tin mine. Renison is still producing tin and looks like producing tin for decades to come.

Better still, it is now looking to treat tailings and other products. Metals X is going to produce substantial revenue from that mine. And if tin prices were to move up 10 or 20% – as could easily happen when the largest tin mine Peru shuts down in 2017, and if the Chinese and Indonesians continue to slow production, then Renison will again be a bonanza because it is a low-cost producer.

My greatest fear with Metals X is that the CEO Peter Cook is something of mining entrepreneur. Earlier this year he bought into a gold mine in Western Australia. By the look of it he has bought the mine incredibly cheaply and Metals X could make a lot of money.

But suddenly Metals X is now a gold and tin play, not just a tin play. And Cook also has acquired an enormous nickel reserve in central Australia, which he will leave dormant in the hope that sometime in the next decade or so nickel will return to favour and make it economic to develop a mine. Metals X is a company with no debt and about \$50 million in the bank, even after the purchase of the gold mine. My fear is that as the cash starts to roll in from gold and tin, it will get spent in new adventures rather than be distributed to shareholders. I hope I am wrong. Certainly, in Metals X shares, you are purchasing a growing and profitable tin mine plus a gold mine. This is not a stock for widows and orphans, because it carries high risk.



Toyota picked out Kasbah because it believed the company had the opportunity to develop a fabulous tin mine and the world needs that mine given the contraction of supply in the other main producers.

But, the mine is in Morocco and Morocco, along with most other Middle Eastern countries, carries a high risk. There are a series of other smaller tin players on the Australian list including Venture Minerals (VMS), Consolidated Tin Mines (CSD), Stellar Resources (SRZ), Elementos (ELT), Ausnico (ANW) and Niuminco (NIU). Each of these companies has a chance of developing tin resources, which is made possible given the current tin price stability at a relatively high level.

## KASBAH RESOURCES LIMITED



[3]

What is important to understand is that tin is essential for our electronic revolution, and although its use has been curtailed, we are headed into an era where the number of small appliances is going to double and quadruple, and with that will come much greater demand for tin.

And, of course, if we happen to go for the electric car, the outlook for tin will be transformed. So here is a way of having a small investment in an essential raw material for an electronic age that has the chance of becoming a very scarce material if the world was to move on a big scale towards electric cars.

And you can buy these assets at relatively low prices. Indeed, the CEO of Metals X says his gold assets are worth approximately his market capitalisation, therefore you obtain tin for nothing. I am not sure that is right, but it does show there is considerable upside if the tin market stays strong and gets stronger.

---

**Source URL:** <http://www.eurekareport.com.au/article/2013/11/29/base-metals/getting-tin>

### Links

[1]  
[http://1.static.australianindependentbusinessmedia.com.au/sites/default/files/styles/graph\\_colorbox/public/131129Gottlieb1.png?itok=AmLaYNvg](http://1.static.australianindependentbusinessmedia.com.au/sites/default/files/styles/graph_colorbox/public/131129Gottlieb1.png?itok=AmLaYNvg)

[2]  
[http://1.static.australianindependentbusinessmedia.com.au/sites/default/files/styles/graph\\_colorbox/public/131129Gottlieb3.png?itok=2O\\_-P4Bf](http://1.static.australianindependentbusinessmedia.com.au/sites/default/files/styles/graph_colorbox/public/131129Gottlieb3.png?itok=2O_-P4Bf)

[3]  
[http://2.static.australianindependentbusinessmedia.com.au/sites/default/files/styles/graph\\_colorbox/public/131129Gottlieb2.png?itok=as4UqAOC](http://2.static.australianindependentbusinessmedia.com.au/sites/default/files/styles/graph_colorbox/public/131129Gottlieb2.png?itok=as4UqAOC)