Tin players making the right noises as prices lift

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Tin prices have increased 40 per cent price since the lows in January

Things are stirring in the ASX-listed tin space, as might be suspected given the 40 per cent price improvement in the metal since the start of the year.

But no one is getting too excited just yet given the price increase to $US18,195 a tonne is off a horror low in January of $US13,085 a tonne.

A more meaningful price performance guide is that tin has increased some 13 per cent from the 2015 average of $US16,070 a tonne. And even then, prices need to get to $US20,000-plus for the buzz factor to really kick in.

That sort of price level could be around the corner.

Pushing things along for tin so far this year are tighter supply factors from Chinese restocking, China's environmental crackdown, Indonesia's ban on the export of unprocessed ores, a slowdown in Myanmar production, and the lack of new mine developments.

On top of all that — and a new theme for the tin market — is the increasing recognition that tin is deeply involved in all facets of the global energy revolution. It is no longer just about solder, tin-plate, pewter and electroplating.

Tin is found in lead-acid batteries, which are undergoing something of a renaissance thanks to the sealed unit type that is powering China's love affair with electric bicycles and mopeds, and it is found in lithium-ion batteries, which the world has decided will be the first technology to electrify the world's transport industry.

It is also found in the technologies — including supercapacitors — that are being developed to eventually take over over from lithium-ion batteries, as well as in a range grid-sized non-battery storage technologies to make renewables more efficient, as well as clean and alternative fuel technologies.

Where that all ends up in terms of tin demand is anyone's guess. But it has been good enough in this market to get some of the other players in the energy revolution — the graphite, lithium, manganese and cobalt stocks — buzzing.

One guy who knows all about that is Jim Askew courtesy of his chairmanship of the leading graphite stock **Syrah Resources (SYR)**. But Askew is also chairman of Toronto-listed **Asian Minerals Resources (AMR)**, which has just secured an agreed takeover of the ASX-listed Moroccan tin developer **Kasbah Resources (KAS)**.

AMR is an established sulphide nickel producer in Vietnam and its scrip offer values Kasbah at 3.8c a share for a total of $22 million, a 20 per cent premium to its average value in the last 90 days. So things are indeed stirring in the tin space.

Tassie metal rings true

Moroccan tin is fine. But in this market Tassie tin is even better. And the most leveraged to the upside outlined above has to be **Stellar Resources (SRZ)**.

It last traded at 3.4c for an enterprise value of $9m after taking in to account its $1.6m in cash.

Stellar owns 100 per cent (Kasbah owns 75 per cent of its Moroccan project) of the Heemskirk tin project, 150km south of Burnie. It is the highest-grade undeveloped tin project on the ASX, but the bashing of tin prices in the last years has slowed its pathway to development.

But Stellar has been busy nevertheless, taking the opportunity to rethink and finetune the project in readiness for the sort of market turnaround that is now underway.

The end result is a smaller but more nimble project. The main benefits of the optimisation work were an increase in anticipated metal recoveries and a reduction in preproduction capital from $126m to a much more doable $47.5m. Leverage from the smaller scale project (annual production would be about 1500 tonnes of contained tin) is extreme.

Stellar's current market capitalisation clearly does not reflect that sort of potential. But the market will surely have to take a second look as tin prices get back above $US20,000 a tonne to incentivise new supplies to meet existing demand, and what might come from the global energy revolution.

Opportunity knocks

The Indonesian ban on the export of unprocessed ores mentioned earlier has served up an opportunity for ASX-listed **Gulf Manganese Corp (GMC)**.

It has set out to become a manganese ferro-alloy producer in West Timor, using local high-grade supplies of the critical steel-making ingredient and processing the material in two house-sized smelting furnaces to be relocated from South Africa to a site 12km from the capital Kupang.

In recent days a big-time backer of the plan has emerged, with a deal said to involve the backer taking a 10 per cent interest in the project in return for $US10m, with the potential to acquire another 5 per cent in the project for $US7m.

The ASX has asked for more information on the deal, with trading in GMC halted until the ASX is satisfied the market is fully informed. Assuming that occurs, GMC's tiny market capitalisation at its last sale price of 1.8c a share suggests some adjustment to the upside is on the cards.

It is believed that a guy who has made his fortunes in the Indonesian cement industry is behind the deal. And originally coming from West Timor, he wants to give back, and presumably make some dosh on the way through.

What can be said is that if GMC gets its two smelters up and running, there will be local jobs for more than 600 people, and Indonesia's ban on exports of unprocessed ores will have achieved its aim of creating local jobs and investment in the part of the world that struggles to attract investment dollars at the best of times.

Perth stockbroker Triple C Consulting has a research reported dated August 5 which gives a good feel on the potential of GMC's Timorese manganese smelting hub ambition. Triple C has a 4.2c a share 12-month price target on the stock.

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