DGRGLOBAL NEWS BANK

Why the world needs tin more than ever

Tin is heading for a situation of critically short supply as rising global demand from the electronics industry and the emerging Asian economies rubs up against falling supply.

That is the outlook from respected commodity analysts BMI Research. BMI predicts that prices will increase gradually to average US$22,000 a tonne by 2020 – from about $20,070 at present – as the global market racks up sustained market deficits and inventories dwindle.

This view is supported by the International Tin Research Institute, which projects a 21% shortfall by 2020 as consumption rises and production from existing mines tails off. Last year, tin prices rose 60% in the second half of the year as China's economic stimulus boosted demand while supply stagnated.

Prices have eased 9% this year on profit-taking and China's removal of its export duty on tin, which had been introduced to curb local output of metals in a bid to counter pollution, but the fundamentals for tin are still highly positive.

Two forces are driving these fundamentals.

Demand is increasing in its traditional uses of soldering, tinplating, alloys, electronics and chemicals and it is also increasing through its burgeoning use in the green economy. New applications in battery technology, solar power generation, hydrogen fuel and clean fuel require lots of tin. These new applications will stretch the supply shortfall even further.

Politics could also bolster tin's fundamentals. Another potential boost to demand comes from Trump protectionism, which could cause the US to rebuild its strategic stockpiles of tin.

This comes at a time when major tin-producing countries are struggling to maintain supply because new tin ore bodies are not being found.

All of that is great news for Aus Tin mining (ASX: ANW), one of the five companies under the DGR umbrella. DGR generated Aus Tin Mining in 2010 (ASX code: ANW), and holds 21.77%.

Aus Tin has a portfolio of highly prospective tin projects at Granville in Tasmania and Taronga and Torrington in New South Wales.

The Granville tin project, 20km north of Zeehan on the west coast of Tasmania, was mined between 1984 and 2015. Aus Tin recommenced production in August 2016 from tailings and is seeking regulatory approval to resume mining at the high-grade open-cut mine.

The company is targeting 550 tonnes a year of tin concentrate at a cash cost of about US$12,000 a tonne. Aus Tin has also identified more than 100 tin prospects within a 25km radius of the Granville processing plant.

The company's flagship project is the Taronga tin project 45km north of Glen Innes in northern New South Wales. The extensively explored prospect contains a resource of 57,200 tonnes of contained tin plus 26,000 tonnes of contained copper and 4.4 million ounces of contained silver.

On a probable ore reserves basis, Taronga is expected to be able to produce 2,800 tonnes a year of tin concentrate from an open-cut mine with a nine-year life. The expected all-in cost is about A$22,200 a tonne. There is considerable scope to increase the tin ore grade and the recovery grade as well as to add tungsten, molybdenum by-products and lithium to the copper and silver. The mine life could be extended through exploration.

The cash flow from Granville will support the development of the Taronga prospect and Aus Tin is also exploring the Torrington prospect (tin, lithium and tungsten) and the Mt Cobalt prospect (cobalt and nickel) in Queensland.

With Aus Tin's leverage to both the strong tin and cobalt prices, it's an exciting time to be in tin, and like all shareholders in Aus Tin, we're watching the news flow closely.