Media Release

10 February 2009

Resource Capital Research

March Quarter 2009

Equity research report on global tin companies

Key Points

Tin price and equity performance:

- **The tin price peaked at US$25,495/t in May 2008 but then slumped by more than 50% in five months due to the global financial crisis. The price is currently around US$11,425/t.**
- **Prices are volatile but have found support at ~US$11,000/t. The current LME spot price is US$11,200/t and the 3 month forward price is US$11,025/t (backwardation).**
- **RCR anticipates that tin will trade in the US$9,000k/t-US$15,000k/t range in 2009, with an average price of US$12,750/t.**
- **The share prices of a selection of 20 tin companies covered in the report have increased an average 56% over 12-month lows but are 74% below 12-month highs.**

Tin market:

- **Global demand for refined tin was ~350kt in 2008, a 3.6% decrease from 2007 (ITRI). China consumed 36% of supply in 2007.**
- **In 2008, mine production was ~333kt tin, up from 320kt in 2007 (USGS). Of this, 72% was mined in China and Indonesia.**
- **Falls in production due to the financial crisis suggest a 2009 production forecast of 305kt Sn, a 6.5% drop from 2008.**
- **LME tin stocks recently hit four-year lows and remain relatively depleted.**
- **Production cutbacks and low stocks could exacerbate pre-crisis supply problems when demand for tin returns, leading to higher prices.**

Resource Capital Research ("RCR"), an equity research company which focuses on small and mid size resource companies, today launched its in-depth equity research report covering 10 global tin exploration and development companies with a focus on Australia and Canada. RCR also publishes a quarterly Uranium Sector Review and Gold Company Review.

To access the free summary of the tin report or to purchase the 40 page comprehensive report, go to www.rcresearch.com.au/reports. Copies of RCR's December Quarter gold and uranium reports are also available for download.

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Tin Price Performance

The tin-specific fundamentals of supply and demand that existed prior to mid 2008 have been overwhelmed by the global economic downturn. Ongoing risks to the world economy make short-term demand and production forecasts for tin very uncertain. The LME tin price is currently US$11,425/t (US$5.18/lb) down 55.2% from the May '08 LME high of US$25,495/t (US$11.26/lb). There has been some price support in the range US$10k/t-US$12.5k/t in 4Q08 and 1Q09. Falling exchange rates in commodity-based economies have helped support local tin prices. The tin market is in backwardation, with the LME spot price currently US$11,200/t and the 3 month forward price US$11,025/t. LME stocks are at depleted levels of ~9kt. RCR expects tin to trade at US$9,000/t - US$15,000/t through 2009, with an average price of US$12,750/t, a 50% retrace from the May 2008 high of US$25,495/t. Our long-term price forecast is US$15,000/t. These forecasts are contingent on a stable US$ and reflect the potential effects of global economic stimulus packages.

The Tin Market

Global demand for tin has fallen rapidly, to an estimated 350kt in 2008, from 363.1kt in 2007 (down 3.5%; source, ITRI), with much of the decline occurring in 4Q08. Suppliers have responded by cutting production, with some smelters in China and Indonesia closing through December 2008 and January 2009. Chinese production for December was 8.85kt Sn, a 27.6% year-on-year decline. Total mine production in 2008 is estimated to be ~333kt tin, an increase on 2007 (320kt, USGS estimates). The world's largest producer and consumer of tin remains China (2007 consumption 131.5kt tin, production 135kt tin), which is or has recently been a net importer. RCR estimates that in 2008 the marginal cost of tin production for many 'swing' producers was ~US$15,000/t and that December 2008 price drops to below US$10,000/t threatened much of global supply. The cost curve is expected to shift down in 2009, due to lower labour and oil prices and notional input costs.

Tin Sector Equity Performance

Share prices of 20 tin companies (this report) have increased an average 56% over 12-month lows but are 74% below 12-month highs. However, some tin-industry investments are proceeding or have recently occurred, e.g.: construction of the PT Timah 10kt/yr tin chemicals plant (US$22m); ramping up of the 10kt/yr Sn Renison Project open cut and underground mines in Tasmania (ASX:MLX); and Minsur's US$347m purchase of the Paranapanema group's Taboca tin division.

Comment

"We believe that the mid-term outlook for the tin sector is strong," says RCR tin analyst Trent Allen. "For much of 2008, supply problems were predicted for the tin market due to surging demand from China and decreasing alluvial production out of Indonesia. These problems could quickly re-emerge if the current round of global economic stimulus restores reasonable demand for base metals – in fact, they could be exacerbated by lags in re-establishing tin output from existing mines and restarting future projects that have been shelved due to the credit crisis. We think tin will be one of the first metals to recover once markets stabilise."

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RCR March Quarter Featured Company Summary

AUSTRALIA

Company	Code	Comment
Consolidated Tin Mines Ltd	**CSD**	**Advanced Exploration** CSD is preparing upgraded Sn resources at its three skarn-hosted deposits in QLD - announcement expected Feb '09. There is potential for mining in mid 2010 at the Gillian (hard rock) and Upper Battle Creek (alluvial deposits) - Gillian scoping study expected Apr '09.
Gippsland Ltd	**GIP**	**Bankable Feasibilty Study** GIP has ticked virtually all the boxes in bringing its A$260m Abu Dabbab (Egypt) tantulum-tin project to development readiness. The remaining challenges are the need to raise >A$25m project equity and question marks hovering over the state of Ta markets.
Kasbah Resources Ltd	**KAS**	**Advanced Exploration** KAS is developing the potentially world class Achmmach Tin Project in Morocco, where it recently tripled the resource base to 6mt @ 0.9% Sn. Scoping study expected 1Q09, pre-feasibility commencing 2Q09, possible production 2011.
Malachite Resources Ltd	**MAR**	**Early to Advanced Exploration** MAR could achieve near-term, low-cost cash flow at the Elsmore Tin Project (NSW), with potential for 500-800t/yr Sn - bulk sampling results expected 1Q09. High-grade resources at Conrad (NSW) increased 150% to 6.2moz AgEq; total 19.2moz AgEq.
Metals X Ltd	**MLX**	**Production** MLX is Australia's largest tin producer, with full output at the Renison Project (TAS) expected to be 8kt/yr Sn, cash cost ~A$10,000/t. The Wingellina nickel laterite (WA; 183.2mt @ 0.98% Ni, 0.76% Co) has a positive PFS - needs capex US$1.9b to proceed.
North Queensland Metals Ltd	**NQM**	**Production, Advanced Exploration** The 70kozpa Pajingo (QLD) gold operation (NQM 60%) is now providing net cash flow of ~A$12mpa which will fund NQM's ~A$2mpa tin exploration in the Herberton (QLD) district, as well as resource drilling to extend Pajingo's current 5 year life.
Outback Metals Ltd	**OUM**	**Early-Mid Exploration** OUM's exploration programs are aimed at establishing JORC resource in 2009 and a fast track to possible 2010 production at its flagship Mt Wells (NT) tin prospect where past high grade tin mining has occurred and significant historical tin resources are indicated.
Venture Minerals Ltd	**VMS**	**Advanced Exploration** VMS has Australia's third-largest tin resource, at Mt Lindsay (TAS) - 49kt Sn grading 0.2%. Recent resources also include 14kt tungsten oxide and 30mt @ 33% Fe in magnetite (all Jan '09), giving the project three potential revenue streams. Scoping study under way.
YTC Resources Ltd	**YTC**	**Advanced Exploration** YTC is focused on the Doradilla polymetallic project, where 2H08 drilling found oxide tin and 'Avebury' style nickel sulphides, as well as bonanza-grade silver and bismuth. Seeking to acquire advanced mining project, in alliance with the Yunnan Tin Group.

CANADA

Company	Code	Comment
Geodex Minerals Limited (C$)	**GXM**	**Pre Feasibility Study** GXM's Sisson Brook tungsten molybdenum project favourably located in New Brunswick is a world scale, projected low opex open cut tungsten deposit. With a PFS underway GXM's challenge will be to source >C$300m capital required to bring it to production in 2012.

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About Resource Capital Research

Resource Capital Research ("RCR") (www.rcresearch.com.au) was founded in 2004 and is based in Sydney. RCR provides investors with in-depth reports on current investment opportunities in the mining sector both in Australia and globally. The focus is on small and mid cap resource companies, within the gold, uranium and tin sectors, ranging from exploration stage, through development and production. John Wilson the principal of the firm and analyst has over ten years' experience analysing mining companies in Sydney and on Wall Street including for major investment banks. Dr Trent Allen, Tin Analyst, joined RCR in 2006. Trent has extensive experience as a mine geologist, exploration consultant, academic and journalist.

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The report is available at www.rcresearch.com.au.

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