

# Image Resources NL

## (IMA \$0.13) Speculative Buy

EUROZ

Analyst	Date	Price Target
Andrew Clayton	5 <sup>th</sup> November 2018	\$0.25/sh

### Boonanarring Site Visit

#### Investment case

The site visit has given us a lot of confidence that IMA is on track and budget to make the successful transition from explorer to producer in the next few months. Wet commissioning has commenced, high grade ore is being stockpiled and first concentrate likely to be produced in Nov'18. We believe that 'cashflow will cure all' and the market will not ignore the strong free cash that Boonanarring will generate. We maintain our Speculative Buy and \$0.25/sh PT.

#### Key points

- Wet commissioning has commenced, ore is on the ROM pad and the target for first concentrate by the end of the month is on track.
- Since our last visit in mid August'18, the progress has been very impressive. The plant is almost complete and wet commissioning of the various parts of the circuits has started.
- IMA intend to process some low grade ore next week with the aim of first concentrate mid Nov'18. It is confident that first shipment of - 5kt will occur before the end of CY'18.
- Mining, which was a key risk, in terms of overburden removal (6:1 strip ratio) has progressed very well. The western strandline has been exposed and ROM ore is now being mined.
- Approvals have just been granted for 7 day a week mining on dayshift with the noise bunds now in place. However, the larger diggers has meant the required mining rate was almost achieved on 5 days mining so the extended hour adds further flexibility.
- The mineralised strand is - 9m thick and will be mined in 3m benches. The higher grades tend to be at the bottom and IMA will investigate the possibility of maybe mining two benches for better blending, or in pit blending or stockpile separately and blend on the stockpile. Ideally for best plant performance a relatively consistent HM grade is required.
- Site management were impressive and its was comforting to see the strong working relationship with its mining contractor; Piacentini and Sons who are experienced mineral sands miners (started in 1969 and do most of ILU's work).
- At the end of the Q, IMA had cash of \$30m and debt of \$57.8m. It had forecast cash outflows of \$16.7m in the Dec'Q leaving a cash buffer of \$12-13m. This should be more than sufficient before first revenue is rec'd in late Dec/early Jan so we see no requirement for additional equity.
- First debt repayment is due on the 30th of Sept'19 and then repayable over seven Q in equal instalments of - US\$7m each. Interest at 14% for the first fifteen months is added to the loan amount. Due to the strong prices and progress to date we see little risk of not being able to meet these repayments.
- Once in production, exploration will focus back on the northern extension of the Boonanarring mineralisation. A single line of holes returned some excellent results including 8m @ 23.8% HM, 8m @ 21.1% HM and 8m @ 16.3% HM. Importantly the mineralisation contains a high % of zircon with grade up to 22.1% Zr.
- The potential to add mine life at Boonanarring is high. This is value accretive, deferring the move to the lower grade Atlas ore body for as long as possible.

Image Resources NL	Year End 30 June	
Share Price	0.13	A\$/sh
Price Target	0.25	A\$/sh
Valuation	0.26	A\$/sh

Shares on issue	952	m, diluted *
Market Capitalisation	125	A\$m
Enterprise Value	151	A\$m
Debt	56	A\$m
Cash	30	A\$m
Largest Shareholder	Orient Zirconic 30%	

Production F/Cast	2018f	2019f	2020f
Zircon (kt)	13	60	76
Ilmenite (kt)	23	105	135
Rutile (kt)	1	5	6

Assumptions	2018f	2019f	2020f
Rutile US\$/t	900	1100	1200
Zircon US\$/t	1425	1575	1550
AUDUSD	0.77	0.73	0.75

Key Financials	2018f	2019f	2020f
Revenue (A\$m)	35	170	211
EBITDA (A\$m)	16	96	115
NPAT (A\$m)	14	59	73
Cashflow (A\$m)	-62	78	103

CFPS (Ac)	-6	8	10
P/CFPS (x)	na	1.7	1.2

EPS (Ac)	1	6	7
EPS growth (%)	na	335%	23%
PER (x)	9.4	2.2	1.8

EV:EBITDA (x)	9.6	1.6	n/a
EV:EBIT (x)	10.0	1.7	n.a

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	48%	na	na
Interest Cover (x)	na	13.7	na

#### Share Price Chart



#### Disclaimer

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