

Image Resources is “shooting the lights out”

The key indices in the USA edged to new highs during the week as the great bull market continued to roll on. Consumer sentiment is still strong in that country, and the weight it carries seems to be dominating the more cautious outlook being expressed by many captains of industry. There is certainly a fair amount of uncertainty in the world, domestically and internationally, but that is not holding back the US stock markets just now.

The Gold took a dive last week, closing at the lowest price level since August. Expect that there will be a selling wave of gold stocks in the next week, exacerbating the recent falls.

Image Resources - a rare success story

Charts can be useful because they tell us what the market is actually doing as opposed to what we think it should be doing. Sometimes you get a synchronisation between knowledge and market movements, but other times they can go in opposite directions. Take the performance of Image Resources last week, as an example.

The more I look into Image the more impressed I become. Last week I had a detailed interview with the CEO at the IMARC Conference in order that I could fully appreciate what the Company's operations entail and what the future may hold. Hartleys seems to be similarly impressed as they upgraded their recommendation from a *Speculative Buy* to a *Buy* last Tuesday. Yet, on the charts the shares penetrated a support line on the same day, on large volume of 3.2 million shares (approximately \$750,000). Was it just a large seller on the day or is there something more sinister going on? I'll give you a fundamental perspective.

The result of a merger of interests

Going back a few years Image was known as a successful mineral sands exploration company run by experienced geophysicist, George Sakalidis, that was feeling its way towards a production scenario. As we have frequently said in the past, it is one thing to find an orebody but it is another to develop and operate a mine. A company needs a transition of management and culture to make it happen. Interestingly, once a mine is developed, it is frequently another challenge to maintain the exploration ethos that made it happen in the first place. This is why operating mines run out of ore and have to close, then other companies can come along at a later date and achieve brownfields exploration success; and a new cycle is underway.

Image's 2014 Annual Report quoted a resource of 63.95 Mt at 7.1% HM at its North Perth Basin location. This converted to a reserve of 24 Mt at 8.2% HM. The product mix was 50% ilmenite, 19% zircon, 5% rutile and 4% leucoxene. It also disclosed a 322 Mt dredging resource of 2% HM.

In April 2015, Imagine announced an MoU with Murray Zircon Pty Ltd, a South Australian-based company that had successfully re-developed the Mindarie Sand Project, following a failed development attempt by Australian Zircon in 2009. Murray operated Mindarie from 2012 through 2015, until mineral sands prices rendered the project uneconomic. Murray then did a deal with Imagine where in return for 42% of the expanded capital of Image, Murray would provide the Mindarie wet concentration plant and all associated equipment and key operating personnel, plus a market-based off-take agreement for the zircon. This opened the path to the development of Image's Boonanarring Project with an initial mine life of 5.5 years and an offtake agreement for 100% of HMC production for the life of the mine. The agreement became binding in February 2016, and it was approved by shareholders in May 2016.

Management and money combine to make it real

Patrick Mutz, a metallurgist by training, was named MD at the time in what was probably the most definitive appointment in the Company's history. He brought the good management and experience essential for project development.

After the passage of another two years of optimising a BFS and finalising remaining project approvals, the Company secured a A\$50m debt facility from Pala Investments Ltd Castl lake L.P. and a placement of \$25m to cover the \$52m capex costs for Boonanarring, and working capital. Commissioning and first production were achieved in Q4 of 2018, in-line with forecasts.

Impressive commissioning success ...

Unlike many other start-ups we have seen, Boonanarring was instantly a good news story. The feed grade to the mill in the March quarter was 2.5x the budget at 19% HM. It now appears that the ore reserve calculation involved heavy top cutting of the grade, which diminished the influence of the high grade population. Subsequent in-fill drilling on 5m centres has since led to expectation of grade being closer to 10% HM than the original 7.4% HM in the ore reserve.

The exceptional high-grade nature of the deposit was highlighted in a release on 13 May 2019, stating that mining operations in the eastern strand exposed a zone 4-6m wide and 1-3m thick, extending 60m along strike and still open. A single grab sample returned assays of 95% HM with 70% zircon. This is a phenomenal assay give that the saleable concentrate produced contains 90-92% HM with 30% zircon. Thus this zone looks like DSO (direct shipping ore). Only 2,700 tonnes of this material has been mined and stockpiled to date but there is likely to be much more.

... has meant immediate profitability and higher share prices

The successful start-up has been quickly reflected in reported profits with EBITDA of \$29.5m being reported for the June Half, 2019, courtesy of grade being 143% of budget. Net profit after tax was \$6.9m.

The share price has done well, rising from 11¢ early in 2019, to a high of 30.5¢ in July. Comments by Iluka soon after that high, on the outlook for zircon prices, seems to have generated some selling (or profit taking) such that the share price has recently settled around the mid 20s. The next drivers for the share price will be additional news on the high grades and the implications for the life of the high grade zone. Whereas initially there was only enough evidence to support short term projections of a \$50m EBITDA, it is now looking likely that this level of profitability could double according to Company forecasts for 2020, and maybe continue at that level for a number of years.

Some technical reasons for the success so far

Apart from the very high grades at Boonanaring, there are other contributing, positive factors. One is the “over-engineered” treatment plant with respect to the orebody. Remember that this was a second hand plant designed for more difficult mineralogy. The coarse grained nature of Boonanaring ore is very positive for recovery rates when compared with many other fine grained deposits. Here, this means that the plant is not being pushed to its limits and 98% of the zircon is being recovered to concentrates.

When grain size is larger than 150 μm they are classified as coarse. Medium grain size fall in the range of 80-150 μm , while < 80 μm is regarded as fine grained and more difficult to recover.

Mine life and company life seems assured

Recognition that this is an exceptional, high-grade project has led to questioning by some as to the sustainability of performance and mine life. So far the outlook has only been improving. Scout drilling for extensions have returned positive results with increasing optimism that the mine life could be up to 15 years.

Further out, Image holds a portfolio of additional projects that could supply growth and cement the Company as a

serious longer term producer. Bidamina, with 45 Mt at 3% HM, could be the next operation to be developed with mining via a dredge. Badamina is clearly expandable and has very positive metallurgical characteristics including coarse grain, very low slimes and very low non-valuable heavy minerals. Plus, it is leucoxene rich, which increases the value of the minerals assemblage.

The Bottom Line

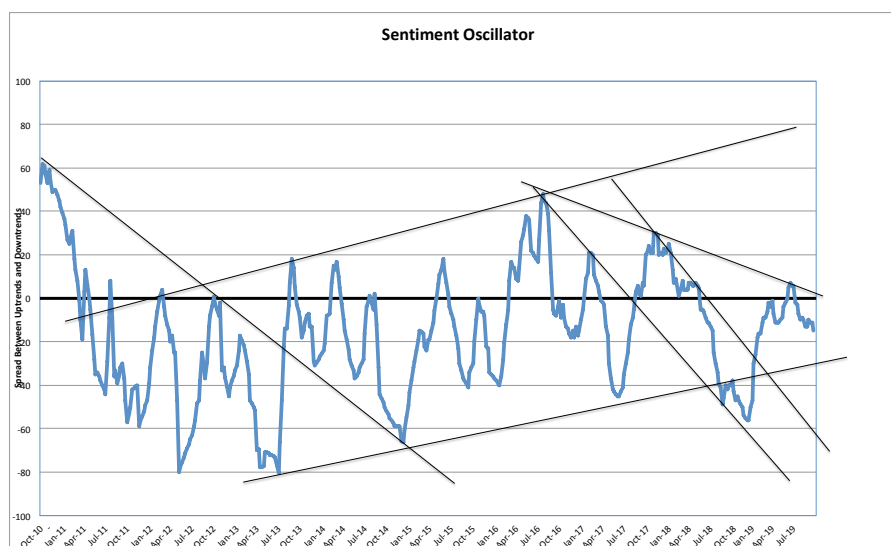
To use a colloquialism, Image has been “*shooting the lights out*” in recent months. It seems to have been doing everything right and the orebody has been very, very kind to it. You could be a Doubting Thomas and downplay the success to date, or you could recognise it for what it is and decide to get on board for what promises to a first class company with a very profitable future. You have here a combination of very good management under the leadership of Patrick Mutz and an exceptionally good geological and metallurgical situation, with a plant that works well. (It is a pleasure to be writing up a success story rather than having to opine on where things have gone wrong, again).

Burkina Faso is becoming a no-go zone

Over the past 12 months Burkina Faso has become increasingly dodgy as a destination due to terrorist activity. The reports on Thursday of 37 mines workers being killed, and 60 injured, is a serious escalation. This isn't just a random kidnapping. This is an act of war against SEMAFO mine workers being bussed to the Boungou mine.

Earlier this decade when I took investors on a number of trips to Burkina Faso to visit companies such as Ampella Mining and Gryphon, companies that were doing great exploration work, Burkina seemed one of the more stable countries in West Africa. However, I wouldn't be interested in going there now.

Disclosure: Interests associated with the author own shares in Image Resources















































Sentiment Oscillator: Sentiment weakened over the week. There were 28% (31%) of the charts in uptrend and 43% (42%) in downtrend on Friday's close.

Detailed Chart Comments

NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.













Indices	Code	Trend Comment	
All Ordinaries	XAO	testing wedge on the upside	
Metals and Mining	XMM	breached downtrend	
Energy	XEJ	looking stronger	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	correcting lower within broad uptrend channel	HPA
Adriatic Resources	ADT	broad, shallower uptrend	zinc
Aeon Metals	AML	new low	copper + cobalt
Alacer Gold	AQG	new high	gold – production
Alkane Resources	ALK	back to support line	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alicanto Minerals	AQI	breached uptrend	gold exploration
Allegiance Coal	AHQ	sideways near highs	coal
Alliance Resources	AGS	higher	gold exploration
Altech Chemicals	ATC	rallied meet resistance line	industrial minerals - synthetic sapphire
Apollo Consolidated	AOP	back to support line	gold exploration
Arafura Resources	ARU	breached downtrend	rare earths
Argent Minerals	ARD	down	silver
Aurelia Metals	AMI	testing downtrend	gold + base metals
AusTin	ANW	new low	tin, cobalt
Australian Potash	APC	testing uptrend	potash
Australian Mines	AUZ	continuing down	cobalt/nickel
Australian Vanadium	AVL	new low	vanadium
BHP	BHP	rising after downtrend breached	diversified, iron ore
Base Resources	BSE	down	mineral sands
Bathurst Resources	BRL	down	coal
BBX Minerals	BBX	sideways through downtrend line	gold exploration
Beach Energy	BPT	risen through resistance line	oil and gas
Beacon Mining	BCN	down	gold production
Bellevue Gold	BGL	resting on support line	gold exploration
Berkeley Energia	BKY	in secondary downtrend	uranium
Blackstone Minerals	BSX	downtrend breaching support	gold, cobalt
Bounty Coal	B2Y	still in downtrend	coal
Breaker Resources	BRB	down	gold exploration
Broken Hill Prospecting	BPL	steeply higher, then all the way back down	minerals sands
Buru Energy	BRU	turning down	oil
Buxton Resources	BUX	continuing down	nickel exploration

Capricorn Metals	CMM		sideways consolidation	gold
Cardinal Resources	CDV		down	gold exploration
Cassini Resources	CZI		softer	nickel/Cu expl.
Central Petroleum	CTP		new uptrend	oil/gas
Chalice Gold	CHN		sideways through uptrend line	gold exploration
Chase Mining	CML		breached downtrend	nickel/copper/PGE
Chesser Resources	CHZ		breached downtrend	gold exploration
Cobalt Blue	COB		breaching downtrend, but pullback	cobalt
Dacian Gold	DCN		turning down on LT resistance line	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		sideways lows	potash
Egan Street Resources	EGA		under takeover offer, but weaker	gold
Emerald Resource	EMR		gentle downtrend	gold
Evolution Mining	EVN		approaching support line in ST downtrend	gold
Exore Resources	ERX		higher for placement then slump	gold exploration
FAR	FAR		sideways at lows	oil/gas
First Graphene	FGR		short term down	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		new low	lithium
Galena Mining	G1A		gentle downtrend	lead
Galilee Energy	GLL		downtrend forming	oil and gas, CBM
Gold Road	GOR		down	gold
Graphex Mining	GPX		drifting lower	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		down heavily	potash
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		breached downtrend	mineral sands
Image Resources	IMA		testing uptrend	mineral sands
Independence Group	IGO		new high	gold, nickel
ioneer (was Global Geoscience)	INR		rising again	lithium
Jervois Mining	JVR		sideways at lows	nickel/cobalt
Jindalee Resources	JRL		heavy fall	lithium
Karoon Gas	KAR		heading lower	gas
Kasbah Resources	KAS		new low	tin
Kibaran Resources	KNL		new low	graphite
Kin Mining	KIN		bouncing from lows	gold
Legend Mining	LEG		stronger	nickel exploration
Lepidico	LPD		down	lithium
Lithium Australia	LIT		new low	lithium
Lucaza Diamond	LOM		new low	diamonds
Lynas Corp.	LYC		secondary uptrend being tested	rare earths
Lindian Resources	LIN		gentle uptrend	bauxite
Mako Gold	MKG		rising off lows	gold exploration
Marmota	MEU		breached uptrend	gold exploration

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MetalsX	MLX		rallying	tin, nickel
Metro Mining	MMI		sideways	bauxite
Mincor Resources	MCR		continuing higher	gold
Musgrave Minerals	MGV		breached downtrend	gold exploration
Myanmar Minerals	MYL		new low	zinc
Nelson Resources	NES		new uptrend	gold exploration
Neometals	NMT		continuing down	lithium
Northern Cobalt	N27		surge out of downtrend	cobalt
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		down heavily	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		failed at resistance line	gold
Oklo Resources	OKU		breached downtrend	gold expl.
Orecorp	ORR		rising again	gold development
Oro Verde	OVL		rising	rare earths
Orocobre	ORE		testing downtrend	lithium
Oz Minerals	OZL		surged higher in long-term uptrend	copper
Pacific American Holdings	PAK		at lows	coal
Pacifico Minerals	PMY		rising	silver/lead
Pantoro	PNR		down	gold
Panoramic Res	PAN		up - takeover bid	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		still down	copper
Peninsula Energy	PEN		down	uranium
Pensana Metals	PM8		testing downtrend	rare earths
Perseus Mining	PRU		off its high	gold
Pilbara Minerals	PLS		down	lithium
PNX Metals	PNX		new uptrend forming	gold, silver, zinc
Polarex	PXX		breached uptrend	polymetallic exploration
Prodigy Gold	PRX		sideways	gold exploration
Ramelius Resources	RMS		heavy fall	gold production
Real Energy	RLE		new low	gas
Red5	RED		correcting lower	gold
Red River Resources	RVR		now in secondary downtrend	zinc
Regis Resources	RRL		breached support	gold
Resolute Mining	RSG		down	gold
RIO	RIO		breached downtrend	diversified, iron ore
Salt Lake Potash	SO4		breached uptrend	potash
Saracen Minerals	SAR		breached uptrend	gold
St Barbara	SBM		down	gold
Sandfire Resources	SFR		down	copper
Santos	STO		into uptrend	oil/gas
Saturn Metals	STN		uptrend breached	gold exploration
Sheffield Resources	SFX		down	mineral sands

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St George Mining	SGQ		but heavy correction	nickel
Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		falling from highs	gold exploration
Stanmore Coal	SMR		down	coal
Strandline Resources	STA		breaching downtrend	mineral sands
Sundance Energy	SEA		heading lower	oil/gas
Syrah Resources	SYR		free fall on capital raising	graphite
Talga Resources	TLG		breached downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Tiger Realm	TIG		down	coal
Troy Resources	TRY		testing downtrend	gold
Vango Mining	VAN		moving higher	gold
Vector Resources	VEC		suspended	gold
Venturex	VXR		down	zinc
Vimy Resources	VMY		sideways under LT downtrend	uranium
West African Resources	WAF		improving	gold
Westgold Resources	WGX		breached uptrend	gold
Westwits	WWI		down	gold
Western Areas	WSA		surge out of downtrend	nickel
Whitebark Energy	WBE		rising	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		breached ST uptrend	gold exploration
Zinc Mines of Ireland	ZMI		breached downtrend	zinc
Totals	28%	40	Uptrend	
	43%	62	Downtrend	
		143	Total	

Guides to Chart Interpretations

- Charts usually go pass from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represent both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.
- We periodically add or delete charts, some times for obscure reasons. If a chart consistent gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast moving markets.

Amber Lights in Tables: Just a reminder if when the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (downtrend). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

Weightings of Sectors Represented in the Company Charts			
Sector	No. of Companies	Weighting	
Gold	33	23.1%	
Gold Exploration	20	14.0%	
Nickel	9	6.3%	
Oil/Gas	10	7.0%	
Coal	8	5.6%	
Lithium	8	5.6%	
Mineral Sands	6	4.2%	
Zinc/Lead	7	4.9%	
Rare Earths	6	4.2%	
Potash/Phosphate	5	3.5%	
Copper	5	3.5%	
Cobalt	3	2.1%	
Graphite	4	2.8%	
Tin	3	2.1%	
Iron Ore	3	2.1%	
Uranium	3	2.1%	
Bauxite	2	1.4%	
Vanadium	2	1.4%	
Silver	2	1.4%	
Diamonds	1	0.7%	
Other	3		
Total	143		

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