There’s a lot to like about Australian based mineral sands producer Image Resources (IMA). The June quarterly result shows the company to be debt free with $38m in cash – this after paying off a $x debt and an additional $x in a 2c dividend in the past six months.

The company is ahead of its forecast CY2021 guidance of 290k-300k in heavy metal concentrate (HMC) with 187k produced leaving an easy 113k in the July-December 6 months. In fact, they are now stating the CY21 targets will be met or exceeded. Tick.

The real kicker is the substantial market price increases in ilumenite and rutile – now at 7-year highs and current Zircon prices are at 3-year highs. Then factor in the positivity of the AUD/USD foreign exchange and this company is pumping pure cash.

The company is experienced and well managed and they do meet all their targets.

But check the range bound share price and you will be scratching your head. So let me explain the perceived downside by the doubters.

1. The current operating centre of Boonanarring in WA is due to be completed in November next year, hence the concern over longevity. That said, the company believes it will find ways to extend this slightly. But the company has a substantial Plan B – an orderly movement of the plant to Atlas some 65k’s north – 3 months and a $25m move already provisioned. Note: the company has a substantial inventory of product which it will bring to market during the move to ensure continuity of revenue. Indeed, at June 30 it had a stockpile of 85k HMC estd value of $47m.
2. Atlas has a 3.5+ year LOM. And it has a Plan C with other tenements which look interesting.
3. This morning the company made a substantial announcement on its King Gold Prospect. The assays are very good and all haste is now happening to conclude the drilling program by year end.
4. The company has expressed intent to make IMA an established long running entity and will buy into projects if necessary – and it is very likely to have the cash to do so.

Conclusion on this point: very little to worry about here. The pipeline of projects suggests a long runway.

Another concern the doubters might have is the uncertainty of the Chinese ownership at around 28%. It does seem to spook the instos who are missing from the register. The top 20 own 70% of the company but there has been a persistent seller who has put a cap on the SP.

That said, I look at the numbers and they are impressive. CY20 eps were 2.44c and I’d expect the CY21 eps to track as high as 3.5c. FCF in CY20 was $33m and this will be higher in CY22.