



When Should You Take Profit in Katanga Mining Ltd. (TSX:KAT)?

Description

As I discussed in [an article](#) in late May, **Katanga Mining Ltd.'s** (TSX:KAT) stock price was nearly cut in half due to the news that came out in late April about Gécamines having started legal proceedings to dissolve its joint venture with Katanga because of a previously disclosed capital deficiency.

At the time, I'd said that investors who've been looking for an entry point in Katanga should consider scaling in at under \$1 per share. However, I'd suggested that conservative investors should avoid the stock given the riskiness of Katanga being a single-site operation.

Personally, I bought a small position as a speculative play soon after the article was published. Should I take profit from Katanga now or later?



First, here's an overview of the company.

An overview of Katanga

As described on the company website, Katanga “operates a large-scale copper-cobalt project with substantial high-grade mineral reserves and integrated metallurgical operations in the Democratic Republic of Congo (DRC).” The single-site operation consists of brownfield assets and new facilities

that are under construction.

Katanga has a 75% interest in Kamoto Copper Company (KCC), a joint venture with Gécamines, a state-owned mining company in the DRC that has the remaining interest in the joint venture.

Why Kantaga stock popped 26% on Tuesday

Katanga came out with a press release stating that it has entered an agreement with Gécamines to terminate the legal proceedings brought by Gécamines in the DRC courts and resolve KCC's previously disclosed capital deficiency.

Gécamines, Katanga, and KCC have agreed on a recapitalization plan to reconstruct the net equity of KCC. The plan will be formally effected on the date that KCC completes the necessary corporate proceedings to approve the settlement agreement. These proceedings are expected to be completed within the next two weeks, at which time Gécamines will withdraw the legal proceedings it commenced on April 20, 2018, to dissolve KCC.

The good news sent the stock soaring.

When should you take profit?

If you'd bought the stock at about \$1 for a trade, you might be itching to take profit. The appreciation of 31% in about three weeks is not too shabby at all. Looking at the technical chart, there's still room for the stock to go higher. However, I wouldn't penalize anyone who chooses to take profit, as no one knows what's going to happen in the future, especially to [a speculative stock](#).

Shareholders who are bullish on electric cars might hold on to their shares, as cobalt is a needed raw material to create the lithium-ion batteries required to power electric cars. However, I assure you that it won't be easy holding on to the volatile stock.

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