

Royal Nickel's (TSX:RNX) Stock Jumped 575%: Time to Sell?

Description

RNC Minerals (TSX:RNX), formerly known as Royal Nickel has been mired in relative obscurity. That is until, the company made a significant gold find. Fool contributor [Neha Chamaria](#) published a [good breakdown](#) on what the find means for the company.

To recap briefly, the company found a major gold deposit at its Beta Hunt mine in Western Australia. Ironically, it was also a mine that the company had been trying to sell.

To put the find into further perspective, over ten days, the gold miner was equal to a quarter's worth of production. Analysts pegged the find at approximately \$15 million, which was equal to 40% of RNX Minerals market cap.

Fun fact: Royal Nickel was the fourth most-bought Canadian stock in October.

The question becomes, what should investors do now?

Beta Hunt Mine

The Beta Hunt mine has been a literal gold find. It's a low-cost project in the prolific Kambalda mining district located in Western Australia. Royal Nickel acquired the mine rights for a paltry \$10M, which on reflection is a steal.

Investors need to be honest with themselves: the gold find was luck. The mine usually produces 2-4 grams per ton of gold. The recent find was found to have 2,000 grams per ton. Although lady luck was on the company's side, this doesn't make it any less valuable.

Analysts' have been tripping over themselves trying to estimate what the find means. Estimates range from 255 thousand to five million ounces of gold. The problem is, no one knows for certain if the company will benefit long-term of it was a blip on the radar.

Penny stock

Investors must remember that this was a penny stock that languished for years. It had a hard time financing its Dumont project, which I should note, is the company's flagship nickel mine. Beta Hunt was an afterthought until only a couple of months ago.

The company expects to now be debt-free with significant cash on hand thanks to this one-time event. Are its penny days over? Don't get too over-enthusiastic. The reality is that the same management team is going to be responsible for RNC Mineral's future.

RNC Mineral is also now the target of short-sellers. After its meteoric rise, the company has jumped to be the third-most expensive stock to short. The cost to borrow is an indication of bearish sentiment, which could result in short-term pressure on its stock.

Foolish takeaway

Royal Nickel's gold find is a one-time event. Although the company is sure to benefit in the short term, its long-term thesis hasn't changed. As such, if you are sitting on triple-digit capital appreciation, it wouldn't be a bad idea to lock in your gains. Remember, it's only a paper profit until you sell.

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