

Seeking Alpha 

Long Ideas | Basic Materials | Canada

## RNC Minerals: Beta Hunt Valuation Implies Significant Upside

Oct. 9, 2018 3:07 PM ET152 comments | 28 Likes

by: Alt Investing Plays

### Summary

- RNC Minerals quite literally struck gold at their Beta Hunt site (100% owned interest) in the Kambalda mining district of Australia.
- The RNC team extracted 27,000 ounces of high grade coarse gold from a 60 m3 cut at the 'Father's Day Vein' (high grade gold structure).
- The vein is now estimated at 540 meters in length and may extend in various directions representing significant gold extraction opportunity.
- Sediment structures including the above vein extend for a total of 8 kilometers, may extend in various directions and may contain significant high-grade gold deposits.
- Conservative assumptions made on strike rates, the grade of gold extracted and various capital and cash flow assumptions imply the market has priced in the downside scenario with significant upside opportunity.

Editor's note: Seeking Alpha is proud to welcome Alt Investing Plays as a new contributor. It's easy to become a Seeking Alpha contributor and earn money for your best investment ideas. Active contributors also get free access to the SA PRO archive. [Click here to find out more »](#)

This analysis seeks to establish conservative operating and cash flow assumptions of RNC Minerals' (OTCQX:RNKLF or TSX:RNX) Beta Hunt mine site at a very high level in order to better understand the gold extraction economics, apply a valuation per fully diluted share, and understand the risk:reward trade-off to today's share price at 0.80 CAD.

Current estimates of gold on site in ounces range from several hundred thousand ounces to several million ounces of high-grade gold. We have taken the low end of the gold volume spectrum to conduct a conservative valuation exercise.

### How much gold is there?

John Kaiser, founder of Kaiser Research, indicated the total amount of gold found could be in the millions of ounces (watch his presentation here; note that this is before the latest news release where the 'Father's Day Vein' was identified to extend another 340 meters for a total of 540 meters. Relevant section starts at 19:30).

Also see this build-up estimation from user SeaofSand on ceo.ca on how much gold could exist on site - a detailed build-up projection on low-grade and high-grade deposits across the four zones - which indicates a range from 255 thousand ounces of gold to five million ounces of gold.

Note the 255 thousand ounces from the low density analysis is from the indicated amount from Q2 2018 earnings (source: SEDAR). The inferred amount of gold doubles this amount to ~500 thousand ounces. This is determined to be the low end of the total gold volume spectrum.

## Build-up for modeling purposes

For our conservative modeling purposes, we have used high-level information from the company's press releases to calculate gold available for extraction.

Four zones at the Beta Hunt exist, each potentially containing high-grade gold deposits - veins that "may open up in all directions". Each zone is estimated at two kilometers in length for a total eight kilometers of potentially high-grade gold deposits.

Using this information, and assuming width and height of 3.6 meters (the tunnel blast area using a jumbo air leg) and a strike rate of 1% to the current gold yield per cubic meter blasted - we come up with a conservative estimate at a very high level relates to 500,000 ounces of gold on site. Said differently, we assume 1 in 100 blasts will yield gold deposits of the same grade. Significant upside exists on the relative strike rate assumed.

Potential Gold Available	Mined	Total Vein	Total Site
Length (m)	5.0	540	8,000
Width (m)	3.6	3.6	3.6
Height (m)	3.6	3.6	3.6
<b>Volume (m<sup>3</sup>)</b>	<b>64</b>	<b>6,921</b>	<b>102,531</b>
Gold Identified (oz)	35,000		
Relative Strike Rate	100%	5.0%	1.0%
<b>Gold Yield per m<sup>3</sup> (oz)</b>	<b>546.2</b>	<b>27.3</b>	<b>5.5</b>
<b>Implied Gold Yield per m<sup>3</sup> (oz)</b>	<b>35,000</b>	<b>189,000</b>	<b>560,000</b>

*Source: Financial Model built to value the Beta Hunt mine. Estimates from RNC Minerals' press releases dated October 2nd, 2018 and September 26th, 2018. Please contact the author if you would like a copy of the excel model.*

## **Establishing Free Cash Flow: Operating the Mine**

**Revenues:** Gold sells for 1,200 US Dollars (USD) or 1,500 Canadian Dollars (CAD). RNC Minerals' current focus has been on extracting contiguous blocks of gold-bearing rocks as they auction for premiums between 20-40% of revenue to private collectors and museums given the rarity of size and grade of gold found.

For modeling purposes, we have ignored the upside to revenue and used 1,500 CAD as our estimated revenue per ounce of gold.

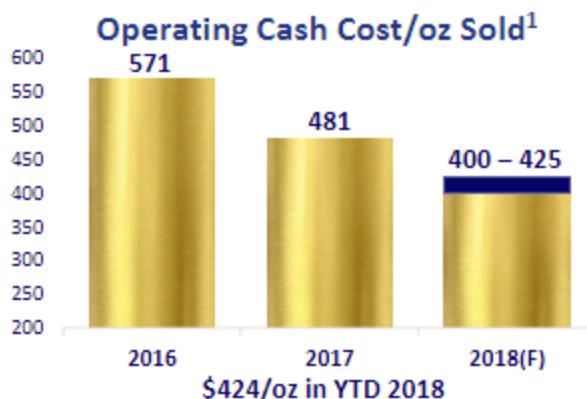
**Costs:** This is high grade gold deposit that is effectively being blasted or cut out, brought to the surface, trucked and shipped away. This is fairly inexpensive.

To determine a high level cost per ounce, we have used Kirkland Lake Gold Ltd.'s (NYSE:KL) operations as a comparable basis (plus a buffer to recognize lack of economies of scale).

### **Why Kirkland Lake?**

Aside from Kirkland Lake Chairman Eric Sprott holding a 10% stake in RNC Minerals (one could interpolate some form of synergies between best practices, processes, procurement, supply chain, etc.) - Kirkland Lake operates high-grade, low-cost operations similar to that at Beta Hunt.

*"Kirkland Lake Gold Ltd. is a mid-tier gold producer with 2018 production targeted at over 620,000 ounces of gold from mines in Canada and Australia. The production profile of the company is anchored from two **high-grade, low-cost operations**, including the Macassa Mine located in Northeastern Ontario and the Fosterville Mine located in the state of **Victoria, Australia**. Kirkland Lake Gold's solid base of quality assets is complemented by district-scale exploration potential, supported by a strong financial position with extensive management and operational expertise."*



Source: Kirkland Lake Investor Presentation, Denver Gold Forum, Sept. 25 2018.

Taking 425 USD per Kirkland Lake's operations - or 550 CAD and adding \$100 as a buffer for operating contingency and lower economies of scale yields 650 CAD per ounce. As with all of our assumptions so far, this is on the conservative end of the spectrum.

## Establishing Free Case Flow: Rate of Extraction

The rate of gold extraction is certainly material to our valuation on time value of money (cash flow sooner) and lower annual fixed operating costs during the life of the mine.

From discussion with various mining individuals, we've come up with ranges of 1,000 to 2,000 tons blasted per day. We've taken the midpoint here at 1,500 tons per day, and while this is not an estimate with grounded sources - between the assumed low gold yield (see the below analysis) and conservative assumptions used throughout, there is plenty of buffer to the contrary. We have also provided sensitivities to understand the downside and upside scenarios on the rate of extraction.

Beta Hunt currently yields over 161 ounces/tonne or 5,000 grams/tonne (source: October 2nd news release). The company is extremely unlikely to average this through the entire site. Some fun with numbers would indicate maybe 1.6 ounces per ton (assume a 5% strike rate and assume the grade is 20% of current) - which is extremely conservative relative to other gold mines in the area which range 20-30 ounces per ton.

For analysis purposes, we've rounded this down to 1 ounce of gold per ton blasted.

## A) Cash Flow Assumptions

Tons blasted per day	1,500	tons
Gold yield per ton	1.00	oz
Implied gold yield per day	1,500	
Implied gold yield per month	45,625	
Implied annual gold extraction	547,500	
Startup & Equipment Costs (One-time)	\$ (20,000,000)	CAD
Salvage Value (end of life)	\$ 5,000,000	CAD
Sales Price per Ounce	\$ 1,500	CAD
Direct Cost per Ounce	\$ 650	CAD

## Establishing Free Cash Flow: Assumptions

- Estimating one-time expenses (mine startup costs) is futile, as an outsider would have no insight to what this could be. The Beta Hunt site is an existing mine with significant infrastructure already built. We have put a blanket 20 million CAD in as one-time startup costs. Perhaps more startup costs may be required - in which case our conservative assumptions throughout the analysis should cover the shortfall. Also assumed is a 5 million CAD salvage value at the end of mine term - though not material to our valuation exercise.
- Current G&A is approximately 5 million CAD per year from Q2 2018 Financial Statements on SEDAR. We've increased this to 17 million CAD per year to recognize increased staff and investor related expenses (ASX listing, investor relations, etc.).

(\$CAD, thousand\$)	6 months ended 2018	Annualized	Proforma
Salaries, Wages and Benefits	\$ 937	\$ 1,874	\$ 10,000
Professional Fees	254	508	1,000
Consulting Fees	229	458	1,000
Public Company Expenses	143	286	500
Office & General	533	1,066	2,000
Conference & Travel	83	166	500
Investor Relations	200	400	1,000
Business Development	163	326	1,000
<b>Total G&amp;A</b>	<b>\$ 2,542</b>	<b>\$ 5,084</b>	<b>\$ 17,000</b>

- We know RNC hired security at the mine site which runs 24/7 from earlier interviews with CEO Mark Selby - for which we've estimated a contract at 5 million CAD per year.
- An existing mine with significant infrastructure already built, Beta Hunt would not require the amount of capital expenditure other mines would. We have assumed

recurring capital expenditure (replacing equipment) at 25 million CAD, which currently appears to be conservative given the grade of gold deposits and relative ease of extraction.

- We've also thrown in a 5 million CAD operating contingency.
- With the warrants exercised and the current 35 K ounces of gold sold, the company is cash rich and has no proforma outstanding debt or interest expense.
- Also recognized is the royalty to the Australian government as 5% of revenue, as well as royalty payments to Maverick Metals Inc. (holds a 7.5% aggregate interest in gold production at the Beta Hunt mine).

#### B) Cash Flow Buildup

Implied Revenue	\$ 821,250,000
Implied Direct Costs	(355,875,000)
<b>Gross Margin</b>	<b>\$ 465,375,000</b>
G&A	(17,000,000)
<b>Operating Cash Flow</b>	<b>\$ 448,375,000</b>
Security Contract	\$ (5,000,000)
Other (Contingency)	\$ (5,000,000)
Recurring Capital Expenditures	\$ (25,000,000)
Australia Royalty (5% of revenue)	\$ (41,062,500)
MMX interest (6% of revenue)	\$ (49,275,000)
MMX interest (1.5% of gross margin)	\$ (6,980,625)
<b>Pre-tax Free Cash Flow</b>	<b>\$ 316,056,875</b>
Taxation (30%)	\$ (94,817,063)
<b>Free Cash Flow</b>	<b>\$ 221,239,813</b>

We estimate ~220 million CAD of free cash flow per annum using the above high-level assumptions.

## Life of Mine & Valuation via FCF Multiple

Putting it all together in the below sensitivity table: using the above assumptions, 500,000 ounces of gold on the Beta Hunt site relates to approximately \$0.57 per diluted shares outstanding.

So the current share price at 0.80 CAD at the time of writing this article indicates that the market has priced in the downside scenario. Significant upside exists on the amount of gold found and the implied valuation of the mine site.

## C) FCF Multiple Valuation

Total Gold Assumed (oz)	500,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000
Annual Extraction	547,500	547,500	547,500	547,500	547,500	547,500
Implied Life of Mine	0.9 years	1.8 years	3.7 years	5.5 years	7.3 years	9.1 years
<i>(\$CAD Millions)</i>						
<b>Gross FCF</b>	<b>\$ 289</b>	<b>\$ 577</b>	<b>\$ 1,155</b>	<b>\$ 1,732</b>	<b>\$ 2,309</b>	<b>\$ 2,886</b>
(-) Startup Costs	(20)	(20)	(20)	(20)	(20)	(20)
(+) Salvage Value	5	5	5	5	5	5
<b>Total Project Cash Flow</b>	<b>\$ 274</b>	<b>\$ 562</b>	<b>\$ 1,140</b>	<b>\$ 1,717</b>	<b>\$ 2,294</b>	<b>\$ 2,871</b>
( / fully diluted shares o/s)	480	480	480	480	480	480
<b>Value per Share (CAD)</b>	<b>\$ 0.57</b>	<b>\$ 1.17</b>	<b>\$ 2.37</b>	<b>\$ 3.58</b>	<b>\$ 4.78</b>	<b>\$ 5.98</b>

Downside

Upside

Source: Financial Model built to value the Beta Hunt mine. Please contact the author if you would like a copy of the excel model.

## FCF Multiple Valuation: Sensitivity Analysis

The two major variables in valuing the mine site are the quantity of gold and the rate of extraction. Toggling these two variables, we created the below sensitivity tables.

I'll explain how to use this table via the two yellow highlighted cells.

- If there were 1 million ounces of gold (bottom table / left highlighted cell), and RNC extracts at 1,500 ounces per day - this relates to an implied valuation of **\$1.17** per diluted share (top table).
- If there were 3 million ounces of gold (bottom table / right highlighted cell) - and RNC extracts at 2,250 ounces per day - this would relate to an implied valuation of **\$3.77** per diluted share (top table).

Price per Share (diluted)	Daily Gold Extraction (oz)						
	1,000	1,250	1,500	1,750	2,000	2,250	2,500
0.9	\$ 0.34	\$ 0.45	\$ 0.57	\$ 0.69	\$ 0.80	\$ 0.92	\$ 1.04
1.8	\$ 0.70	\$ 0.94	<b>\$ 1.17</b>	\$ 1.40	\$ 1.64	\$ 1.87	\$ 2.11
2.7	\$ 1.07	\$ 1.42	\$ 1.77	\$ 2.12	\$ 2.47	\$ 2.82	\$ 3.17
3.7	\$ 1.44	\$ 1.91	\$ 2.37	\$ 2.84	\$ 3.31	<b>\$ 3.77</b>	\$ 4.24
4.6	\$ 1.81	\$ 2.39	\$ 2.98	\$ 3.56	\$ 4.14	\$ 4.73	\$ 5.31
5.5	\$ 2.18	\$ 2.88	\$ 3.58	\$ 4.28	\$ 4.98	\$ 5.68	\$ 6.38

Oz of Gold (total)	Daily Gold Extraction (oz)						
	1,000	1,250	1,500	1,750	2,000	2,250	2,500
0.9	333,333	416,667	500,000	583,333	666,667	750,000	833,333
1.8	666,667	833,333	<b>1,000,000</b>	1,166,667	1,333,333	1,500,000	1,666,667
2.7	1,000,000	1,250,000	1,500,000	1,750,000	2,000,000	2,250,000	2,500,000
3.7	1,333,333	1,666,667	2,000,000	2,333,333	2,666,667	<b>3,000,000</b>	3,333,333
4.6	1,666,667	2,083,333	2,500,000	2,916,667	3,333,333	3,750,000	4,166,667
5.5	2,000,000	2,500,000	3,000,000	3,500,000	4,000,000	4,500,000	5,000,000

Source: Financial Model built to value the Beta Hunt mine



## Discounted Cash Flow Model

The FCF analysis conducted so far has indicated the potential intrinsic valuation of the mine site, but has not considered time value of money or potential cost escalations in an inflationary environment.

Discounted Cash Flow (DCF) is king when it comes to valuation. Assuming 1 million ounces of gold exist on site, and extraction starts at 10 thousand ounces per month and slowly ramps up to our run rate 45 thousand ounces per month, we prepared the below cash flow model. We included inflation at 3% per annum on operating costs, capital expenditure, G&A and revenue for modeling purposes. This results in a very conservative valuation considering above assumptions have contained significant amounts of buffer.

Note taxation is treated as a blanket 30% of pre-tax cash flow for simplicity sake (vs. true accounting treatment).

Discounted Cash Flow Model Month	0 01-Oct-18	1 01-Nov-18	2 01-Dec-18	3 01-Jan-19	4 01-Feb-19
Ounces Extracted	10,000	13,563	17,125	20,688	24,250
Revenue per Ounce	\$ 1,500	\$ 1,504	\$ 1,508	\$ 1,511	\$ 1,515
Cost per Ounce	\$ (650)	\$ (652)	\$ (654)	\$ (656)	\$ (658)
Implied Revenue	15,000,000	20,394,609	25,816,098	31,264,567	36,740,116
Implied Direct Costs	(6,500,000)	(8,837,664)	(11,196,275)	(13,570,512)	(15,960,453)
<b>Gross Margin</b>	<b>\$ 8,500,000</b>	<b>\$ 11,556,945</b>	<b>\$ 14,619,823</b>	<b>\$ 17,694,055</b>	<b>\$ 20,779,664</b>
G&A	(1,416,667)	(1,460,867)	(1,465,736)	(1,470,622)	(1,475,524)
Capital Expenditure	(2,083,333)	(2,088,542)	(2,095,503)	(2,102,488)	(2,109,497)
Startup Costs (one-time items)	(20,000,000)	-	-	-	-
Australia Royalty (5% of revenue)	(750,000)	(1,019,730)	(1,290,805)	(1,563,228)	(1,837,006)
MMX interest (6% of revenue)	(900,000)	(1,223,677)	(1,548,966)	(1,875,874)	(2,204,407)
MMX interest (1.5% of gross margin)	(127,500)	(173,354)	(219,297)	(265,411)	(311,695)
<b>Pre-tax Cash Flow</b>	<b>\$ (16,777,500)</b>	<b>\$ 5,590,776</b>	<b>\$ 7,999,515</b>	<b>\$ 10,416,431</b>	<b>\$ 12,841,535</b>
Taxation (30%)	5,033,250	(1,677,233)	(2,399,855)	(3,124,929)	(3,852,461)
<b>Free Cash Flow</b>	<b>\$ (11,744,250)</b>	<b>\$ 3,913,543</b>	<b>\$ 5,599,661</b>	<b>\$ 7,291,502</b>	<b>\$ 8,989,075</b>

Source: Financial Model built to value the Beta Hunt mine. Columns cut off for readability. Please contact the author if you would like a copy of the excel model.

Toggling the total amount of gold found on site - and the discount rate in the DCF analysis as a proxy for rate of extraction - we come up with the below sensitivity table implying significant upside to today's share price.



		Total gold ounces found					
		500,000	1,000,000	2,000,000	3,000,000	4,000,000	5,000,000
Discount Rate (rate of extraction)	5%	\$0.40	\$0.81	\$1.60	\$2.35	\$3.02	\$3.68
	10%	\$0.39	\$0.77	\$1.45	\$2.04	\$2.53	\$2.98
	15%	\$0.37	\$0.72	\$1.32	\$1.80	\$2.16	\$2.46
		<b>Downside</b>			<b>Upside</b>		
		<b>\$0.56</b>			<b>\$3.05</b>		

## Dumont - Incremental Value

The Dumont project in Quebec contains approximately 6.9 billion pounds of nickel and is one of the largest nickel reserves in the world. Kaiser Research established the valuation of RNC Minerals' 28% equity interest in the mine at \$336 million. Taking a 25% discount to this valuation as the current market value (if liquidation were necessary) over 480 million diluted shares outstanding relates to \$0.525 per share.

## All-in Probability Weighted Valuation

Recognizing the valuation for Beta Hunt under various scenarios, and adding the 28% equity share of the Dumont project indicates upside between 40-240%.

### Downside Scenario

Probability Weighted Value (10% discount rate)		
Gold Volume (oz)	Probability	Value per Share
500,000	60%	\$ 0.39
1,000,000	30%	\$ 0.77
2,000,000	10%	\$ 1.45
3,000,000	0%	\$ 2.04
4,000,000	0%	\$ 2.53
5,000,000	0%	\$ 2.98
<b>Beta Hunt Valuation:</b>		<b>\$ 0.61</b>
Plus: Dumont Valuation		\$0.525
<b>RNC Minerals Valuation:</b>		<b>\$ 1.13</b>
Share Price as at 10/5/2018		\$0.80
<b>Implied Upside</b>		<b>41%</b>

### Upside Scenario

Probability Weighted Value (10% discount rate)		
Gold Volume (oz)	Probability	Value per Share
500,000	0%	\$ 0.39
1,000,000	0%	\$ 0.77
2,000,000	0%	\$ 1.45
3,000,000	60%	\$ 2.04
4,000,000	30%	\$ 2.53
5,000,000	10%	\$ 2.98
<b>Beta Hunt Valuation:</b>		<b>\$ 2.28</b>
Plus: Dumont Valuation		\$0.525
<b>RNC Minerals Valuation:</b>		<b>\$ 2.81</b>
Share Price as at 10/5/2018		\$0.80
<b>Implied Upside</b>		<b>251%</b>

Note we have not accounted for RNC Minerals' 42% equity interest in Orford Mining (TSX-V: ORM). While not material to our valuation exercise, this may provide additional upside from similar gold mining operations.

## Risks

No investment is without some form of risk. Risks to this investment are primarily on the quantity of gold found.

RNC Minerals has built a geological model around the Beta Hunt mine and tested it at several intervals. As they struck gold repeatedly - if this was coincidence, or the 'Father's Day Vein' does not run as far as expected (540 meters), or the potential 8 kilometers of gold-bearing sediment is of low grade - total gold volume could range between 500,000 to 1,000,000 ounces. This would relate to a Beta Hunt valuation of \$0.40-\$0.75 per diluted share, or including the Dumont mine valuation, \$0.90-\$1.35 per diluted share.

While this downside range of valuations still provides some upside to today's share price of \$0.80, outside forces such as market reaction, short sellers and overall sentiment can make this investment extremely volatile. Under downside scenarios, the share price could be depressed despite decent fundamentals.

Higher than expected gold extraction costs could also pose a valuation risk - though based on information available to date, this seems very unlikely due to the high grade gold deposits - blasted, brought to the surface, trucked and shipped away. This is a fairly inexpensive process, and we have added a \$100 per ounce buffer for conservatism.

Lower than expected revenue per ounce of gold also carries risk, though arguably this has been accounted for by ignoring the upside in selling larger blocks of gold at a 20-40% premium to private collectors and museums.

## Conclusion

RNC Minerals is a speculative investment with a range of potential outcomes (and potential share price appreciation/depreciation). Having said that, based on information available to date, assumptions made in the above analysis and the conclusions arrived at - the current stock price appears to be a bargain vs. the implied valuation.

**Disclosure:** I am/we are long RNKLF. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

**Editor's Note:** This article covers one or more microcap stocks. Please be aware of the risks associated with these stocks.

## Comments (152)

---

### FadeTheMedia

Great job, thank you for the article.

09 Oct 2018, 03:51 PM

**licowboy**

Ditto!

12 Oct 2018, 03:13 AM

---

**firemanbob0854**

Has anyone got any knowledge of the next cut or blast date?

09 Oct 2018, 03:57 PM

---

**michaudjp**

Follow the mine director on LinkedIn

[www.linkedin.com/...](http://www.linkedin.com/...)09 Oct 2018, 09:59 PM

---

**BLyda97112**

Thank you for the excellent level of detail in this article. Hopefully the upside case will become obvious and drive the stock price higher.

09 Oct 2018, 04:04 PM

---

**30piecesofsilver**

It's very tough to estimate the value of a mine at this early stage when total quantity is such a huge unknown. However, I think you did as well as one can in detailing the various possibilities. As always with mining shares, the potential downside is usually essentially zero. There's always a possibility that they stop finding gold, that it was a one off, and the whole thing is essentially worthless. You always have to keep that possibility in your calculations. But the potential upside at Beta Hunt is perhaps the most tantalizing find in decades or more. Personally I find it well worth the risk. Disclosure: long RNKLF.

09 Oct 2018, 04:07 PM

---

**hulubalang**

The news has been sensational. The stock is up 4X in the past month, diluted market cap now over \$300M, pretty hefty valuation for an explorer. But this thing is still early exploration. It's a leap to assume a deposit of several million ounces. I owned the stock but sold last week at a nice profit.

It's easy to get excited about those huge nuggets but the stock has gotten ahead of itself IMO. I'm happy to move on to other prospects. There haven't been very many opportunities for a quick profit in this market. That said, I wish continued luck to those holding the stock.

09 Oct 2018, 05:40 PM

---

**pro8**

Sayonora

09 Oct 2018, 05:44 PM

---

**aaalpha**

Hi hulubalang, thanks for your update. You mentioned, 'happy to move on...' which miners are you considering at the moment?

Thx, for sharing

26 Oct 2018, 05:46 AM

---

**hulubalang**

Argonaut, Leagold and Hecla all hit 52-week lows this week and look pretty attractive. I bought Fireweed Zinc and Kutcho Copper this week. Recent purchases include Alio, First Mining, Brixton, Granada, Tethyan, Continental and Goldmining.

26 Oct 2018, 08:42 AM

---

**hulubalang**

Americas Silver and Impact Silver are both cheap and could be huge long-term winners. I have large positions in both.

If you're interested in individual miners, I highly recommend fellow SA Contributor Don Durrett's website and subscription service, GoldStockData.com.

26 Oct 2018, 08:49 AM

---

**hulubalang**

Novo Resources and the Pilbara stocks have been hammered and look pretty interesting here. Lots of people bought at higher prices and have bailed with the correction. That's what happens when little companies get bid up to ridiculous levels.

26 Oct 2018, 08:55 AM

---

**Kevin Murphy**

If you like RNX as an investment, then you might also like Maverix Metals [V.MMX MACIF] which trades on Canadian exchange, Maverix gets a 6% royalty on all of the gold produced by RNX, and another 1.5% on gold produced after subtracting expenses.

I own both MACIF and RNKLF.

I'll also point out that it is quite rare to come across a bonanza find like Beta Hunt's 'gold boulders', that just happen to sit in the middle of an existing nickel mine that has kilometers of tunnels already built, with the needed ventilation, power, water, housing, road access etc in place - not to mention a skilled workforce already onsite. A bit of a miracle, compared to other Australian junior miners like Novo, De Grey and others that still need permitting and build-out of infrastructure, which realistically takes 2 years and tens of millions of dollars to put into place.

So one major difference between RNX and NOVO etc is that RNX produces profitable revenue right now, within a few weeks of discovery.

09 Oct 2018, 04:09 PM

---

**Kevin Murphy**

Here's a link to an announcement from the Perth Mint in Australia. They are displaying the huge quartz & gold nuggets found in September at the Beta Hunt mine.

[coinweek.com/...](#)

09 Oct 2018, 04:15 PM

---

**michaudjp**

When your nuggets are displayed in the National Mint I think you might consider being on the right path.

09 Oct 2018, 09:31 PM

---

**Downtown10**

Kevin, excellent point about the immediacy of revenue from Beta Hunt and just how unique it is from other bonanza finds. Not sure the SP fully takes that fact into consideration.

09 Oct 2018, 09:55 PM

---

**Alt Investing Plays, Contributor**

Author's reply » Absolutely, RNX is (proforma) cash flow positive and has no outstanding debt. Not too long ago bankruptcy was on the table - they gave up 12% equity interests in Dumont for cash which in retrospect was a terrible deal - but allowed them to continue operations which led up to this bonanza gold find.

If only Sprott jumped in earlier! Just kidding Mr. Sprott...

09 Oct 2018, 10:09 PM

---

**splitstud**

Excellent article. Not mentioned, and in my opinion of note, is RNC's interest in the Qiqavik project. It has very similar geology, good assay results, and an absolutely huge area to explore. RNC's knowledge of targeting visible gold deposits could make this another top-class producer, and significant contributor to bottom line over time.

09 Oct 2018, 04:16 PM

---

**SeaOfSand**

KUDOS to you article, putting an model (FCF etc) behind the numbers is more than helpful at this early stage. (my first comment was removed due to an editing request, seemingly)

In case anybody is interested, here a little financial breakdown of 2H18 only based on known numbers (low estimate) and steady numbers (4Q18 = 3Q18).

These numbers are nowhere near the model assumption, hence extremely conservative.

They help me 'visualizing' that continuous operation (low) and operations w/ added medium high grade finding should enable at least 195% upside from here while enjoying a strong balance sheet.

The financial breakdown also shows that the historical discovery, worth for more than ten years of profitable operations, recovered the negative working capital like a phoenix from the ashes into profitability and even NCAV positive.

+++

Where are we right now? What should be the floor?

According to 10/2 NR [www.rncminerals.com/...](http://www.rncminerals.com/)

What we know is, in 3Q18 we had 27,000 oz High Grade recovered already and I assume 2/3 10,000 oz of Low-Grade average, i.e. 6666 oz.

Low assumption is they just find rest of 35,000 oz in 4Q18 and add the 6666 oz Low Grade.

2H18 EPS C\$0.118 -> C\$0.236 annual floor w/ 2x 48,332 oz, C\$2.36 @ P/E 10

[cdn.ceo.ca.s3-us-west-2.amazonaws.com/...](http://cdn.ceo.ca.s3-us-west-2.amazonaws.com/)

Medium assumption is they find 27,000 oz in 4Q18 again plus 6666 oz Low Grade

2H18 EPS C\$0.153 -> C\$0.306 annual floor w/ 2x 67,332 oz, C\$3.06 @ P/E 10

[cdn.ceo.ca.s3-us-west-2.amazonaws.com/...](http://cdn.ceo.ca.s3-us-west-2.amazonaws.com/)

Here the PDF [cdn.ceo.ca/...](http://cdn.ceo.ca/) and LibreOffice ODS [cdn.ceo.ca/...](http://cdn.ceo.ca/)

09 Oct 2018, 06:02 PM

---

### cvnt

Excellent analysis! Thank you for the time spent to dig in!

This company definitely have great upside at current price.

09 Oct 2018, 06:16 PM

---

### TopDoggie

Good article

09 Oct 2018, 08:21 PM

---

### BrasilianBooty

Got in on RNKLF at .18 cents. But I'm bailing at the first fire that destroys sample records or guy that mysteriously falls out of a helicopter.

09 Oct 2018, 10:13 PM

---

### Alt Investing Plays, Contributor

Author's reply » As a side thought, see the below image on why I believe the company or Beta Hunt is a takeout target (if they have millions of ounces of gold).



i.imgur.com/...

09 Oct 2018, 10:56 PM

### skrt8220

i have 4k shares i'd love this to be a 10 dollar stock at some point

09 Oct 2018, 11:15 PM

### hulubalang

There's 487,000,000 fully diluted shares. Let's see, that would be nearly \$5B market cap, bigger than Kirkland Lake, Kinross, AngloGold and many other majors.

10 Oct 2018, 08:54 AM

### Darp Research, Contributor

Hulu, entirely possible, not only would it be much higher growth than those miners, the profit margins and grade will likely be much higher. In fact the profits may be higher too. AUJ has no profits yet 2.31 billion mkt cap [finance.yahoo.com/...](http://finance.yahoo.com/)

Kirkland also has no profits [finance.yahoo.com/...](http://finance.yahoo.com/) but does have 165 mill FCF (good), but RNC in Sept may have had \$35 million FCF or 3 times better than KL.

This is the richest bonanza grade ore find ever, surpassing the former #1 the Comstock Lode. It is feasible.

The market still is not digesting the 5,000 gram/ton bulk mining sample.

10 Oct 2018, 10:57 AM

### Darp Research, Contributor

Alt Investing, thanks for this article. This situation is not easy to model, thanks for tackling it..

One thing on geology model, the setup that created the coarse gold is the intersection of the shear zones and pyritic sediment layer. The shear zone are near vertical, the sediment layer varies greatly but lets call it 10 degrees . The slide in their presentation you may want to add to your article. Those pink hot zones for nuggets go about 1 km away from your view and 1km towards you that is where 8kms come from. Think of an ice cube tray, the intersection of planes is like that.

The sediment layers are thin, like 6", the shear zones are huge, as in 10-40 meters. The gold can be throughout the shear zone, but in this case seems concentrated on footwall side.

This is not a conventional vein system, it is an intersection that cause chemical dropout of the gold. But if the the tiny 4x4 meter face were as rich throughout the property, that would be 5 meters into 4,000 = 800 times more x \$50 million Cad = \$40 billion in gold. Just in case someone is wondering if this is the norm for the mine in grade for a tiny 4x4 meter zone. .

But they found 177 oz of nuggets in same area on the opposite side of the shear zone in August, on the headwall side. And the gold may go down or up the shear zone. And there may be a one or more sediment layers lower down

in the Luddon Basalt, they just got there. So if one more, potentially double everything.

The odds of them hitting the very best first, is 1 in 800. There is a super rich source of gold here, the biggest nugget ever found and I think 4th biggest ever found too, both in first blast. This is quite a bit richer than the bonanza strike that created the Comstock Lode, the former richest bonanza ore strike in history, now it is the Beta Hunt.

So just playing the odds, an average outcome is that there are millions of oz of gold there and it can be mined at very high margins. 1 year from now Beta Hunt will likely be rated as the richest grade gold mine in the world. A valuation in the billions is likely and share price of \$5 to \$10 would not be shocking, right now on a run rate basis it is under 1 PE. The mine is the most trouble free know of in world. No road blockages, local opposition, dangerous rock conditions, expensive water pumping, and on and on.

JMHO there is only one risk, that their luck reverses from a once on 50 lifetime bonanza gold find to a once in a lifetime bad luck that they hit the very best first (1 in 800) and the rest is less than 0.1% as good, well that would be 50 gram a ton still richer than the highest grade mine (Fosterville), OK make it 0.001% as good, that would get it down to .5 gram ore, not worth mining.

09 Oct 2018, 11:16 PM

---

### **Kevin Murphy**

One comment on your excellent post:

The rule of thumb that I have seen expressed in gold mining is this:

If you want to find gold, look where gold has already been found.

This boils down to this - if gold has already been found here, then it's way more likely that there is lots more of it than it's a one-off and there ain't no more there.

This is borne out by previous finds in the same mine that were noted, cashed in but not pursued to find more gold, because they were looking for nickel.

So I am betting with the strong odds that favor there is more gold in this mine. It's unlikely that they ever find a room full of sparkly gold again, but highly likely that they find more visible gold and economically mineable gold.

We all make our own decisions.

09 Oct 2018, 11:26 PM

---

### **pro8**

I like your enthusiasm Darp not just do to what you say but the facts and comparisons you use. Let us not forget also that the author if I understood him correctly gave us a very conservative view for the most part and even that made the Sugar plums dance.

09 Oct 2018, 11:42 PM

---

### **Alt Investing Plays, Contributor**

Author's reply » Hi Darp. I recognize your name from stockhouse (or was it ceo.ca?) so your knowledge is definitely appreciated.

I come from a strong finance and investment background but my geology and mining knowledge is unfortunately limited to... maybe grade 9?

The purpose here was try to value Beta Hunt as a project finance investment opportunity - how I typically would do so working for a private equity shop - then create sensitivities and understand the economics of their operations, opportunities and risks from an investment standpoint.

Hence the extreme conservatism used. Agreed on your points to the upside, if I were to restate numbers to a 'base' or aggressive scenario, I would arrive at those values as well.

Cheers.

09 Oct 2018, 11:57 PM

---

#### **Darp Research, Contributor**

Hi Alt Investing, yes we have chatted before and gave you some feedback before your published. There are several ways to look at it, and it is actually good that different methods are used for the same mine by different people. Still no one has come up with bad #s yet.

Besides incredible grades Beta Hunt is rare in terms of not having the normal multiple problems most mines have, especially in South Africa. And when I dropped it to .1% as good grade for the rest, thought that would ruin it, it did not, still rich 50 grams, that sorta blew me away.

Cheers!

10 Oct 2018, 12:07 AM

---

#### **Darp Research, Contributor**

Kevin, that rule has been proven over and over. And they did hit bonanza grade at the 2nd test 300+ meters away, looked like a 50 oz clump to me in mine face. Having been in maybe 20 gold mines, have never seen visible gold in mine face, just gold in muck on mine floor when panned it. I talked with them on Friday, they are being very conservative because even doing that is blowing people away.

Cheers

10 Oct 2018, 12:12 AM

---

#### **Darp Research, Contributor**

Correct Pro8, and thanks!

10 Oct 2018, 12:13 AM

---

#### **Darp Research, Contributor**

Error on my post: "and the rest is less than 0.1% as good , well that would be 50 gram a ton still richer than the highest grade mine (Fosterville) , OK make it 0.001% as good, that would get it down to .5 gram ore, not

worth mining."

Lost a zero. 0.1% is 5 grams, still good enough to mine, but not 50 grams/tons,

So if 0.01% as high as the initial grade would ruin the deposit, that is .5 grams too low to mine underground.

10 Oct 2018, 01:03 AM

---

### The Conservative Investor

@Alt Investing Plays

Welcome to SA. Thank you for writing such a conservative, detailed article. Although I find myself in agreement with many of the points you have made, there were a couple of points that needed some further clarification:

1) Did you contact the company with regards to the updated cost estimates, including the G&A increase from C\$5M to C\$17M dollars and C\$5M for contract security personnel? It is one thing to assume a margin of safety for operational expenses, it is another to simply guess at numbers without at least some knowledge of the situation.

2) Would it not be better to assume the Dumont stake to be worth zero as it is not yet in production and will require a capital raise in the future to be viable? It is an interesting asset as it also plays into the electric vehicle and battery markets, but the market takes a dim view of exploration/pre-production assets in the resource sector simply because most of them never come to fruition.

Also, there was no real mention of the people running the show, and competent execution is critical in mining. The CEO picked up Beta Hunt in a buyer's market for ~C\$10M back in 2015 (need to check that figure, it was a two part deal for the SLM company which owns Beta Hunt). He also has interesting ideas on sending nickel concentrates to nickel pig iron producers in China to avoid the astronomical fees charged by traditional nickel smelters. You see that kind of thinking in silicon valley and tech, not so much the mining world. This would be a compliment, except the company also burned cash like a tech startup and was teetering on the edge of bankruptcy before the bonanza gold strike. The CFO unfortunately presided over a palladium company that did go bankrupt due to a terrible deal with BAM. What are your thoughts on the management team and board?

09 Oct 2018, 11:26 PM

---

### Alt Investing Plays, Contributor

Author's reply » Hi Conservative Investor - great name by the way. I'll answer your questions below and happy to discuss further.

1) Made up. I used my past experience in corporate finance / M&A type activities to spitball what these numbers could look like fully loaded (including benefits, travel, bonuses, etc.). So my \$17 M build up is very likely on the high side which gave me comfort from the perspective of conservative valuation modeling.

2) Fair comment - I agree. This implies a downside range of \$0.40 - \$0.70 (CAD, lets use the midpoint = \$0.55), and lets say ~\$2.50 for the upside scenario.

So at today's share price of \$0.75 (CAD), implied downside to \$0.55 = 26% loss vs. an implied upside of ~200%+. Assuming the same odds, I would flip that coin.

3) Mark Selby went to the same school & program as me which gives me some comfort around his competence! Just kidding. I didn't discuss this topic given the length of the valuation discussion but certainly important to the investment decision process.

My personal view - and I could be absolutely wrong here - on the management team and board is, assuming a base level of competence, that it almost doesn't matter with Eric Sprott involved and the magnitude of this discovery. RNC would have significant budget to hire (some of the best) investment bankers, legal councils, consultants, investor relations teams, etc.

09 Oct 2018, 11:53 PM

---

### **Darp Research, Contributor**

TCI, "He also has interesting ideas on sending nickel concentrates to nickel pig iron producers in China to avoid the astronomical fees charged by traditional nickel smelters. "

Yes agree and have worked in SV, RNC have pretty much proved it works in tests. Beta is the big value, but at \$7 nickel it would be quite profitable and once up Rob says it would remain profitable down to think it was \$4.50, the key is the cost to fire it up.

Again back to the absurd value proposition of Beta Hunt, no startup costs or years to wait or permits, it is a ridiculously good situation.

10 Oct 2018, 12:21 AM

---

### **Darp Research, Contributor**

Yes, Sprott owns more than all the insiders do, and will help them. He is more of an investor than mining guy, but has good instincts on many things he has done, and great contacts.

He has got into a few bad ones, Metanor one of the worst managed gold miners have ever seen, but it worked out half decent anyway.

10 Oct 2018, 12:24 AM

---

### **pro8**

I don't see RNX using a capital raise for Dumont . My thinking is that Beta Hunt FCF will be a more than adequate supply of seed money for Dumont. Their share is only 28% of the project and it will take time to get it into production so they will not need a large up front sum to begin with so I do not see a capital raise needed.

10 Oct 2018, 12:28 AM

---

### **The Conservative Investor**

@Alt Investing Plays

Thank you. Yes, the name is a reminder that conservatism is extremely important in the areas of finance and investing. I tend to favor companies with strong balance sheets, almost the exact opposite of what this company's financials looked like before the bonanza strike. It is interesting that you used the coin flipping

metaphor, because I view this as a possible coin flip situation where heads you win and tails you don't lose too much.

The reason that management is important here is because:

- 1) They have to develop the right model using the data they inherited and data they obtained since acquiring the mine (there is a degree of engineering here, you do not randomly blast and drill). You can waste a lot of time and money with the wrong model, probably one of the biggest risks in mining.
- 2) Manage their human resources to maximize efficiency and minimize risk to personnel and infrastructure. Safety is just as important as competent execution - in the US mining fatalities mandate a suspension of mining operations while MSHA investigates and passes out penalties for violations. While I do not believe Australia regulates mine safety quite the same (or at all), they still need to pay heed to safe practices during production for obvious reasons.
- 3) Properly manage their cashflow and finances so they can withstand certain setbacks - in mining you cannot easily idle or suspend operations, so if they run out of cash they can't wait for the next truckload of ore to be toll milled before resuming operations. This also goes back to point 2), if they have any type of unexpected work stoppage they need to have a plan and a financial cushion in place as Beta Hunt is their only producing asset.

Of course, if management pays no heed to the points above due to inexperience or incompetence, then tails you lose everything. Mining management in general are notorious for blasting and drilling until they run out of investors' money. If the upside was 10X or 100X, then it may be worth it for some people. But for others, it may be too great a risk, so caveat emptor.

10 Oct 2018, 12:35 AM

---

### **The Conservative Investor**

@Darp

Yes, agree that is promising, if they can get to and maintain steady production then even a 28% share in the world's second largest nickel reserve will be profitable asset that exceeds double the current share price. Beware however that the feasibility study they did was based on a \$9 nickel price. And of course, steady production with a decent profit margin is the hump that most companies can't get across, so it is more of a wait and see there.

The fact that Beta Hunt is an operational mine in a safe jurisdiction is definitely a positive.

@pro8

While it is possible, I think it is unlikely as they need a couple of billion USD there, at least: "Initial capital costs for the development of the Dumont Nickel-Cobalt Project, for the base case, could be in excess of US\$1.191 billion, with additional expansion capital of US\$891 million."

[www.rncminerals.com/...](http://www.rncminerals.com/)

What could happen is Beta Hunt works out to be one of the better upside scenarios here and they can tap the equity markets (i.e. issue shares) when the share price appreciates to reflect that reality. I am not sure about



the debt markets, especially with rates going up so quickly.

10 Oct 2018, 01:11 AM

---

**alex.c**

When the downside is so small relative to the upside, it is a great risk to nobody to make an investment.

People who fear the downside must simply take a much smaller position.

The way I see this investment, and the reason I have taken an usually large position, is that i see it as the rolling of a dice. If the nb 1 comes up, I could lose a bit (I was in quite early), but if the dice shows a nb 2 to nb 6, the gains will go from good, to very, to being a 10 bagger. If I could alway make bets which are so biased in my favour, I would be a much richer man! I encourage everybody to take even a small position at this low price!

10 Oct 2018, 04:45 AM

---

**Kevin Murphy**

A question on valuation methods.

Beta Hunt is still a nickel mine, correct?

If it continues to produce nickel, then is that income used as a credit against the cost of mining gold? Should that be factored into the valuation model?

10 Oct 2018, 10:46 AM

---

**pro8**

Let us be realistic here that \$1.91B is for the whole project. They no longer have that big of a stake. 28% which is their ownership now of that \$1.19B which is the 1st of the seed money needed is = \$333M , if they expand it over the next 5 years they will need ~ \$210 more during that time .

From the article

We estimate ~220 million CAD of free cash flow per annum using the above high-level assumptions.

Let us assume only \$170M FCF... two years time we have the Dumont seed money covered with room to spare.

10 Oct 2018, 10:56 AM

---

**Darp Research, Contributor**

I am playing the odds also, it is the correct way to look at it right now.

10 Oct 2018, 10:59 AM

---

**Darp Research, Contributor**

The gold is so good at Beta, they have stopped nickel mining to put those resources to gold mining, and they are moving 3 gram/ton gold mining resources to go after the initial 5,000 gram/ton model instead.

10 Oct 2018, 11:01 AM

---

### **Darp Research, Contributor**

Hi Alt Investing, did catch an error "which is extremely conservative relative to other gold mines in the area which range 20-30 ounces per ton."

You may have meant grams.

Highest Grade Gold Mines in the World

The highest-grade gold mine in the world is the Fire Creek mine in Battle Mountain, Nev., according to 2015 data. With a gold ore density of 44.1 g/t, Fire Creek falls high above Macassa, the second highest grade mine at 22.2 g/t, which is located in Kirkland Lake, Ontario.

A common grade for underground is 6 grams/ton, Beta was 3 grams, and nearest mine can find is [en.wikipedia.org/...](http://en.wikipedia.org/...) which is 5 grams.

Cheers

10 Oct 2018, 12:42 AM

---

### **Menta Deal**

Very interesting comments. My valuation model :

45% : Very isolated spot, with half already removed. They will spent all their cash in unsuccessfull operation trying to find other sweet spots : share price : 0 Cad.

50% : Very isolated spot, but with large and descent gold concentration area : share price : \$ 2-3 Cad

5% : Bonanza : \$10-20

All is all, quite risky, but worth the risk !

10 Oct 2018, 05:15 AM

---

### **Small Investor 28**

How do you get 45% for an unsuccessfull operation? Got any statistics of mining copmanies with same cirumstances?

10 Oct 2018, 05:44 AM

---

### **Menta Deal**

No, just free guessing !

10 Oct 2018, 05:56 AM

---

### **verismotex**

[www.rncminerals.com/...](http://www.rncminerals.com/...)

10 Oct 2018, 08:14 AM

---

**Alt Investing Plays, Contributor**

Author's reply » This wasn't the news expected (details on the 'golden rose' or production numbers, the rock where they found solid gold inside when they drilled through) but definitely very nice.

Key takeaways:

- 1 thousand ounces relates to \$1 M+ of free cash flow.
- Seems to be a focus on extracting slabs which sell at a premium to private collectors / museums
- Opening up sale of slabs to public (should expedite sales / bring cash in sooner / reduce related expenses (touring, etc)
- More slabs are on their way
- This is from the original 60 m3 blast
- 'Golden Rose' details still to come
- News release next week on Q3 production numbers

10 Oct 2018, 09:38 AM

---

**Darp Research, Contributor**

Absolutely beautiful slab gold! Check these high res out [prnewswire2-a.akamaihd.net/...](http://prnewswire2-a.akamaihd.net/...)

That is maybe most beautiful slab have ever seen, and it does not hurt that own about 1oz of it ;-)

What would that go for, maybe \$3,000 oz USD, at least \$2,000oz. I am familiar with the native gold specimen market, both placer and hardrock pricing. Museums and private collectors will be stocking up on these. Spratt will likely buy some.

See this piece in [rock.shopify.com/...](http://rock.shopify.com/...) It is a tadpole compared to Beta nuggets, maybe 10-15oz, Its called the "Dragon", it sold for \$1,000,000 or about \$75,000 an oz. That really happened, I know the owner of that mine.

Here it is after they cleaned it up: [cdn.shopify.com/...](http://cdn.shopify.com/...)

This is why RNC is spending time removing the specimen gold carefully. They will likely get \$5,000+ an oz for some of their specimens. Right now Beta gold has to be #1 topic on gold collectors minds. No doubt Perth Mint is advising them on how to get max price per oz on these. It could be an extra \$25-50 million a year kicker for RNC, the premium they will get per oz.

Cheers

10 Oct 2018, 11:19 AM

---

**doug5380**

Wow that dragon specimen is beautiful! I can easily imagine more than a few high end jewelry shops and individuals that would like to own anything like that Beta Hunt can put on the market.

12 Oct 2018, 10:17 AM

---

**Menta Deal**

Its part of world history on sell

12 Oct 2018, 10:46 AM

---

**Darp Research, Contributor**

So why is RNC stock down about 2% so far today. on good news and wonderful pictures?

1. Stock market crash day, worst day in 5 months.
2. Probably shorts are working to push it down.

Let's examine the shorts. So far they have been dead wrong. Whereas in same 4 week period the TSLA shorts have been doing very well, the RNKLF shorts have been killed. Ignore the official statistics, RNC is heavily shorted, the borrow rate is about 60% or over 1% a week interest cost, the mafia gives better rates. Here is one acct I have:

10/09/2018 RNKLF 38760 26.5 % \$ 24,137.00 \$ 17.77

I got \$18 for one day on 39,000 shares, BUT just get 26.5%, the broker takes the rest of 60%.

Those shorts are likely mechanical systems, as in "a pinksheet is up 150% in one week, short it" with no due diligence, just as there are go long mechanical systems too. There 2nd rule may be , "if it goes up more, short it harder to drive it down and hire stock bashers to generate paranoia".

In this situation being purely mechanical is stupid as there is a reason RNKLF has skyrocketed, the vaue of the stock has skyrocketed even more.

And where DD comes in is that the last Q shows a severe debt problem, only by a human reading recent press releases can it be known that RNC now has no debt at all and has free cash flow flying out their ears. That is how the debt was paid off, free cash flow in mind boggling amounts. They have likely FCFed \$45 million cad in last 4 weeks. Their mkt cap used to be like \$25 million, it is mind boggling how the value of RNKLF has increased.

The next thing is that RNC is the most dangerous type of stock to short, a highly Cash Flowing business is invulnerable compared to most. They need to raise no cash or sell stock, they can buy it back with that massive cash flow if it gets pushed down. This relates to the former richest bonanza ever found the "Big Bonanza" of John Mackay on the Comstock which made him the richest man in the world (beta Hint is now richest).

He got in a price war in a new business:

Until Mackay and Bennett entered the field, all submarine cable traffic between the United States and Europe went over cables owned by the American financier Jay Gould. A rate war followed that took almost two years to conclude. Jay Gould finally quit trying to run John Mackay out of business. He was quoted as saying in reference to Mackay, "If he needs another million he will go into his silver mines and dig it out".[5]:187–188 en.wikipedia.org/...

RNC is in similar position, it has a huge advantage over any adversary. Thus the shorts will continued to be bulldozed off the cliff by RNKLF stock in the long run.

10 Oct 2018, 01:05 PM

---

**Small Investor 28**

Darp I hope you are right! If you are in Berlin/Germany please write me, I'll buy you a beer for your RNKLF comments :)

10 Oct 2018, 01:30 PM

---

**pro8**

I'll buy him a couple cases if it works out the way he says it will and I'm ready right now to ask him what his favorite beer is... or whatever he partakes in... weed is legal now where I live...

10 Oct 2018, 02:07 PM

---

**Menta Deal**

All in all only futur FCF generated by RNX will matter

10 Oct 2018, 02:18 PM

---

**Darp Research, Contributor**

Thank you for your kind offer, Hanover for Cebit is the closest have got to there and many years ago. My great grandfather was born in Thorn, not too far from you. Cheers

10 Oct 2018, 02:29 PM

---

**Darp Research, Contributor**

Thanks pro8!

10 Oct 2018, 02:30 PM

---

**doug5380**

Great comment and explanation thanks!

12 Oct 2018, 10:20 AM

---

**Darp Research, Contributor**

Stock of Comstock Vs RNC, comparison of history

Making a Fortune In 1871, Irish-Americans John William Mackay, James Graham Fair, James Clair Flood and William S. O'Brien, organized the Consolidated Virginia Silver Mine near Virginia City, Nevada, from a number of smaller claims on the Comstock Lode and later added the nearby California mine. Mackay and Fair had the mining knowledge and Flood and O'Brien raised the money.

The purchase price of the claims, later to become a fabulous source of wealth, was about \$100,000. The original stock issue was 10,700 shares, selling for between \$4 and \$5 a share. In 1873 the "big bonanza" was uncovered and San Francisco and the entire mining world were hurtled into a fever of excitement. The first stock issue was converted into two issues of 108,000 shares each, and by the middle of 1875 the speculative value of the two mines were close to \$1,000,000,000. Shares went as high as \$710.

For three years after the discovery of "big bonanza" the two mines produced \$3,000,000 per month. In 1876, for exhibition purposes, \$6,000,000 was taken in one month from both mines. Production began to fall off in 1879 but in twenty-two years of operation the two mines yielded more than \$150,000,000 in silver and gold, and paid \$78,148,800 in dividends, making the four owners into some of America's wealthiest men.[2]

OK that is 2nd to Beta Hunt in terms of bonanza hit, and it worked out quite well. We have had 100 times inflation since then, people worked for \$1 a day then. So \$1 billion then is \$100 billion now, so just one of dozens of mines on Comstock was valued at \$100 billion on stock market. Or 7 times more than the silver/gold production in its life!!! It got way overvalued, which is to be expected. RNC will at some point get very overvalued is my guess, now very undervalued.

So Con Virginia did a \$100,000 to \$1 billion run. That is a 10,000 bagger, maybe the best ever. Cheers

10 Oct 2018, 02:32 PM

---

### **fabianralph**

Hi guys have a look at the article from mining website gives a different thought... bottom part of the article [www.mining.com/...](http://www.mining.com/)

11 Oct 2018, 01:18 AM

---

### **fabianralph**

Spreading wrong info...

11 Oct 2018, 01:20 AM

---

### **Darp Research, Contributor**

Correct 1 month out of date on selling, the for sale sign has been burned, media gets things wrong often.

11 Oct 2018, 02:21 AM

---

### **Darp Research, Contributor**

Well bot another 12,000. 8k RNKLF and 4k RNX.to

With gold finally breaking out (2%) and sector+4%, and getting it for less than it closed yesterday, seemed too good a deal to pass up. Its been years since have seen a setup as good , well actually lets say in the ball park as this has more potential that CLGRF did.

11 Oct 2018, 12:00 PM

---

### **littlebylittle**

I run out of money, hope rnklf can break out with gold too. Today the action is a little disappointing

11 Oct 2018, 03:35 PM

---

### **Darp Research, Contributor**



Yes Little, the sector was up 6%. Pressing the company to get me in contact with geologists, think I can write up a report that would break the stock out, but have to get some questions answered first.

11 Oct 2018, 05:19 PM

---

### **Darp Research, Contributor**

Update: I did get my answers from company to over 20 questions on the deposit. I do plan a SA article on it. The answers are very much on positive side. It may take a few days to write, maybe 8-15 pages.

One thing stood out the pyritic sediment layer intersection is a reliable coarse gold dropout mechanism, it appears widespread on the property that it works.

And a guess that was wrong on ending prior gold mining method, they are still doing the big bulk mining for the 3 gram a ton material, while getting the almost pure profit bonanza ore at same time. And they have the geo model targets quite close to existing workings throughout the mine :-)

12 Oct 2018, 02:48 PM

---

### **Alt Investing Plays, Contributor**

Author's reply » Wow! Looking forward to it! Maybe I can update my model in sync with your numbers :P

12 Oct 2018, 02:51 PM

---

### **Darp Research, Contributor**

Good idea, I plan on making it a blog article, so anyone can read and comment forever, but we can reference each other with links. I have not done article before, if it was done do you think I can have it up on SA in a day?

12 Oct 2018, 03:43 PM

---

### **dpinvest**

Hi Darp, your postings have been enlightening to those of us who are not geologists or have your experience in mining. Thanks so much for your insights!

Re your question - "can SA get it posted within a day?" - I believe the answer is yes (since so many articles are time sensitive). But of course it is up to SA editors re timing and approval.

Given the quality of your postings, I fully expect a fast review and approval of your article. We'll see.

Have you submitted your article yet for approval by SA editors?

Can't wait to read it!

Thx again!

15 Oct 2018, 09:10 AM

---

### **Darp Research, Contributor**

Hi DP, I have posted it as Blog, so anyone can read it forever. You are mentioned in it, found out about the strike from you.

[seekingalpha.com/...](#)

Thanks!

16 Oct 2018, 02:02 AM

---

**manateemike**

why are the computers still playing both sides and taking a couple thousand everyday pushing the stock price down? it should be on the steady incline

17 Oct 2018, 08:11 PM

---

**Darp Research, Contributor**

Mike, there is a large short position in RNC and some of it predates the strike. No comment on action, but if RNKLF goes to \$1.10 that could be \$50 million loss for them or thereabouts, so a huge motive for them to hold it down. Pay no attention to official short reports, 70% of my stock is being borrowed as of yesterday at a huge 60% interest rate.

But news/results trumps all they can be wiped out with certain events. No worries here.

17 Oct 2018, 10:36 PM

---

**littlebylittle**

Darp, looking forward to the article, today's last buy on RNKLF at 0.6102 is mine. I squeezed some more money out from a oil stock loser on my retirement account. I want more shares in my retirement account so I do not need to pay tax. I have most of my shares in regular account now.

12 Oct 2018, 10:24 PM

---

**Darp Research, Contributor**

Thanks Little, about 10 pages so far.

14 Oct 2018, 03:09 AM

---

**fabianralph**

Hi Guys

check out this sprott money weekly wrap where eric sprott talks about the beta hunt mine and the potential of the mine geology. starts from 11.20 to 1300

[soundcloud.com/...](#)

13 Oct 2018, 04:21 PM

---

**Darp Research, Contributor**

I have written up a detailed 30 page report on RNKLF. This is a "Blog Post" on SeekingAlpha.com Did it that way so anyone can read it and comment on it without having to pay to see it. Please do spread this far and wide, we want the press and mining investors to see this article. Thanks!

seekingalpha.com/...

15 Oct 2018, 03:12 PM

---

**dpinvest**

Darp, clicked on link. Having trouble accessing your blog post (its not loading on my Iphone 8 Plus).

15 Oct 2018, 11:09 PM

---

**pro8**

It is probably your phone, many are commenting on the article and have been.

15 Oct 2018, 11:35 PM

---

**dpinvest**

The link is not working for me. And as you can see above, whatever comes after the slash is....

Can u suggest another way to access Darp's blog post? How does one reach any blog post on SA?

16 Oct 2018, 01:28 AM

---

**dpinvest**

Its not my phone. I was able to click through to the soundcloud link posted just above by fabianralph.

16 Oct 2018, 01:35 AM

---

**Darp Research, Contributor**

Hmm, its being read a lot, many comments to, try this seekingalpha.com/...

16 Oct 2018, 02:03 AM

---

**dpinvest**

Tried link. It takes me to a blank page with a perpetual spinning wheel (does not load). A good friend is having same experience, unfortunately. Frustrating that I can't see it. My email is dpinvest@yahoo.com (if its possible to send - Thx Darp!)

16 Oct 2018, 09:57 AM

---

**Darp Research, Contributor**

I can send without videos as PDF

My guess is it's 30 pages with pics, so maybe the largest article byte wise on Alpha?

It has about 5,000 views now, 4,000 in first 11 hours.

16 Oct 2018, 11:11 AM

---

**Darp Research, Contributor**

try clicking my icon, then "Blog Posts"

16 Oct 2018, 11:15 AM

---

**blackberryman**

FYI. The link works for me.

17 Oct 2018, 07:49 AM

---

**Longview89**

Great article by Darp!

15 Oct 2018, 07:39 PM

---

**Darp Research, Contributor**

Thanks Long!

16 Oct 2018, 02:04 AM

---

**davidgbergling**

Hi @Darp! I am having the same issues reaching the article. I can see that there is 61 comments, but the site is blank

16 Oct 2018, 10:37 AM

---

**Alt Investing Plays, Contributor**

Author's reply » I shortened his URL here. Maybe this works?

<https://bit.ly/2QU14Eu>

16 Oct 2018, 10:42 AM

---

**Darp Research, Contributor**

That works for me too Alt, but the other too, my guess is its 30 pages with pics, so maybe the largest article byte wise on Alpha?

It has about 5,000 views now, 4,000 in first 11 hours.

16 Oct 2018, 11:10 AM

---

**Darp Research, Contributor**

try clicking my icon, then "Blog Posts", does that work?

16 Oct 2018, 11:15 AM

---

**tiggerlawson**

Your short link works. So does direct to browser [seekingalpha.com/...](https://seekingalpha.com/)

16 Oct 2018, 11:48 AM

---

**davidgbergling**

That one work, thanks!

16 Oct 2018, 05:32 PM

---

**30piecesofsilver**

Darp, thanks for the article. I couldn't comment on there on my phone, so I'll do it here. Well done sir. I appreciated the Q&A with management. I've kept adding to RNKLF, and honestly, the more I read, the more I want to keep adding.

From my novice perspective, I see a lot of potential drill sites at their current levels that can be extended into the sediment layer at the 1250 and level 14 areas as well as 15. And since management says the grades are increasing with depth, my mind begins running wild thinking about this 3 dimensionally. Since depth is virtually limitless, until physics/heat/and the spatial limitations of the earth take hold, I can't help but think what happens if they find another layer of intersection between these structures/sediments further down? Couldn't that essentially double the already crazy potential here?

And then just one point to briefly add, since it has been missing from the discussion so far: the price of gold. Obviously, the everlasting hope of people interested in gold mining, is to see the price of gold rise. I get that. But in a world of crazy levels of paper currency printing, expanding debt levels and deficits, I don't think it is outlandish to at least contemplate a potential rise in the price of gold. When calculating the potential upside here, imagine if gold was back to 1800. That also adds 50% to any potential calculation. I'm not trying to argue where gold will end up, that is a rather tiresome exercise in futility. But I'm merely suggesting it should be considered as part of ones calculations as to value when it comes to any mining stock.

16 Oct 2018, 09:55 PM

---

**dpinvest**

Thanks Alt. This works for me too! Other link did not.

17 Oct 2018, 11:21 AM

---

**dpinvest**

Hi Darp! Dpinvest here. Want to congratulate you on a beautifully written and thorough treatise on the Royal Nickel opportunity and undervaluation!

Great work! I look forward to reading your future Comments/Posts.

Question: upcoming catalysts?

Do we know when RNC will issue its promised quarterly gold production report press release? - I believe they said it would be issued this week.

Thx!

17 Oct 2018, 11:28 AM

---

**Darp Research, Contributor**

Thanks DP! If you had not seen the news and posted, it could have been a day or two longer before saw it, so thanks.

Two nearby events, they said mid Oct they would announce 3Q production and any day they can announce more nuggets, new drill hole etc. I just added two pics to article, they portend well for deposit, in geology section, Shear zone gold and gold outside quartz.

And actual 10Q, that will clue people in on profit effect of new model.

Cheers

17 Oct 2018, 07:15 PM

---

**goldminer01**

"This week" looks like next week. The Perth Mint is incompetent and cannot deal with more refining work than usual.

18 Oct 2018, 07:46 PM

---

**dpinvest**

Hi Darp! What are your thoughts in reaction to this morning's (Monday 8am Oct 22) press release re diamond drill in place and has begun further exploration and release of 3Q gold production report this week?

One excerpt:

"Mr. Selby continued "Third quarter production results will be released this week, later than originally expected, due to delays in final outturns from the large volumes of coarse gold processed."

[www.rncminerals.com/...](http://www.rncminerals.com/...)

22 Oct 2018, 09:22 AM

---

**TopDoggie**

Should the Perth Mint have expensive spare capacity in case someone hit's a bonanza every hundred years or so? I don't think its so much them being incompetent as us being impatient.

22 Oct 2018, 12:43 PM

---

**pro8**

I'm not even sure how someone can come to that conclusion.... the explanation should be fascinating..if there is one...

22 Oct 2018, 02:55 PM

---

**30piecesofsilver**

Essentially, "we found too much gold to get all this paperwork done". As a shareholder, I love hearing that!

22 Oct 2018, 05:34 PM

---

**Darp Research, Contributor**

It was a HINT HINT we have so much gold will have not been able to get thru counting it. The PR is great, the fact anyone would be willing to sell after that is irrational.

I have two SA articles qued now. One of how shorts can be squeezed at any time on RNKLF, the other on UVE in which in 2013 I wrote an article that never went thru and published, UVE has gone up 10 times since, and in article pointed out how irrational it was that it was negative EV with \$200 million more cash than mkt cap.

Today on RNKLF ranks up there with UVE in hyper irrational market reaction. UVE 10 bagged in 5 years and 20 bagged from where started buying it, so rationality will win in end. Am selling other stuff to buy more RNKLF today.

Anyone that sold RNKLF did something that was very irrational. They are giving shorts an exit when the opposite is in their own best interests.

Cheers

22 Oct 2018, 06:09 PM

---

**Darp Research, Contributor**

Correct all, what is it 38,000 oz, 48,000oz, 58,000 oz, etc?? Great PR not companies fault in anyway.

22 Oct 2018, 06:12 PM

---

**Darp Research, Contributor**

Thanks 30pieces,

" I can't help but think what happens if they find another layer of intersection between these structures/sediments further down? Couldn't that essentially double the already crazy potential here? " Yes and there could be 3, but they could be worse or better, but the gold went past them and past fathers day too. Just some dropped out as going up. But we know for sure the gold passed from below.

I do not know if anything under Lunnon Basalt, maybe not, ocean floors (what it was) can be basalt to mantle. It will take years to work what they know of.

Cheers

17 Oct 2018, 02:57 AM

---

**pro8**

It will take years to work what they know of.

Cheers

Don't tell the shorts that, they will shit their pants...

17 Oct 2018, 11:31 PM

### Darp Research, Contributor

Check this out, too funny They paved the streets with gold near Beta, Really!

In the initial phase of the Kalgoorlie gold rush in Western Australia in 1893, large amounts of calaverite were initially mistaken for fool's gold, and were discarded. The mineral deposits were used as a building material, and for the filling of potholes and ruts.

Several years later, the nature of the mineral was identified, leading to a second gold rush of 1896 that included excavating the town's streets.[14]

[en.wikipedia.org/...](http://en.wikipedia.org/...)

It very rare but that district has it! Looking at some of the specimens just guessing tellurides may be in them.

The parallels with Comstock continue, at Comstock they threw away and cursed blue clay clogging their rockers, only to find out it was 2,000oz a ton silver!

19 Oct 2018, 12:45 AM

### Darp Research, Contributor

Today PR with "Mr. Selby continued "Third quarter production results will be released this week, later than originally expected, due to delays in final outturns from the large volumes of coarse gold processed."

That they got too much gold in 3Q to be able to count it yet (ignoring even more gold in last 22 days waiting to be counted) is good news in many ways. Just one profitability. The low grade pays all the bills, they made a profit in 2Q, so if they got say 50,000 oz of bonanza gold at 95% pretax margins instead of 35,000 oz what would that do?

"RNC had net earnings from continuing operations of \$5.9 million (\$0.02 per share) for the three months ended June 30, 2018, compared to net earnings from continuing operations of \$5.9 million (\$0.02 per share) for the three months ended June 30, 2017."

So 35,000 oz X \$1550 Cad = \$54 million x .95 = 51.5 Million x 10% royalties and Aus taxes(royalty) = \$46 million pre Cad taxes, which may be near nothing not sure on tax loss carryforwards. If no Cad taxes then 5.9 mill to \$52 million profits or \$208 million per year.

But at 55,000 oz 57% more pretax profits so then \$81 million Cad. + 5.9 existing run rate = \$87 Million. Now if Canada takes 20% still \$71 million cad profit for 3Q or \$284 million profit annual rate about worst case, it will then have reported profits high enough to be a sub 1 P/E right now based on prior Q.

Amazing!

22 Oct 2018, 06:28 PM

### manateemike

Was there any thought of possibly paying dividends



23 Oct 2018, 10:48 AM

---

**Darp Research, Contributor**

They right now do have massive positive cashflow. They will likely wait till that cash builds up more before a div. If the share price is undervalued then, they may think first about a buyback. IMHO what will drive the stock will be mine results and news. Today about the best stock out there on terrible makt day, +5%, a delayed reaction to the good news.

23 Oct 2018, 12:05 PM

---

**Menta Deal**

A buyback would be SO bullish, but very unlikely i my opinion, mostly because management are mostly minners an engineers and not financials

23 Oct 2018, 12:11 PM

---

**signu1910**

A dividend would be foolish IMO. Use the cash for BH exploration, pocket the rest for Dumont financing.

23 Oct 2018, 01:19 PM

---

**TopDoggie**

I doubt any cash leaves the coffers. Not until the final decision on Durmont. If it is a go the cash is going to be used to fund the project.

24 Oct 2018, 08:01 AM

---

**Menta Deal**

[www.rncminerals.com/...](http://www.rncminerals.com/)

I'm pretty suprise non one commented this picture

It is pretty bad resolution, but i believe we can see gold on the left wall, and a big amount in the quartz area that will be drilled.

23 Oct 2018, 10:57 AM

---

**Darp Research, Contributor**

Some people have blown it up (pic) it might be paint not sure.

23 Oct 2018, 12:06 PM

---

**Menta Deal**

Right there are some yellow painted area. Hard to say.

But look on the left wall, it seems there are visible gold in the basalt rock.

23 Oct 2018, 12:07 PM

---

**Night Shadow, Contributor**

In case of paint, do the colors of the painting have any specific meaning?

23 Oct 2018, 12:17 PM

---

**smallfisheatingwell**

Yah, yellow means " Gold, Please Mine Here!"

23 Oct 2018, 04:28 PM

---

**Darp Research, Contributor**

yes, it probably varies but sometimes geologists check things out, maybe with an XRF gun (instant assay) then in effect leave instructions for blast crews. Have no idea what these markings mean.

23 Oct 2018, 04:51 PM

---

**pro8**

Are they doing any core drilling here or is that drilling to place charges? in reference to that picture

23 Oct 2018, 07:13 PM

---

**manateemike**

.49 today what the heck is going on Darp? Q3 findings today but no earnings yet!

24 Oct 2018, 03:01 PM

---

**dpinvest**

[www.rncminerals.com/...](http://www.rncminerals.com/)

Here is this morning's (Oct 24, 2018) press release.

24 Oct 2018, 08:13 AM

---

**dpinvest**

One excerpt:

"Father's Day Vein Update

Additional firings were completed at the Father's Day Vein over the past weekend, resulting in the recovery of the "Golden Rose" slab (see Figure 1). On-site personnel were not able to weigh the slab as its weight exceeded the maximum weight of the site scales. A weight and estimate of gold content will be provided by a third party laboratory."

24 Oct 2018, 08:17 AM

---

**dpinvest**

www.rncminerals.com/...

24 Oct 2018, 08:26 AM

---

### **Darp Research, Contributor**

A bummer on the whole mkt crashing and them overestimating the big nuggets. The rest is good, but they had to back out oz they had counted before.

A poll: Folks what do you think of my new icon pic? That is a 2 oz gold nugget on my hand like the ones in Beta Hunt except it is placer, water worn, minutes after it was found. SA before they would publish as an article my next two have asked for a new name (added Research) and a new pic. I like it and think is appropriate at we are looking for gold nuggets in our investments. You opinions?

24 Oct 2018, 05:07 PM

---

### **Menta Deal**

Perfect ! even if i miss the green quite a bit

24 Oct 2018, 05:21 PM

---

### **FadeTheMedia**

I like the new pic Darp, wish I had my own gold nugget to snap a picture of myself holding.

Appreciate your sensible recap of this morning's news release. I agree there were some disappointments, particularly in over-estimating the specimen gold content resulting in revising the overall estimate slightly downward. I also wish it was more clear the breakdown of Father's Day vein gold that was counted towards Q3 vs what will be included in Q4 production.

Also, regarding this statement from the release "RNC now expects 27-30,000 ounces of gold from the immediate Father's Day Vein area and substantially more than 35,000 ounces from the 540 metres of A Zone sediment structures identified to date." Are they saying that the 35,000+ ounces they are expecting are IN ADDITION to the 27-30,000 in the immediate FDV area, or does the 35,000+ include that?

Either way, the price action today doesn't bother me as I still believe the medium to long-term prospects are very promising and will continue adding on weakness unless I hear new information of them coming up empty handed on their drilling. The most important part of the news release, to me, was this statement:

"With the expectation that ongoing high-grade coarse gold will be produced by the mine on a regular basis..."

24 Oct 2018, 05:31 PM

---

### **Darp Research, Contributor**

I liked the old one too

24 Oct 2018, 05:36 PM

---

### **Darp Research, Contributor**

Fade the "significantly more than 35,000" would be all of it. And your last statement is important "With the expectation that ongoing high-grade coarse gold will be produced by the mine on a regular basis..."

I expect blast news and drill news fairly soon. They are now doing both again.

24 Oct 2018, 05:39 PM

---

### **dpinvest**

Hi Darp,

And they teased that weight and gold content of "Golden Rose" will soon be forthcoming from a third party lab. Potential catalyst.

Re your Darp Research and nugget in hand icon - looks fine to me. Will you focus on Mining Research or do you want to leave it open to other sectors?

24 Oct 2018, 08:18 PM

---

### **Darp Research, Contributor**

Hi DP, all sectors but tending towards mining. The concept of looking for investment nuggets.

Thanks

24 Oct 2018, 09:06 PM

---

### **30piecesofsilver**

Darp, dp, et al; trying to wrap my head around such a negative market reaction to such a positive story. So in order to attempt to disprove my own enthusiasm for the stock, essentially trying to prove myself wrong and see if I have erred in investing in RNKLF, I have run some very rough numbers.

Essentially, for the 2 quarters before the father's day strike, Beta Hunt was mining roughly 10K ounces per quarter. That's about \$12 million in revenue. Expenses for operations for those quarters was running about \$5 million.  $12 - 5 = 7$ , multiply that by 4 quarters, and a reasonable baseline seemed to be an expectation of RNC earning \$28 million/year.

Now in Q3, we see ounces mined jump to 33,000, or about 23,000 above the prior baseline. Let's say that the father's day strike was a once in a lifetime find, and it will never happen again. But let's also be reasonable and say that there will be at least some more decent finds along the way, enough to move that original baseline up from 10K ounces/quarter up to 12k. Let's also add some expenses for increased mining activity, so let's up those by 25%, so from 5k to 6K/quarter.

12k ounces/quarter is about \$14 million, minus 6 mil expenses, is 8 mil/quarter, or \$32 mil/year. \$227 mil market cap divided by \$32 mil/year in earnings is a PE of about 7.

So in summary, very conservative estimates of future earnings, including ZERO new major strikes, no exogenous beneficial effects such as a rising gold price etc, and applying absolutely zero valuation to all other properties owned by RNC including the Dumont project which could be the 2nd largest nickel mine in the world, still leaves us with a PE that would be half the long term stock market average.

I feel like I have failed to prove myself wrong. I see no reason for the selling other than simple panic at the initial headline number today, namely the decreased listed size of the largest nuggets. This company is

undervalued at baseline results. And I think the potential for that baseline to be moved significantly higher given the possibility, if not probability, of further finds of large quantities of coarse gold, is tremendous.

Disclosure: Long (and probably getting longer) RNKLF.

24 Oct 2018, 11:20 PM

---

### **dpinvest**

30pieces, I believe that the market has shown indiscriminate selling of many great company stocks in past few days, which in many cases is not based on any fundamental changes to the business (MSFT is a great example), but is driven by fear, need for liquidity, margin calls, rotation to some extent, many reasons.

The insidious part of this situation which precipitates aggressive selling is the involvement of high frequency trading and algos which represent a vast majority of daily volume.

It is my belief that the SEC is either clueless or complicit in allowing HFT ("the machines") to artificially and IMO illegally manipulate market prices of stocks.

The solution which I am proposing right here is for the SEC to limit machine trading to only trading with other machines. Let them knock each other out. Treat HFT like any other black pool — large institutions trade with each other without affecting the prices quoted on NYSE, Nasdaq or major exchanges.

That would protect individual investors who will never be able to invest as fast or as frequently as HFTers and algos do. And it will provide a level playing field for machines to trade among themselves, and everybody else to trade among themselves.

Why not!!!??

Re RNC valuation - I agree that it is grossly undervalued and under-appreciated at the moment. Your valuation method is as good as any to demonstrate that.

I would add that Darp's treatise and his perspective as a geologist is enlightening re the likelihood of significant further gold production at Beta Hunt, which is consistent with RNC's public statements about potential they see, yet goes beyond RNC's limitations on statements they can make at this point.

I am Long RNKLF.

25 Oct 2018, 12:53 AM

---

### **igor555**

5k->6k would be 20% increase not 25%

25 Oct 2018, 01:28 AM

---

### **TopDoggie**

Like the icon Darp

25 Oct 2018, 10:16 AM

---

### **Downtown10**

30pieces, excellent analysis. I was also thinking of what would be a reasonable valuation if there were no more huge finds. Your conclusion of undervaluation seems appropriate. If I had no position currently, buying here would be the play. However, with a solid position already, I would only add if the stock fell some more, down to a PE of maybe 5. Although I think it to be unlikely to reach such levels, if the stock dropped to the mid \$.30s, I could not resist adding.

25 Oct 2018, 12:29 PM

---

#### **Darp Research, Contributor**

see bottom, have new P/E calc with new data.

25 Oct 2018, 01:29 PM

---

#### **Darp Research, Contributor**

30Pieces, tend to agree. They have gold in the bag for 4Q and my guess as with 3 months instead of 1 month post discovery, they will beat 3Q for production.

25 Oct 2018, 04:52 PM

---

#### **Menta Deal**

IF Q4 is beaten, it would be a great signal

25 Oct 2018, 04:54 PM

---

#### **Menta Deal**

We can just say RNKLF looks even more attractive at 0.47 USD than at 0.6 USD 2 days ago.

25 Oct 2018, 06:15 AM

---

#### **Darp Research, Contributor**

Well, with the new 3Q results out with 31,000oz for the Q a triple, here is an updated P/E calc: The Current Run Rate Price/Earnings Ratio Calculation:

They have released an updated PR on 10-24-2018 that stated "RNC now expects 27-30,000 ounces of gold from the immediate Father's Day Vein area" found here. In their initial estimates of the gold content of the gold boulders and other large specimen pieces they did overestimate the gold content by about 3,000 oz total. This is the first misstep by the company since the bonanza strike in early September. I have performed the same task, determining the gold content of gold quartz specimens and have come out within 10%.

They missed by roughly 1,000 oz on the biggest nugget, it ended up at 1,402 oz, still spectacular.

This was an unnecessary error that surely will not be repeated. The Perth Mint apparently corrected the error. I have updated this section with info in the 10-24-2018 PR. This error was strictly in regard to the big specimen gold, and has no bearing on drill results grade.

There is gold ore backed up waiting for processing so in the addition to the about 21,000 oz of bonanza grade gold that was sold in September the also mined and stockpiled another 4,000 oz, for a 25,000 oz total. That means in

September they likely produced a \$26 million profit which over 12 months would translate to a \$312 million annual profit run rate wise. That includes 10% of the gold being subtracted for both royalties. Mind boggling isn't it?

The 2018 2Q states:

Income (loss) before income tax \$6,364,000

Income tax (expense) recovery (\$513,000) RNC 2Q 2018 found here

That works out to about an 8% tax rate for them. I am not an accountant but will use that 8% for projecting their current profit run rate. That drops it to \$287 million.

Yahoo says the current market cap is \$177 million on 10-24-2018 found here so the Run Rate PE is about 0.62.

Another mind boggling figure. Even if there are some errors and the tax rate is higher and so forth, the P/E still comes out as the best in the mining industry and the lowest of any type of stock that I am aware of today.

The above will be in my next article on Seeking Alpha "RNC Minerals, The Short Situation Indicates A Short Squeeze Is Possible" Cheers

25 Oct 2018, 01:29 PM

---

### **Menta Deal**

Darp, this will be true only if some more high grade gold is found.

Which is quite highly possible, but not done yet.

At those price, playing the odds is pretty cheap, not totally free though.

Head : x10 bagger

Tail : Go back to 0.3 usd per share

25 Oct 2018, 01:46 PM

---

### **Darp Research, Contributor**

Menta on Run Rate, that is based on actual results for Sept, but going forward is indeed unknown. Cheers

25 Oct 2018, 02:23 PM

---

### **30piecesofsilver**

All very true Menta. Seems the CEO Mark Selby himself is willing to bet on it with these odds. He just made his largest purchase ever.

[www.marketbeat.com/...](http://www.marketbeat.com/)

26 Oct 2018, 12:23 AM

---

### **Darp Research, Contributor**

That is good to see on insider buying.

Another factor is gold price in 4Q has started off \$30 higher than avg in last 2 months in 3Q and that is USD, think even better in AUD.

26 Oct 2018, 12:32 AM

---

**Menta Deal**

The last insider purchase are bullish indeed, i guess there will be more in the coming days

26 Oct 2018, 11:33 AM

---

**Darp Research, Contributor**

The new article is up, it took a week, a more painful process than guess. But here it is [seekingalpha.com/...](#) RNC Minerals: The Short Situation Indicates A Short Squeeze Can Happen

This actually shows up in IB Brokers as PR

Cheers

26 Oct 2018, 02:52 PM

---

**Darp Research, Contributor**

There is another new article on SA which is about 50% about RNKLF

The Riddle Of Universal Insurance: \$200 Million More Cash Than Market Cap, The 'Too Good To Be True Bias'

[seekingalpha.com/...](#)

Bullets:

This article was written as a draft on 2-4-2013 when I was long Universal and it was \$4.44. It has since 10 bagged in 5 Years.

It exposes how irrational the stock market can be. "Efficient Market" professors who think the current price of a stock is always correct, beware, this article refutes that.

The stock was 0.05 in 2005, so it has 1,000 bagged since then. The author first bought in the \$2s after the 2009 crash, and roughly got a 10 bagger.

Article proposes the "Too Good To Be True Bias." This article is as drafted except these bullets on top and the added comments at the bottom about RNC Minerals.

31 Oct 2018, 05:31 PM