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Wishbone Gold - placing at just 0.1p, ouch, but strong buy - average down (we have)

By Tom Winnifrith for HotStockRockets | Friday 19 October 2018

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Tom Winnifrith writes: This has been a bad tip. We apologise. We owned the shares too and share that pain. But with the stock now at 0.1p-0.12p the shares are a STRONG BUY, average down. Let me explain.

Wishbone Gold (WSBN) has raised a total of approximately £566,764 (before expenses) through the issue of 566,764,286 new ordinary at 0.10 pence. In addition, 88,235,714 existing ordinary shares held by death spiral provider D-Beta One EQ, Ltd have also been sold. Each purchaser of either D-Beta shares or the placing shares gets one warrant at 0.1p for every two shares bought. The warrants have a 2 year strike.

I should say that we participated in the placing. Why you say? Well first up the cash and D-Beta placing will clear both that death spiral and the one provided by YA. Of the proceeds £119,683.84 is payable to D-Beta and £273,900.69 to Yorkville. These death spiral have absolutely killed the share price. It was a bad call taking them on when the shares were, at one stage well over 1p and a placing could have been done. A terrible call and I know boss Richard Poulden admits he has goofed.

But clearing the death spiral overhang is a good thing. For in the background the hurricane induced delays to gold supply from Honduras have, I gather, now almost been overcome and I am expecting big news on new supply agreements from Africa before Christmas. All of that means that the gold trading operations of Black Sands should be materially profitable in 2019. That is NOT discounted an an enlarged market cap of sub £2 million.

The dilution is painful. The discounted placing is tough. In days gone by Poulden would have put in a stack of his cash so meaning the discount was less but most of his wealth was at Beaufort and the larger Beaufort clients still have not had funds or stock released by the bastard administrators.

Reflecting the dilution and delays we are cutting our target price to well below the tip price. That is to say to 0.35p to sell. But with the death spiral providers out of the way this stock could jump on news and we expect news so this really is one to average down on. STRONG BUY.

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