

INVESTMENT OVERVIEW

Wishbone Gold PLC's sales continue to rise as business model rolls out

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Wishbone Gold's unique business model is now beginning to bear fruit



It's still early days, but **Wishbone Gold PLC's (LON:WSBN)** reverse integration strategy being rolled out globally is showing great promise. From Central America and Africa through to Asia, work has already started.

In the year to June 2018 Wishbone's sales almost doubled, to US\$8.2mIn, driven in particular by growth in the African portion of the business.

Wishbone's roots are as a gold trader, but there's now much more to it than that.

"Trading comes first," says Richard Poulden, chief executive and major shareholder in Wishbone Gold.

"But in every country we move into we'll follow that with our reverse integration strategy. The model is to supply expertise and equipment to artisanal miners in return for long-term supply contracts."

The model is now all set for replication elsewhere even though the hoped-for early success in Honduras suffered setbacks following the destruction wrought during the hurricane season.

Now in its newest territory, Thailand, Wishbone is seeing fast results.

In Thailand, a new entity, Asian Commerce and Commodities Trading (ACCT), has been set up as a joint venture between Wishbone and a local Thai partner with connections to the royal family. This puts the trading element in the country firmly in place.

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Meanwhile, operations in Honduras are getting back on track too, and are now only awaiting the requisite permits.

Overall, costs are coming down, and margins are set to rise as the reverse integration strategy begins to bear fruit.

Poulden is mindful that dealing with artisans might have its challenges, but with long experience in the resources sector, Poulden brings sector expertise and vision.

His lengthy tenure as chairman and chief executive of the UK mainland's largest miner, Sirius Minerals (**LON:SXX**) only adds to his appeal for long term loyal shareholders and new ones alike. He knows the ins-and-outs of the global mining scene, and what's likely to work for everyone.

"All the mines that we deal with are licensed," he says. "But they don't have to start out that way. We're perfectly happy to take illegal miners and bring them into the fold. This helps them, us, and the local authorities."

The benefits of this approach are several. First, there's revenue for Wishbone. But more importantly for the company's long-term prospects of on-ground trading and supply contracts, the respective local governments are always happy if existing supply is brought into the proper legal and fiscal framework. Governments can then collect taxes on mines that were previously operating under the radar, and, as Poulden points out, they can also aggregate that output into GDP numbers.

In a sense, Wishbone could be seen as a public service.

But the commercial element is the real driver. By providing equipment and know-how to artisans, Poulden hypothesises that a standard artisanal mining operation could go from producing half a kilo of gold a week to perhaps five kilos. That's a significant increase and the benefits accrue to Wishbone as well as to the artisan.

So, in what regions of the world is this likely really to take off?

In a sense, Thailand was a bit of an outlier, a major gold trading centre, but not a region that Wishbone had in the centre of its sights. The company's already in Mali, and Uganda, and has just announced the appointment of renowned journalist and regional fixer Oliver Poole as a consultant, following a meeting between him, Poulden, and members of the Ugandan cabinet, including President Museveni.

Then there's Honduras, and in due course potentially Saudi Arabia and Nigeria.

With the gold price steady at around US\$1,200 per ounce, the fundamental outlook remains favourable.

This year, investors should look out for a streamlining of debt, firm cashflow, and improving sentiment.

This is likely to be the start of great things for Wishbone.