

GobiMin Announces its 2019 Results (Expressed in United States dollars except where otherwise indicated)

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MONTREAL, April 28, 2020 - (TSXV: GMN) [GobiMin Inc.](#) (“GobiMin” or the “Company”, together with its subsidiaries collectively the “Group”,) reports its financial results for the year ended December 31, 2019.

Financial Highlights

As at / For the year ended December 31,	2019	2018	2017
	\$	\$	\$
Revenue	1.3 million	1.5 million	0.9 million
Gain on disposal of financial assets	0.6 million	3,500	9,000
Fair value gain/(loss) on financial assets	0.9 million	(1.1 million)	(1.4 million)
Net loss for the year	(0.5 million)	(2.9 million)	(3.1 million)
Loss attributable to shareholders of the Company	(0.3 million)	(2.8 million)	(3.0 million)
LBITDA ⁽¹⁾	(0.6 million)	(3.2 million)	(2.9 million)
Basic and diluted loss per share	(0.007)	(0.056)	(0.059)
LBITDA per share ⁽¹⁾	(0.013)	(0.064)	(0.057)
Cash and cash equivalents	17.8 million	17.1 million	19.1 million
Cash and cash equivalents per share ⁽¹⁾	0.36	0.34	0.38
Working capital	21.3 million	19.3 million	21.7 million
Total current liabilities	2.5 million	3.5 million	3.7 million
Total non-current financial liabilities	0.4 million	-	-
Total assets	76.0 million	78.1 million	84.0 million
Annual dividend per share	-	0.01	0.01

Note:

⁽¹⁾ As non-IFRS measurements, LBITDA (loss before interest income and expense, income taxes, depreciation and amortization), LBITDA per share and Cash and cash equivalents per share do not comply with IFRS and, therefore, the amounts presented in the above table may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Business Summary and Development

1. Gold Project in Xinjiang

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which holds the Sawayaerdun Gold Project (金矿项目) in Xinjiang. The exploration licence has been renewed with expiry date on August 22, 2021. The mining licence was expired on December 23, 2019 and renewal application has been accepted by the Department of Land and Resources of Wujia County on March 28, 2020. Relevant documents of renewal application have been submitted to the Department of Land and Resources of Kezilesu Prefecture on March 31, 2020 for further approval. The renewal process was affected by the new requirements on mining royalties enacted in April 2019 and it is expected that the renewal application of the mining licence will be processed pending the reassessment of reserve by the Department of Land and Resources as well as payment for mining royalties based on the assessed reserve. The on-site reserve evaluation work carried out by independent valuer appointed by the Department of Land and Resources has been completed by the end of November 2019. As at the reporting date, the calculation work on the mining royalties based on the reserve reassessed by the Department of Land and Resources was delayed by the outbreak of COVID-19. It is anticipated that renewal process of the mining licence will be continued after restarting of the economy.

The on-site industrial test on applying bio-tech methodology on extraction of metals from large-scale samples of gold ores was in pre-oxidation stage with the supporting facilities, including reagent spray equipment and acid storage tanks, assembled and ore heap constructed by the end of September 2019. The transplantation of cultured bacteria to the ore heap has been started since November 2019. Impacted by the rough weather and severe freezing of ore heap and pipes, the spray and pre-oxidation activities were suspended by the end of November 2019. Samples of gold ores have been sent to the General Research Institute for Nonferrous Metals for testing at the end of December 2019, and the result was positive, indicating that the biological bacteria has been found active on the surface of the gold ore samples. Due to the delay by the outbreak of COVID-19, the on-site test resumed in late March 2020 with expanded scale on indoor transplantation of cultured bacteria to improve the result of pre-oxidation. The pre-oxidation stage will take about 6 months until the end of 2020. Afterwards, more sulphuric acid will be added to the ore heap to change the alkaline environment of the ore heap. Then the test will enter the final stage of immersion gold process. Together with the effect of rough weather and stringent safety measures of the mine site, it is anticipated the whole process will be completed in 2021.

For the year ended December 31, 2019, there were addition of \$0.7 million in the exploration and evaluation assets. As at December 31, 2019, the Group had a contractual commitment of \$1.6 million for the future development of the Gold Project.

2. Financial Assets

1. Listed Securities

As at December 31, 2019, the fair value of listed securities held by the Group amounted to \$0.1 million (2018: \$1.6 million) including investment in Loco Hong Kong Holdings Limited (“LocoHK”) of \$11,000 (2018: \$1.5 million). For the year ended December 31, 2019, the gain on disposal of investment in LocoHK was \$0.5 million (2018: nil) and fair value gain was \$0.9 million (2018: loss of \$1.1 million). The amount due from China Precision Material Limited (“CPM”), a subsidiary of LocoHK, of \$3.5 million as at December 31, 2018 was fully repaid during the year ended December 31, 2019. LocoHK and CPM ceased to be related companies of GobiMin when Mr. Felipe Tan resigned as their director in July 2019. For the year ended December 31, 2019, the Group received from CPM interest income of \$0.1 million (2018: \$0.1 million).

As at December 31, 2019, other listed securities held by the Group amounted to \$0.1 million (2018: \$0.2 million) and the changes represent the fair value loss of \$64,000 (2018: \$33,000) recognized during the year.

2. Unlisted Investments

The Group holds 670,000 shares of Dragon Silver Holdings Limited (“Dragon Silver”) representing 9.90% of its total issued capital at an investment cost of \$1.1 million (\$8,710,000). Dragon Silver is a Hong Kong based company mainly engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products. The loan of \$3 million bearing interest at 8.5% per annum advanced by the Group was repaid in full by Dragon Silver in December 2019.

In addition, the major shareholder (the “Guarantor”) of Dragon Silver entered into a put option deed on December 29, 2017 with the Group, pursuant to which the Group has the right to sell all the 670,000 shares to the Guarantor at the consideration of \$1.1 million (HK\$8,710,000) within the period commencing from the fourth anniversary of the date of the put option deed to the date falling five years from the date of the put option deed.

Moreover, the Guarantor irrevocably guaranteed to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than \$1.93 million (HK\$15 million) (the “Guaranteed Profit”) for each of the financial years ending from June 30, 2018 to 2022 (the “Relevant Years”); and (ii) the amount of dividends declared and paid by Dragon Silver during each of the Relevant Years shall not be less than \$0.16 (HK\$1.25) per share.

Impacted by the unstable and volatile economic and market conditions such as slowing economic growth in China, US-China trade tensions and weakening global manufacturing and supply chain, the net profit of Dragon Silver for the year ended June 30, 2019 was \$0.8 million (HK\$6.4 million) (2018: \$2.2 million). As it was less than the Guaranteed Profit, the Guarantor is required to pay a Profit Guarantee Compensation of \$0.11 million (HK\$856,000) to the Group. In consideration of the difficult market conditions, the Group agreed with Dragon Silver to waive the Profit Guarantee Compensation for the years ended June 30, 2019 and June 2020.

For the year ended December 31, 2019, the Group received from Dragon Silver interest income of \$0.3 million (2018: \$0.3 million) and dividend income of \$0.1 million (2018: \$0.1 million); and recognized a fair value loss on financial asset of \$0.2 million (2018: gain of \$0.5 million).

In addition, for the year ended December 31, 2019, other unlisted investment of \$0.2 million were acquired and other unlisted investment of \$0.2 million were disposed of at carrying value without gain or loss. During the year under review, the fair value gain on other unlisted investment was \$3,000 (2018: fair value loss of \$60,000). As at December 31, 2019, other unlisted investment held by the Group amounted to \$0.2 million.

3. Debentures and Certificate of Deposit

The Group would hold debentures and certificate of deposit bearing low risks and reasonable interest return from various industries through the open market. Debentures are held to receive coupon interest payments as well as to realize potential gains. The Group may dispose of debentures through the open market when the Group requires funds for operational or other investment needs.

As at December 31, 2019, the Group held debentures of \$4.6 million (2018: \$6.6 million) with coupon rates ranged from 4.250% to 7.750% (2018: 4.250% to 9.000%) per annum and maturities ranged between January 17, 2020 and perpetual (2018: November 3, 2019 and perpetual).

For the year ended December 31, 2019, interest income from debentures and certificate of deposit was \$0.3 million (2018: \$0.5 million), fair value gains on debentures and certificate of deposit amounted to \$0.2 million (2018: fair value loss of \$0.4 million) and gain from disposal of debentures and maturity of certificate of deposit was \$23,000 (2018: \$4,000).

3. Investment Properties

On December 10, 2019, the Group acquired two investment properties for \$3.1 million. Such two properties are located in Shenzhen, China, where the property market of such area has gained much market attention during the year under review. Such acquisition is also an attempt of GobiMin to diversify its investments and to generate steady rental income to the Group.

4. Liquidity and Capital Resources

As at December 31, 2019, working capital of the Group was amounted to about \$21.3 million (2018: \$19.3 million), by netting off its current assets of \$23.8 million (2018: \$22.8 million) with current liabilities of \$2.5 million (2018: \$3.5 million).

Taking into account of its financial position, the management of the Group considered that its cash and cash equivalents will be more than sufficient to finance its operation, including the contractual commitments of the Gold Project of approximately \$1.6 million.

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