

GobiMin Announces Third Quarter 2020 Results

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MONTREAL, Nov. 25, 2020 - (TSXV: GMN) [GobiMin Inc.](#) (the "Company", together with its subsidiaries collectively the "Group") reports its financial and operating results for the third quarter of 2020. The unaudited condensed interim financial statements along with quarterly highlights of management's discussion and analysis have been filed with SEDAR (www.sedar.com) and are also available at the website of the Company (www.gobimin.com).

Financial Highlights

	3 months ended September 30		12 months ended
	2020	2019	December 31, 2019
	\$	\$	\$
Revenue	0.3 million	0.4 million	1.3 million
Gain on disposal of financial assets	0.1 million	0.5 million	0.6 million
Fair value gain on financial assets	55,000	25,000	0.9 million
Net (loss)/profit for the period/year	(0.4 million)	46,000	(0.5 million)
(Loss)/Profit attributable to shareholders of the Company	(0.2 million)	0.1 million	(0.3 million)
(LBITDA)/EBITDA ⁽¹⁾	(0.3 million)	11,000	(0.6 million)
Basic and diluted (loss)/earnings per share	(0.005)	0.001	(0.007)
(LBITDA)/EBITDA per share ⁽¹⁾	(0.006)	0.0002	(0.013)
Cash and cash equivalents	18.3 million	21.4 million	17.8 million
Cash and cash equivalents per share ⁽¹⁾	0.37	0.43	0.36
Working capital	21.5 million	23.8 million	21.3 million
Total current liabilities	2.4 million	2.3 million	2.5 million
Total non-current financial liabilities	-	0.4 million	0.4 million
Total assets	74.5 million	76.0 million	76.0 million

Note:

(1) As non-IFRS measurements, (LBITDA)/EBITDA ((loss)/earnings before interest income and expense, income taxes, depreciation and amortisation), (LBITDA)/EBITDA 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. COVID-19 Pandemic Impacts

During the reporting period under review, the COVID-19 pandemic is raising uncertainty about the global supply chains and how quickly things will return to normal. Although data indicated that the global economy should produce a rebound in the third quarter and poised to begin a recovery, the latest lockdowns showed that the recovery was slowing markedly, which could exacerbate medium-term economic scarring. To date there have been significant wide-spread stock market fluctuations.

The Company has been monitoring the potential impact of COVID-19 pandemic on our operations since mid-February 2020. COVID-19 is threatening the supply chains and logistics setup of the Group, thus causing unprecedented impact on our normal business activities. The Group's operations may be adversely affected by unstable employment if great portions of our workforce, especially technical workers, are confined to their homes by government order or cannot return to workplace by restrictions on travel. As at September 30, 2020, the management had assessed the credit risk of the loan receivable and the fair market value of the investment properties with reference to the recent market prices for similar properties in the same locations and similar conditions. Based on the assessment, an impairment loss of \$0.2 million on investment properties located in China was recognized during the period. Save for this, the management determined that its general operation of business working capital and the value of the Company's assets were not materially impacted. A realistic view of mastering the crisis is keeping healthy cash position and implementing cautious cash management. Thus, we have developed treasury strategies including but not limited to suspension of dividend distribution, strengthening cost control measures and salary reduction programme. Meanwhile, the Company continues to work on timely adjustment on investment plans in light of the current conditions and will explore opportunities in a proactive manner.

As uncertainties from the outbreak are likely to persist, the management will actively seek out the most up-to-date market information and formulate various plans for each scenario in the context of business continuity.

2. Gold Project in Xinjiang

The Company owns a 70% equity interest in Xinjiang Tongyuan Minerals Limited which holds the Sawayaerdun Gold Project (the "Gold Project") in Xinjiang. The exploration licence has an expiry date on August 22, 2021. The mining licence was expired on December 23, 2019 and renewal application had been accepted by the related departments. Due to the outbreak of COVID-19 in Xinjiang in July 2020, approval process of mining licence renewal by the Department of Land and Resources was further impacted. Comments on the land rehabilitation report has been received from the Department of Land and Resources of Xinjiang in November 2020 and the revised report will be submitted by the end of 2020. It is expected that our renewal application will be processed after determination of reserve by the Department of Land and Resources as well as payment for the related fee based on the assessed reserve. However, due to work piled up during the lockdown, it may take longer time to proceed our application.

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. Attributable to the two waves of COVID-19 in Xinjiang in July and October 2020, the test has been adversely affected by the lockdown and travel restrictions. Suspension of public services of the local government from July to September 2020 delayed the approval process for our sulfuric acid procurement application. In virtue of the acid shortage, we adjusted the spray time and suspend the spray of oxidized ores to ensure pre-oxidation of the ore heap. Alkali tablets cannot be transported to the test site on time due to lockdown measures, resulting in the delay of neutralization work to the next spring. In consideration of the long delivery time of samples to the Institute in Beijing, we engaged a local analysis centre to conduct sample analysis work. According to their analysis results, iron and arsenic in the ore heap has been gradually separated out. More samples were delivered for comprehensive analysis to the Institute in October. We will have a better knowledge of the development and effect of the pre-oxidation test after receiving the results.

For the period ended September 30, 2020, there was addition of \$0.1 million in the exploration and evaluation assets and the Group had a contractual commitment of \$1.6 million for the future development of the Gold Project.

3. Financial Assets

(i) Listed Securities

As at September 30, 2020, the fair value of listed securities held by the Group amounted to \$0.2 million (December 31, 2019: \$0.1 million) which mainly included \$0.1 million (December 31, 2019: \$11,000) investment in listed stock, futures and options trading through registered brokerage firms in Hong Kong and \$0.1 million (December 31, 2019: \$0.1 million) for a stock listed in Canada. For the nine months ended September 30, 2020, the gain on disposal of listed securities amounted to \$0.2 million (Q3 2019: \$0.5 million) and fair value loss was \$0.1 million (Q3 2019: gain of \$0.9 million).

(ii) 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 (HK\$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.

Pursuant to the subscription agreement dated December 29, 2017, the guarantor of the agreement irrevocably guaranteed to the Group that the amount of dividends declared and paid by Dragon Silver during each of the financial years ending from June 30, 2018 to 2022 shall not be less than \$0.16 (HK\$1.25) per share (Dividend Guarantee). If the dividend per share declared and paid by Dragon Silver is less than the Dividend Guarantee, the guarantor shall compensate the Group the sum being calculated as the shortfall (Dividend Compensation Amount). As at September 30, 2020, Dragon Silver has not declared and paid any dividend to the Group. In October 2020, the guarantor paid to the Group the Dividend Compensation Amount for the financial year ended 30 June 2020 of \$0.1 million. The carrying value of the investment together with the Dividend Guarantee, the related profit guarantee and put option as at September 30, 2020 was \$1.4 million (December 31, 2019: \$1.4 million).

As at September 30, 2020, other unlisted investments held by the Group amounted to \$0.2 million (December 31, 2019: \$0.2 million). During the period under review, the fair value gain on other unlisted investments was \$10,000 (Q3 2019: \$1,000).

(iii) 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 September 30, 2020, the Group held debentures of \$3.1 million (December 31, 2019: \$4.6 million) with coupon rates ranged from 4.250% to 7.375% (December 31, 2019: 4.250% to 7.750%) per annum and maturities ranged between November 4, 2020 and perpetual (December 31, 2019: January 17, 2020 and perpetual).

For the nine months ended September 30, 2020, the interest income on debentures and certificate of deposit was \$0.1 million (2019 Q3: \$0.1 million) and fair value loss was \$0.1 million (2019 Q3: gain of \$0.2 million) respectively.

4. Investment Properties

As at September 30, 2020, the investment properties in China with carrying amount of \$4.4 million was higher than the estimated fair value of \$4.2 million and therefore an impairment loss on investment properties of \$0.2 million was recognized for the period ended September 30, 2020 (2019: nil) and certain investment properties in Xinjiang remained vacant.

5. Liquidity and Capital Resources

As at September 30, 2020, working capital of the Group amounted to about \$21.5 million (December 31, 2019: \$21.3 million), by netting off its current assets of \$23.9 million (December 31, 2019: \$23.8 million) with current liabilities of \$2.4 million (December 31, 2019: \$2.5 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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