



September 11, 2019

# **ASIA BROADBAND, INC.**

## **(OTC – AABB)**

4-6 Month Target \$0.09

12 Month Price Target: \$0.24

## ASIA BROADBAND, INC.

### Major Revenue Growth, Unique Approach, to Drive Huge Upside

Rob Goldman  
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September 11, 2019

#### ASIA BROADBAND, INC. (OTC – AABB - \$0.0112)

Industry: Gold Mining/Production

4-6 Mo. Target: \$0.09; 12 Mo. Target: \$0.24

#### COMPANY SNAPSHOT

Asia Broadband Inc., through its wholly owned subsidiary Asia Metals Inc., is a resource company focused on the production, supply and sale of precious and base metals, primarily to Asian markets. The Company utilizes its specific geographic expertise, experience and extensive industry contacts to facilitate its innovative distribution process from the production and supply of precious and base metals in Guerrero, Mexico, to our client sales networks in Asia. This vertical integration approach to sales transactions is the unique strength of Asia Broadband and differentiates the Company to its shareholders.

#### KEY STATISTICS

Price as of 9/10/19	\$0.0112
52 Week High – Low	\$0.075- \$0.0055
Est. Shares Outstanding	456.6M
Market Capitalization	\$5.5M
Average Volume	2,137,936
Exchange	OTC

#### COMPANY INFORMATION

**Asia Broadband, Inc.**  
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#### INVESTMENT HIGHLIGHTS

**Leveraging its unique vertical integration, an active joint venture partner and a targeted approach, AABB is poised to emerge as one of the industry's fastest growing junior resource companies in the coming months.** AABB generates meaningful revenue and will grow both organically and through acquisitions.

Management seeks to replicate its current model in its targeted geography and is on pace to close two new acquisitions before year-end.

**With an emphasis on shallow mines with a history of production and known vein structures, AABB is well-positioned to expand its footprint in Mexico and South America.**

**AABB enjoys a huge advantage as compared with its peers.** Through its JV partner, the Company has direct access to sales networks in Asia where it sells physical supply to accommodate a strong appetite for its product, thus generating major gross profit (revenue).

**Management is forecasting \$6M in gross profit in 2019 and we could see a 4x – 5x rise in 2020, although we currently forecast \$20M for next year.** Plus, AABB boasts extremely high operating and net profit margins in addition to having a high cash/low debt position.

**Based on our peer analysis, the stock trades at an absurdly low valuation.** We project that the stock will trade to the \$0.09 level in the next 4-6 months, which would match the current 6.7x trailing 12-month revenue metric afforded its peers. Our 12-month target is \$0.24.

## COMPANY OVERVIEW

One of the things we admire about **Asia Broadband, Inc. (OTC – AABB)** is the simplicity of its successful, unique model and that in our view, there is virtually no ambiguity in assessing a valuation. It's quite simple, really. Through its wholly owned subsidiary Asia Metals Inc., the Company is generating revenue, along with operating and net profit, and yet has major upside to all of these key operating metrics. At current levels, the stock trades at a ridiculous discount to its peer group on a price/sales basis and could be valued on a P/E basis next year which might even expand the valuation for the stock.

### *The View from 30,000 Feet*

In 2015, the Company entered the mining business with operations focused on the production, supply and sale of precious and base metals, primarily to Asian markets. By the end of the fiscal year of 2016, the Company began small scale mining production in Mexico and completed its first mineral sales. The Company has steadily expanded its mining production and property development over the last several years with increasing mineral sales and the securing of a significant funding source in 2018. The Company's Phase I Exploration and Development Program concluded near the end of 2018 and the drill results were released near the end of January 2019.

The highlights of the drill results revealed high grade gold mineralization that attested the mine's historical production to date. The most significant gold value intersections were 3.1 meters (m) graded at 10.9 grams per ton (g/t), 4.8 meters (m) graded at 8.7 grams per ton (g/t) and 14.2 meters (m) graded at 5.7 grams per ton (g/t).

The Company's Phase II Exploration and Development Program has now completed over 4,400 meters (m) of the planned 20,000 (m) drilling campaign targeting areas in extended proximity to the Company's mine in Guerrero, Mexico, to further delineate the known historical and new gold vein structures. All required procedural protocols to professionally catalog, secure and prepare core samples for shipment have been completed and the drill core samples have been delivered for assay testing. The Company is expecting the initial drill results of the Phase II Program to be available and announced in September. Once the sample assay results are in hand, it is possible that the size of this opportunity that is four times larger than the original Phase 1 benchmark. As a result, AABB can dramatically scale its operations and increase production.



The Company's new gold mine acquisition campaign is targeting properties that have historic gold production in South America, Central America and Mexico. The focus of the campaign is to duplicate the successful acquisition model of the Company's existing high-density, shallow gold mine property in Guerrero, Mexico, that had known historical gold vein structures prior to AABB's full-scale development and production expansion. AABB has scheduled its acquisition team travel to multiple locations in South America, Central

America and Mexico. Representing the Company during the site visits will be a mineral lands agent specializing in the Americas region, a geological consultant to assess production profit potential and representatives from a Joint Venture Partner to analyze the expansion potential of each site location. The expectations of the acquisition initiative are to secure one or more new gold properties with high development potential in the coming weeks.

### *The Business Model*

What should be appealing to investors is AABB's unusual vertical integration---true soup to nuts, which is a key driver and component of its overall success. The Company seeks shallow mines that may have high grade known vein structures. While production volume may not be large, mineralization is high, thus making production scalable and profitable. AABB's business process (in simple terms) is exploration, resource production/processing, and direct distribution supply sales to its Asian partners, one of whom is a major investor in the Company and will be making additional investments in AABB, ostensibly to secure physical supply and for use as a hedge against industrial operations. Thus, revenue is divided by brokered mineral sales and resource production.

### *Looking Ahead*

For the first six months of 2019, AABB has already recorded gross profit (in this case revenue) of \$2.75M, with operating and net profit of \$2.3M and \$2.26M, respectively. Given the strong results thus far in 2019, management is forecasting \$6M in gross profit (revenue) for this year and once the Phase II program migrates to production, this figure could be 4-5x higher next year. To be conservative, we have assumed an increase of just over 3x. Some of the operating funds, along with an expected 4Q19 \$9M investment with its joint venture partner (Asian sales and investing partner) related to prospective acquisitions will be used for new deals, infrastructure, and expanded operations. Thus, we are not forecasting profit until the transactions are closed and we have a better sense of the future operational cost picture.

Given that this vertically integrated junior miner is generating meaningful revenue with substantially higher sales growth and production on the horizon via its current production site and future acquisitions, the current valuation is absurdly low. At present, the stock trades less than 1x current gross profit (revenue). As evidenced by Table I, found later in this report, the median price/trailing twelve-month sales valuation for AABB's peer group is 6.7x. If current valuations hold, and it very likely that they move higher, given global economic concerns, the stock should trade to the \$0.09 level in the next 4-6 months, which would be 6.7x its 2019, or 12-month trailing revenue. Looking out a year from today, we believe the stock could trade to \$0.24 which would represent 5.4x current year (2020) revenue, the median valuation afforded the peer group.

As described in the next section, the metrics could rise if the likelihood of a recession rises next year, or if current gold price forecast rises come to fruition during 2020. Clearly, AABB partner must believe in these projections, given its relationship with the Company. Separately, given that AABB is more profitable than most revenue-generating junior miners, its valuation could rise if the Street elects to value the stock based on P/E rather than P/S, as it does with select, larger players.

## INDUSTRY OVERVIEW



Even casual followers of gold are aware of the ride the yellow metal has taken these past several high years. Since its 2011 peak, the price of gold has dropped significantly after completing an extended bull market and the 10-year and 1-year charts below illustrate these events. Interestingly, even with the decline in prices since 2011, gold, at around \$1550, is much higher than it was 10 years ago. In fact, it recently reached a six-month high, due to concerns over a global recession among other monetary factors such as negative bond yields, debt levels, etc. In

**our view, the confluence of 3 themes makes gold stocks and junior miners in particular, an unusually compelling opportunity that could yield substantial rewards.**

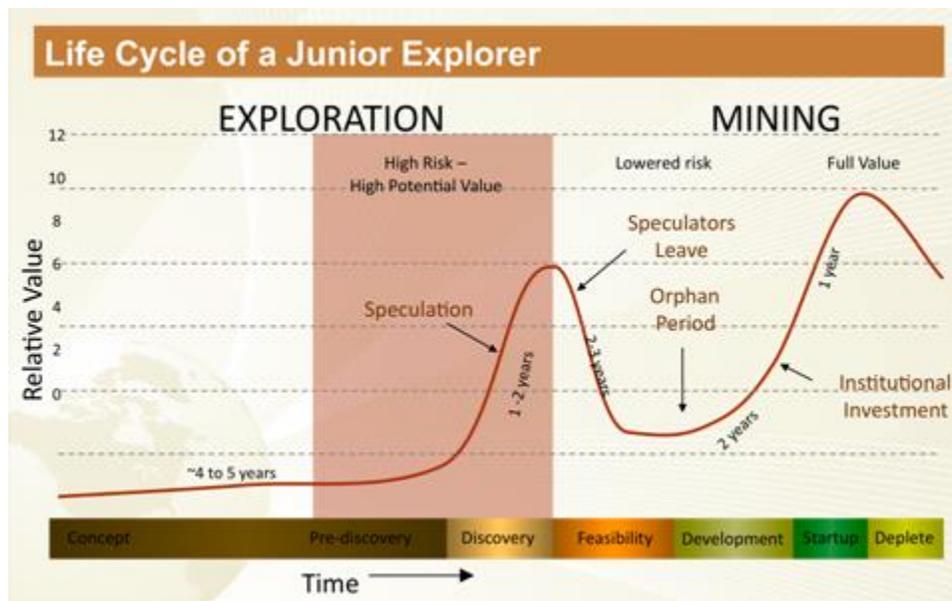
### Macro

An investment in gold mining stocks serves a number of purposes. Geopolitical and economic uncertainty such as the current tenuous trade situation between the US and China have prompted global investors to invest in gold as a hard currency and in key equities as well. The unnerving negative bond yields clearly played a role, as noted above. To that end, gold is arguably the most popular alternative to stock and fixed income portfolios as it remains a key tool in hedging stock portfolios, combating inflation, and protecting downside risk for fixed income. Today, a tug-of-war persists as it pertains to gold and public/monetary policy. The number of rate decreases (if any) in the U.S. is a bit uncertain at present—despite the current economic situation. While we could see a healthy modest correction in the near term, many prognostications suggest higher levels by year-end 2019. Moreover, if we do enter into a recession next year, Citigroup believes gold could reach the vaunted \$2000 figure. It should be noted that the all-time high for the yellow metal was north of \$1900. At present, the belief is that there is a 50/50 chance a recession could occur. Thus, we expect continuing gains in gold and gold-related equities next year.



Today, a tug-of-war persists as it pertains to gold and public/monetary policy. The number of rate decreases (if any) in the U.S. is a bit uncertain at present—despite the current economic situation. While we could see a healthy modest correction in the near term, many prognostications suggest higher levels by year-end 2019. Moreover, if we do enter into a recession next year, Citigroup believes gold could reach the vaunted \$2000 figure. It should be noted that the all-time high for the yellow metal was north of \$1900. At present, the belief is that there is a 50/50 chance a recession could occur. Thus, we expect continuing gains in gold and gold-related equities next year.

Cycles



**Figure 1: Junior Miner Cycles**  
 Source: [www.ExplorationInsights.com](http://www.ExplorationInsights.com)

An interesting piece penned by Sprott reinforces the widely held belief regarding the mining sector’s cyclicity. During the gold market decline, funding and subsequent drilling programs didn’t exactly set the world on fire. Still, the appetite for new “discoveries” by investors did not wane—just the real opportunities. Although the recent bottom for gold prices occurred some time ago, there is a lag between gold prices and subsequent (and much greater moves) in mining stocks. This is due to the time factor; mapping, feasibility studies, permitting, exploration, etc. which must be borne. However, not only are we in the favorable part of the ebb/flow junior miner cycle for a number of companies such as AABB, but with new finds occurring of late, investor and Major Miner appetites are just beginning to be sated. Since we are in the early innings of this discovery-to-development cycle of gold by the juniors—often in new locales, resurgence is now underway as many firms exit the pre-discovery phase and enter the profitable discovery, production and sale stage, which drive valuations.

Me Too

Mining company developments tend to largely occur in bunches so it is no surprise that the same goes for their stocks. Junior mining stocks in particular reflect this pattern, with big moves higher occurring in conjunction with news/progress. Now that the spigot of available funding is high it is not uncommon to see stocks enjoy substantial price movement and volume spikes. The key is to identify the junior miners who offer a sustainable, profitable and replicable business model that offer major growth with the most favorable risk/reward. Enter Asia Broadband, Inc.

## A RECIPE FOR SUCCESS



The novel vertically integrated approach, top-line organic growth and the prospect of growth through acquisition of two targets in South America and/or Mexico that boast historical, and scalable production means that the AABB model is replicable in multiple markets. Moreover, with a direct sales partner of physical product, AABB is unusually well-positioned for success. A large part of this standing is its Asian joint venture partner. This partner has invested \$5M in the Company and will invest an additional \$9M later this year as part of a planned multi-year, \$34M equity financing for (ultimately) 40% of the Company in the next three years. Per the JV per the agreement, \$5M was received in 2018 and the schedule of tranches is \$9M in 2019, \$10M in 2020 and \$10M in 2021.

Looking ahead, two key milestones include the conclusion and initial results release of its Phase II drill program, later this year. This event should coincide with the \$9M financing and facility expansion to ensure the infrastructure is set for substantial increase in production, beginning in early 2020. The other major milestone involves the closing of the prospective acquisitions later this year as well. If the model is indeed replicable, it is possible that following evaluation, drilling and other programs, the deal could become profitable in 12-18 months, especially if the mines are shallow.

### *Financial Snapshot*

For the first six months of 2019, AABB has already recorded gross profit (in this case revenue) of \$2.75M, with operating and net profit of \$2.3M and \$2.26M, respectively. Brokered mineral sales were \$2.25M of the total and the Company boasts very high operating and net profit margins. (The P&L from the most recent quarterly filing can be found below.) The Company's balance sheet is very strong for Company of its size and position. As of June 30, 2019, AABB had \$7.7M in cash and \$12.5M in assets. With over \$10.6M in shareholder's equity, the debt on the books of \$1.9M is minimal and the stock currently trades at a mere 0.5x book value, much lower than typical junior miners.

Given the strong results thus far in 2019, management is forecasting \$6M in gross profit (revenue) for this year and once the Phase II program migrates to production, this figure could be 4-5x higher next year. To be conservative, we have assumed an increase of just over 3x to \$20M. Some of the operating funds, along with an expected future \$9M investment with its joint venture partner (Asian sales and investing partner) related to prospective acquisitions will be used for new deals, infrastructure, and expanded operations, Thus, we are not

forecasting profit until the transactions are closed and we have a better sense of the future operational cost picture.

Asia Broadband, Inc.  
Statements of Operations  
(Unaudited)

	Three Month Period Ended June 30, <u>2019</u>	Three Month Period Ended June 30, <u>2018</u>	Six Month Period Ended June 30, <u>2019</u>	Six Month Period Ended June 30, <u>2018</u>
<b>REVENUES</b>				
Mineral Production Sales	\$ 605,736	\$ 276,863	\$ 985,724	\$ 528,557
Cost of Mining Production	<u>(278,639)</u>	<u>(155,320)</u>	<u>(482,753)</u>	<u>(304,072)</u>
Net Production Revenue	327,097	121,543	502,971	224,486
Brokered Mineral Sales	1,187,769	774,090	2,248,277	1,477,808
Other Operating Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross Profit From Operations	<u>\$ 1,514,866</u>	<u>\$ 895,633</u>	<u>\$ 2,751,248</u>	<u>\$ 1,702,294</u>
<b>EXPENSES</b>				
Consulting fees	\$ 64,621	\$ 11,667	\$ 122,013	\$ 21,390
Depreciation and amortization	54,291	10,715	96,836	17,118
Director fees	30,000	-	60,000	-
Executive management fees	-	-	-	-
General and administrative	14,937	8,705	28,281	16,619
Travel and vehicle	41,602	21,718	79,667	38,424
Marketing and business development	10,475	6,912	20,377	13,196
Legal & Professional fees	18,019	3,149	35,335	6,012
Research and development	-	-	-	-
Stock-based compensation	-	-	-	-
Write-off of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>233,945</u>	<u>62,867</u>	<u>442,509</u>	<u>112,760</u>
Net Income/(Loss) from Operations	\$ 1,280,921	\$ 832,766	\$ 2,308,739	\$ 1,589,534
<b>OTHER INCOME (EXPENSES)</b>				
Loss on settlement of management fee	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Debt cancellation income	-	-	-	-
Interest expense	(25,432)	(30,569)	(52,615)	(61,602)
Net Income/(Loss) before minority interest	<u>\$ 1,255,489</u>	<u>\$ 802,197</u>	<u>\$ 2,256,124</u>	<u>\$ 1,527,932</u>
Minority interest	-	-	-	-
Net Income/(Loss) for the period	<u>\$ 1,255,489</u>	<u>\$ 802,197</u>	<u>\$ 2,256,124</u>	<u>\$ 1,527,932</u>
Net Income/(Loss) per common share - basic and diluted	\$ 0.003	\$ 0.002	\$ 0.006	\$ 0.004
Weighted average shares outstanding	402,480,387	344,540,968	389,980,387	341,672,498

### Valuation

To say the current valuation is too low is probably an understatement, for all of the reasons cited above. At present, the stock trades less than 1x current gross profit (revenue). As evidenced by the table below, the median price/trailing twelve-month sales valuation for AABB's peer group is 6.7x. It should be noted that this peer group is made up exclusively of revenue-generating gold resource companies with operations in Mexico or South America---therefore these are very relevant comparables.

If current valuations hold, and it very likely that they move higher, given global economic concerns, the stock should trade to the \$0.09 level in the next 4-6 months, which would be 6.7x its 2019, or 12-month trailing revenue. Looking out a year from today, we believe the stock could trade to \$0.24 which would represent 5.4x current year (2020) revenue, the median valuation afforded the peer group.

These metrics could rise if the likelihood of a recession rises next year, or if current gold forecast rises come to fruition during 2020. Separately, given that AABB is more profitable than most revenue-generating junior miners, its valuation could rise if the Street elects to value the stock based on P/E rather than P/S, as it does with select, larger players.

**Table I. Asia Broadband, Inc. Publicly Traded Peer Group**

Company Name	Symbol	Price (9/10/19)	Mkt Cap (mil)	TTM Sales (\$, mil)	2019E Sales (\$, mil)	2020E Sales (\$, mil)	P/S TTM	P/S 2019E	P/S 2020E
Agnico Eagle Mines	AEM	\$56.69	\$14,192	\$2,120	\$2,440	\$2,910	6.69	5.82	4.88
B2Gold	BTO	\$4.27	\$4,680	\$1,220	\$1,230	\$1,400	3.84	3.80	3.34
Coeur Mining	CDE	\$4.83	\$1,200	\$610	\$732	\$832	1.97	1.64	1.44
Franco-Nevada*	FNV	\$94.09	\$17,880	\$667	\$800	\$900	26.81	22.35	19.87
McEwen Mining	MUX	\$1.75	\$703	\$106	\$138	\$186	6.63	5.09	3.78
Royal Gold	RGLD	\$124.26	\$8,360	\$419	\$509	\$508	19.95	16.42	16.46
Sandstorm Gold*	SAND	\$5.64	\$1,070	\$74	\$90	\$120	14.46	11.89	8.92
Torex Gold*	TORXF	\$13.81	\$1,310	\$510	\$600	\$700	2.57	2.18	1.87
Median							6.66	5.46	4.33
<b>Asia Broadband</b>	<b>AABB</b>	<b>\$0.01</b>	<b>\$5</b>	<b>\$0.1</b>	<b>\$6.0</b>	<b>\$20.0</b>	<b>100.0</b>	<b>0.8</b>	<b>0.3</b>
<b>Valuation @ Median TTM, Current Year</b>							<b>\$40.0</b>	<b>\$109.1</b>	N/A
Notes:							<b>\$0.09</b>	<b>\$0.24</b>	
* denotes GSCR estimate for 2019, 2020 sales									
Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research									

## AABB EXECUTIVE MANAGEMENT TEAM

### **James Gilbert, President, Chief Executive Officer**

For the past 10 years, Mr. Gilbert has been a business consult for companies in Mexico spanning a variety of industries including mining, manufacturing, transportation, safety and security. He has developed a vast network of corporate and government contacts in many of the state jurisdictions and has proven expertise in the deployment, facilitation and coordination of professional services and labor teams in Mexico. Mr. Gilbert also brings an acute business acumen to every facet of the Company, producing the efficient achievement of corporate milestones and the execution of business plans.

### **Chak Wong, Senior Consultant-Asia**

Mr. Wong is an industrial supply and shipping logistics expert within Asian markets. Source product validation, supply verification, quality control and delivery of industrial commodities from Central and South America to Asian buyers has been Mr. Wong's focus for past the 12 years.

### **Jirong Luo, Advisor, Asian Markets and Business Development**

Mr. Luo specializes in business development and relationship management in China and other Asian markets. He is a negotiation and contract expert that has an extensive client book of commercial metal and commodity buyers.

## RISK FACTORS

In our view, AABB's biggest risks relate to exploration and development including results from future drill programs, resource estimates and technical/economic studies related to prospective acquisitions. However, in our view, this risk is largely mitigated by the historical production history, known vein characteristics and other considerations of any potential transaction. Management has a specific set of criteria for any and all acquisitions. Changes in supply/demand/pricing are typical future concerns and are also consistent with firms of AABB's size and standing. However, if the brokered mineral vertical were to experience a reduction in sales AABB financial results would be negatively impacted. Still, given the close relationship with its Asian partners who are active investors and play a role in operations, we believe that this risk is markedly reduced.

Volatility and liquidity are typical concerns for microcap stocks that trade on the stock market, especially those that are not generating revenue. Finally, the shares outstanding of this stock could increase due to potential capital needs or to execute future property acquisitions, which are events that will likely occur before year-end. as outlined . Since the proceeds of any future funding would be used in large part to advance exploration and development efforts, we believe that any dilutive effect from such a funding would be more than offset by related increases in market value.

## CONCLUSION

Leveraging its unique vertical integration, an active joint venture partner and a targeted approach, AABB is poised to emerge as one of the industry's fastest growing junior resource companies in the coming months. AABB generates meaningful revenue and will grow both organically and through acquisitions. Management seeks to replicate its current model in its targeted geography and is on pace to close two new acquisitions before year-end. With an emphasis on shallow mines with a history of production and known vein structures, AABB is well-positioned to expand its footprint in Mexico and South America.

AABB enjoys a huge advantage as compared with its peers. Through its JV partner, the Company has direct access to sales networks in Asia where it sells physical supply to accommodate a strong appetite for its product, thus generating major gross profit (revenue). Management is forecasting \$6M in gross profit in 2019 and we could see a 4x – 5x rise in 2020, although we currently forecast \$20M for next year. Plus, AABB boasts extremely high operating and net profit margins in addition to having a high cash/low debt position. Based on our peer analysis, the stock trades at an absurdly low valuation. We project that the stock will trade to the \$0.09 level in the next 4-6 months, which would match the current 6.7x trailing 12-month revenue metric afforded its peers. Our 12-month target is \$0.24.

### RECENT TRADING HISTORY FOR AABB

(Source: [www.StockCharts.com](http://www.StockCharts.com))





## SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

## ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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