



## GRIFFIN MINING LIMITED

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10<sup>th</sup> April 2018

### **RESULTS FOR 2017 AND ANNUAL REPORT AND ACCOUNTS**

**RECORD REVENUES: \$126.7 million up 91%**

**RECORD OPERATING PROFIT: \$63.8 million up 319%**

**RECORD PROFIT BEFORE TAX: \$60.9 million up 486%**

**RECORD PROFIT AFTER TAX: \$43.3 million up 633%**

**RECORD EARNINGS PER SHARE: 24.6 cents up 645%**

**RECORD ORE MINED, HAULED & PROCESSED**

**RECORD ZINC & GOLD PRODUCED**

Griffin Mining Limited ("Griffin" or the "Company") has today published its annual report and accounts for the year ended 31st December 2017 and is available on the Company's web site [www.griffinmining.com](http://www.griffinmining.com).

Griffin and its subsidiaries (together the "Group") recorded record production, revenues and profits in 2017 with;

- Revenues of \$126,657,000 (2016: \$66,270,000) up 91%;
- Operating profit of \$63,773,000 (2016: \$15,201,000) up 319%;
- Profit before tax of \$60,877,000 (2016: \$10,382,000) up 486%;
- Profit after tax of \$43,321,000 (2016: \$5,914,000) up 633%; and
- Earnings per share of 24.6 cents (2016: 3.3 cents) up 645%.

Cash generated from operating activities of \$77.4m enabled all bank loans to be repaid with \$46m repaid in 2017 as well enabling the Group to invest \$13.3m in further development of the Caijiaying mine, exploration and equipment purchases.

Record tonnes of ore were mined, hauled and processed in 2017 with:

- Ore mined of 920,168 tonnes (2016: 863,077 tonnes);
- Ore hauled of 980,849 tonnes (2016: 817,506); and
- Ore processed of 968,080 tonnes (2016: 874,983).

With record throughput and improved grades, record amounts of zinc and gold in concentrate were produced in 2017:

- Zinc metal in concentrate produced of 43,403 tonnes (2016: 31,948 tonnes);
- Gold metal in concentrate produced of 20,489 ozs (2016: 12,654 ozs);
- Silver metal in concentrate produced of 394,117 ozs (2016: 310,611 ozs); and
- Lead metal in concentrate produced of 1,421 tonnes (2016: 1,439 tonnes).

Record turnover was achieved in 2017 with concentrate sales of \$132,644,000 (2016 \$69,546,000), before royalties and resource taxes.

Zinc metal in concentrate prices received were significantly higher in 2017 than in 2016 with zinc metal in concentrate prices received up 51.6%. This reflects higher market prices and a tightening of concentrate supply in China.

In summary:

- Zinc metal in concentrate sold of 43,342 tonnes (2016: 31,864 tonnes);
- Gold in concentrate sold of 20,489 ozs (2016: 12,654 ozs);
- Silver in concentrate sold of 394,117 ozs (2016: 310,611 ozs); and
- Lead metal in concentrate sold of 1,421 tonnes (2016: 1,439 tonnes).

Cost of sales in 2017 of \$44,360,000 were up on that incurred in 2016 of \$37,851,000. This reflects increased tonnage mined, hauled and processed. Additional costs were incurred extracting ore from greater depth and backfilling waste material and tailings to minimise surface storage of tailings.

Administration expenses (including those of the Caijiaying Mine site) have risen from \$13,218,000 in 2016 to \$18,524,000 in 2017. This increase arises mainly from increased service fees to the Group's Chinese partners, Guoxin, up from \$1,983,000 in 2016 to \$5,900,000 in 2017, representing 11.2% of Hebei Hua Ao's profits. Administration costs outside of China in 2017 were in line with 2016. Administration costs within China have increased with higher fees and costs in dealing with stricter environmental, health and safety regulations and in applying for the mining licence over Zone II.

With the repayment of all bank loans during the year, interest costs fell from \$4,286,000 in 2016 to \$2,219,000 in 2017.

Foreign exchange gains of \$87,000 (2016 losses \$532,000) were recorded in 2017 due to an increase in the value of the Renminbi.

Following the latest upgrade to the processing facilities, losses on the disposal of redundant plant and equipment of \$1,067,000 were recorded in 2017 compared to \$224,000 in 2016.

Income taxes of \$17,556,000 (2016 \$4,468,000) were charged in 2016. This includes a deferred taxation provision of \$95,000 (2016 \$151,000).

Basic earnings per share in 2017 was 24.63 cents (2016 3.3 cents) and diluted earnings per share was 22.97 cents (2016 3.26 cents).

Attributable net assets per share at 31st December 2017 was 113 cents (2016 80 cents).

In anticipation of funds needed for the development of the Zone II area at Caijiaying, the directors do not recommend the payment of a dividend at this time.

## **Chairman's Statement:**

It is almost impossible to downplay what has been achieved in 2017. The Company achieved record revenues (up 91% from 2016), record operating profit (up 319% from 2016), record profit before tax (up 486% from 2016), record profit after tax (up 633% from 2016), record earnings per share (up 645% from 2016), record ore mined, record ore hauled, record ore processed, record zinc production (up 26% from 2016) and record gold production (up 62% from 2016). In essence, the Company broke every record it had ever previously set.

Specifically, Griffin and its subsidiaries (together the "Group") recorded revenues of \$126,657,000, an operating profit of \$63,773,000, profit before tax of \$60,877,000, profit after tax of \$43,321,000 and earnings per share of 24.6 cents.

Operationally, record ore mined amounted to 920,168 tonnes, hauled 980,849 tonnes and processed 968,080 tonnes. This led to record zinc metal in concentrate produced of 43,403 tonnes and gold metal in concentrate produced of 20,489 ounces.

The cash generated from these outstanding results enabled all bank loans to be repaid and leaves the Company debt free with \$26.5 million in cash on hand at year end.

In addition, although the share price of a company can often be a very poor indicator of the true value of that entity, it is pleasing for the shareholders that from the first to the last trading day in 2017, the share price of the Company moved from 53p to 116.5p, a rise of 120%, a trend which has continued unabated into 2018.

The Caijiaying Mine continues to be modernised with a second electric-hydraulic development drill, second remote loader and a mechanized rock bolting machine delivered during the year. A new 20 tonne haulage truck was trialled recently and will join the underground haulage fleet in the near future.

At camp, the Company completed and settled a new accommodation block for an additional 90 people allowing all of Hebei Hua Ao's staff to now be housed on site and thereby obtaining all the benefits of existing sporting, social and transportation amenities. A new sewage plant was also commissioned at camp to continue with the Company's zero tolerance of any environmental discharge from operations or from staff at the Caijiaying Mine site.

The only negative for the year, and for the past number of years, is the continuing inability to secure the new mining licence for the greater Zone II area. This is particularly frustrating considering the processing facilities have been completed to accept the doubling of ore capacity and the second portal almost completed to allow more efficient ore transportation to the mill. The economics of the Caijiaying Mine will be, yet again, significantly improved when Zone II ore can be mined and processed. I will not venture an opinion when the new mining licence will be granted, particularly in light of my previous predictions, but rest assured that every possible effort is being made to complete this process as soon as possible.

Despite all of the success outlined above, the Company refuses to rest on its laurels and continues to move on a number of fronts to increase shareholder value including rigorously exploring at its current mining operations (Zone III), adjacent to its current mining operations (Zone VIII), regionally (Sangongdi and Shitouhulun), outside Hebei Province (Inner Mongolia) and searching internationally for projects or companies that meet the predetermined rates of return that the Company has set, particularly in light of the extraordinary financial performance and life of the Caijiaying Mine.

## **Further information**

Griffin Mining Limited

Mladen Ninkov – Chairman

Roger Goodwin – Finance Director

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Griffin Mining Limited's shares are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange (symbol GFM).

The Company's news releases are available on the Company's web site: [www.griffinmining.com](http://www.griffinmining.com)

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No.596/2014.

**Griffin Mining Limited**  
**Summarised Consolidated Income Statement**  
**For the year ended 31 December 2017**  
**(expressed in thousands US dollars)**

	<b>2017</b>	2016
	<b>\$000</b>	\$000
<b>Revenue</b>	<b>126,657</b>	66,270
Cost of sales	<b>(44,360)</b>	(37,851)
	<hr/>	<hr/>
<b>Gross profit</b>	<b>82,297</b>	28,419
Administration expenses	<b>(18,524)</b>	(13,218)
	<hr/>	<hr/>
<b>Profit from operations</b>	<b>63,773</b>	15,201
Losses on disposal of plant and equipment	<b>(1,067)</b>	(224)
Foreign exchange profits / (losses)	<b>87</b>	(532)
Finance income	<b>143</b>	178
Finance costs	<b>(2,219)</b>	(4,286)
Other income	<b>160</b>	45
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>60,877</b>	10,382
<b>Income tax expense</b>	<b>(17,556)</b>	(4,468)
	<hr/>	<hr/>
<b>Profit after tax</b>	<b>43,321</b>	5,914
	<hr/>	<hr/>
<b>Basic earnings per share (cents)</b>	<b>24.63</b>	3.30
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<b>Diluted earnings per share (cents)</b>	<b>22.97</b>	3.26
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**Griffin Mining Limited**  
**Summarised Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2017**  
**(expressed in thousands US dollars)**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Profit for the year</b>	<u><b>43,321</b></u>	<u><b>5,914</b></u>
<b>Other comprehensive income that will be reclassified to profit or loss</b>		
Exchange differences on translating foreign operations	<u><b>5,004</b></u>	<u><b>(3,299)</b></u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>5,004</b></u>	<u><b>(3,299)</b></u>
<b>Total comprehensive income for the period</b>	<u><b>48,325</b></u>	<u><b>2,615</b></u>

**Griffin Mining Limited**  
**Summarised Consolidated Statement of Financial Position**  
**As at 31 December 2017**  
(expressed in thousands US dollars)

	2017 \$000	2016 \$000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	214,695	204,491
Intangible assets – exploration interests	2,035	1,792
	<b>216,730</b>	<b>206,283</b>
<b>Current assets</b>		
Inventories	5,868	6,148
Receivables and other current assets	4,374	8,232
Cash and cash equivalents	26,518	13,218
	<b>36,760</b>	<b>27,598</b>
<b>Total assets</b>	<b>253,490</b>	<b>233,881</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	1,700	1,790
Share premium	67,295	71,310
Contributing surplus	3,690	3,690
Share based payments	2,072	2,072
Shares held in treasury	-	(3,875)
Chinese statutory re-investment reserve	2,204	1,583
Other reserve on acquisition of non controlling interests	(29,346)	(29,346)
Foreign exchange reserve	9,777	4,871
Profit and loss reserve	133,972	91,174
<b>Total equity attributable to equity holders of the parent</b>	<b>191,364</b>	<b>143,269</b>
<b>Non-current liabilities</b>		
Long-term provisions	2,418	2,277
Deferred taxation	2,865	2,607
Finance lease	712	3,791
	<b>5,995</b>	<b>8,675</b>
<b>Current liabilities</b>		
Trade and other payables	52,437	34,466
Finance lease	3,694	2,783
Bank loans	-	44,688
<b>Total current liabilities</b>	<b>56,131</b>	<b>81,937</b>
<b>Total equities and liabilities</b>	<b>253,490</b>	<b>233,881</b>
<b>Attributable net asset value per share to equity holders of parent</b>	<b>\$1.13</b>	<b>\$0.80</b>

**Griffin Mining Limited**  
**Summarised Consolidated Statement of Changes in Equity.**  
**For the year ended 31 December 2017**  
**(expressed in thousands US dollars)**

	Share Capital	Share premium	Contributing surplus	Share Based Payments	Shares held in Treasury	Chinese re investment Reserve	Other reserve on acquisition of non controlling Interests	Foreign Exchange Reserve	Profit and loss Reserve	Total attributable to equity holders of parent
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>At 31st December 2015</b>	<b>1,790</b>	<b>71,310</b>	<b>3,690</b>	<b>1,363</b>	<b>(3,875)</b>	<b>1,595</b>	<b>(29,346)</b>	<b>8,068</b>	<b>85,350</b>	<b>139,945</b>
Regulatory transfer for future investment	-	-	-	-	-	90	-	-	(90)	-
Cost of share based payments	-	-	-	709	-	-	-	-	-	709
Transaction with owners	-	-	-	709	-	90	-	-	(90)	709
Profit for the year	-	-	-	-	-	-	-	-	5,914	5,914
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	(102)	-	(3,197)	-	(3,299)
Total comprehensive income	-	-	-	-	-	(102)	-	(3,197)	5,914	2,615
<b>At 31st December 2016</b>	<b>1,790</b>	<b>71,310</b>	<b>3,690</b>	<b>2,072</b>	<b>(3,875)</b>	<b>1,583</b>	<b>(29,346)</b>	<b>4,871</b>	<b>91,174</b>	<b>143,269</b>
Regulatory transfer for future investment	-	-	-	-	-	523	-	-	(523)	-
Purchase of shares held in treasury	-	-	-	-	(230)	-	-	-	-	(230)
Cancellation of shares held in treasury	(90)	(4,015)	-	-	4,105	-	-	-	-	-
Transaction with owners	(90)	(4,015)	-	-	3,875	523	-	-	(523)	(230)
Profit for the year	-	-	-	-	-	-	-	-	43,321	43,321
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	98	-	4,906	-	5,004
Total comprehensive income	-	-	-	-	-	98	-	4,906	43,321	48,325
<b>At 31st December 2017</b>	<b>1,700</b>	<b>67,295</b>	<b>3,690</b>	<b>2,072</b>	<b>-</b>	<b>2,204</b>	<b>(29,346)</b>	<b>9,777</b>	<b>133,972</b>	<b>191,364</b>

**Griffin Mining Limited**  
**Summarised Consolidated Cash Flow Statement**  
For the year ended 31 December 2017  
(expresses in thousands US dollars)

	2017	2016
	\$000	\$000
<b>Net cash flows from operating activities</b>		
Profit before taxation	60,877	10,382
Foreign exchange (profits) / losses	(87)	532
Finance income	(143)	(178)
Finance costs	2,219	4,286
Adjustment in respect of share based payments	-	709
Depreciation, depletion and amortisation	9,783	8,526
Losses on disposal of equipment	1,067	224
Decrease in inventories	280	1,034
Decrease / (increase) in receivables and other current assets	3,928	(6,251)
Increase in trade and other payables	7,621	3,280
Taxation paid	(8,108)	(641)
<b>Net cash inflow from operating activities</b>	<u>77,437</u>	<u>21,903</u>
<b>Cash flows from investing activities</b>		
Interest received	143	178
Proceeds on disposal of equipment	184	-
Payments to acquire – mineral interests	(9,330)	(7,361)
Payments to acquire – plant and equipment	(4,125)	(3,776)
Payments to acquire – office equipment	(2)	(102)
Payments to acquire intangible fixed assets – exploration interests	(128)	(43)
<b>Net cash outflow from investing activities</b>	<u>(13,258)</u>	<u>(11,104)</u>
<b>Cash flows from financing activities</b>		
Purchase of shares for treasury	(230)	-
Interest paid	(1,773)	(3,684)
Finance lease repayments	(2,943)	(2,935)
Repayment of bank loans	(46,024)	(14,891)
<b>Net cash outflow from financing activities</b>	<u>(50,970)</u>	<u>(21,510)</u>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>13,209</b>	<b>(10,711)</b>
Cash and cash equivalents at the beginning of the year	13,218	24,062
Effects of exchange rates	91	(133)
Cash and cash equivalents at the end of the year	<u>26,518</u>	<u>13,218</u>
<b>Cash and cash equivalents comprise bank deposits.</b>		
Bank deposits	<u>26,518</u>	<u>13,218</u>

Included within net cash flows of \$13,209,000 (2016 \$10,711,000) are foreign exchange gains of \$87,000 (2016 losses \$532,000) which have been treated as realised.

**Notes:**

1. This statement has been prepared using accounting policies and presentation consistent with those applied in the preparation of the statutory accounts of the Company.
2. The summary accounts set out above do not constitute statutory accounts as defined by Section 84 of the Bermuda Companies Act 1981 or Section 435 of the UK Companies Act 2006. The summarised consolidated statement of financial position at 31st December 2017 and the summarised consolidated income statement, summarised statement of comprehensive income, consolidated statement of changes in equity and the summarised consolidated cash flow statement for the year then ended have been extracted from the Group's audited 2017 statutory financial statements.
3. The annual report and accounts for 2017 are being sent by post to all registered shareholders. Additional copies of the annual report and accounts are available from the Company's London office, 8<sup>th</sup> Floor, 54 Jermyn Street, London, SW1Y 6LX.
4. The Group has one business segment, the Caijiaying zinc gold mine in the People's Republic of China. All sales and costs of sales in 2017 and 2016 were derived from the Caijiaying zinc gold mine.

	<b>2017</b>	2016
	<b>\$000</b>	\$000
REVENUES		
China	<u><b>126,657</b></u>	<u>66,270</u>
Zinc concentrate sales	<b>99,886</b>	48,430
Lead and precious metals concentrate sales	<b>32,758</b>	21,116
Royalties and resource taxes	<u><b>(5,987)</b></u>	<u>(3,276)</u>
	<u><b>126,657</b></u>	<u>66,270</u>
COST OF SALES		
China	<u><b>(44,360)</b></u>	<u>(37,851)</u>
NET OPERATING EXPENSES		
China	<b>(13,819)</b>	(8,410)
Australia	<b>(434)</b>	(474)
European Union	<u><b>(4,271)</b></u>	<u>(4,334)</u>
	<u><b>(18,524)</b></u>	<u>(13,218)</u>

All revenues, cost of sales and operating expenses charged to profit relate to continuing operations.

	<b>2017</b>	2016
	<b>\$000</b>	\$000
TOTAL ASSETS		
China	<b>250,809</b>	231,894
Australia	<b>641</b>	499
European Union	<u><b>2,040</b></u>	<u>1,488</u>
	<u><b>253,490</b></u>	<u>233,881</u>
CAPITAL EXPENDITURE		
China	<b>13,455</b>	11,137
European Union	<u><b>2</b></u>	<u>102</u>
	<u><b>13,457</b></u>	<u>11,239</u>

*Notes (continued):*

5. Finance Income		
	<b>2017</b>	2016
	<b>\$000</b>	\$000
Interest on bank deposits	<u>143</u>	<u>178</u>
6. Finance Costs		
	<b>2017</b>	2016
	<b>\$000</b>	\$000
Interest payable on short term bank loans	447	3,684
Finance lease interest	<u>1,772</u>	<u>602</u>
	<b>2,219</b>	<b>4,286</b>
7. Other Income		
	<b>2017</b>	2016
	<b>\$000</b>	\$000
Scrap and sundry other sales	<u>160</u>	<u>45</u>
8. Income tax expense		
	<b>2017</b>	2016
	<b>\$000</b>	\$000
Profit for the year before tax	<u>60,877</u>	<u>10,382</u>
Expected tax expense at a standard rate of PRC income tax of 25% (2016 25%)	<b>15,219</b>	2,596
<i>Adjustment for tax exempt items:</i>		
- Income and expenses outside the PRC not subject to tax	<b>854</b>	843
<i>Adjustments for short term timing differences:</i>		
- In respect of accounting differences	<b>(490)</b>	(545)
- Other	<b>162</b>	135
Adjustments for permanent timing differences re prior year costs disallowed	-	573
Adjustments for permanent timing differences other	<b>1,678</b>	695
Withholding tax on intercompany dividends and charges	<b>38</b>	20
Current taxation expense	<u>17,461</u>	<u>4,317</u>
Deferred taxation expense		
Origination and reversal of temporary timing differences	<b>95</b>	151
	<u>95</u>	<u>151</u>
<b>Total tax expense</b>	<b>17,556</b>	<b>4,468</b>

The parent company is not resident in the United Kingdom for taxation purposes. Hebei Hua-Ao paid income tax in the PRC at a rate of 25% in 2017 (25% in 2016) based upon the profits calculated under Chinese generally accepted accounting principles (Chinese "GAAP").

8. The calculation of the basic loss / earnings per share is based on the losses / earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted losses / earnings per share is based on the basic losses / earnings per share on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

**Notes (continued):**

Reconciliation of the loss / earnings and weighted average number of shares used in the calculations are set out below:

	<b>Earnings</b>	<b>2017 Weighted Average number of shares</b>	<b>Per share amount (cents)</b>	<b>Loss</b>	<b>2015 Weighted Average number of shares</b>	<b>Per share amount (cents)</b>
	<b>\$000</b>			<b>\$000</b>		
<b>Basic earnings per share</b>						
Earnings attributable to ordinary shareholders	<b>43,321</b>	<b>175,894,007</b>	<b>24.63</b>	5,914	179,091,830	3.30
<b>Dilutive effect of securities</b>						
Options	<u>-</u>	<u>12,703,367</u>	<u>(1.66)</u>	<u>-</u>	<u>2,248,862</u>	<u>(0.04)</u>
<b>Diluted earnings per share</b>	<u><b>43,321</b></u>	<u><b>188,597,374</b></u>	<u><b>22.97</b></u>	<u>5,914</u>	<u>181,340,692</u>	<u>3.26</u>