



GRIFFIN MINING LIMITED

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13th May 2021

2020 RESULTS

PRELIMINARY ANNOUNCEMENT

Griffin Mining Limited ("Griffin" or the "Company") has today published its annual report and financial statements for the year ended 31 December 2020 which are available on the Company's web site www.griffinmining.com.

In 2020, the Company and its subsidiaries (together the "Group") recorded;

- Revenues of \$75,403,000 (2019: \$82,267,000);
- Operating profit of \$15,148,000 (2019: \$14,225,000);
- Profit before tax of \$14,515,000 (2019: \$11,712,000);
- Profit after tax of \$8,910,000 (2019: \$6,084,000); and
- Basic earnings per share of 5.16 cents per share (2019: 3.52 cents).

Despite interruptions to operations in the first quarter of 2020 with restrictions imposed by the Chinese authorities to contain the Covid-19 pandemic, the Group recorded a 6.5% increase in operating profits on that recorded in 2019, primarily as a result of higher zinc metal prices received and reduced costs.

Turnover of \$75,403,000 was down \$6,864,000 (8.3%) on that achieved in 2019 of \$82,267,000. This reflects zinc in concentrate sales down \$2,532,000 (4.6%) with 5,535 tonnes (14.6%) less zinc in concentrate sold at average prices of \$174 per tonne (11.8%) higher than in 2019, as the Group benefited from rising market prices and falling smelter treatment charges. Lead and precious metal in concentrate sales were down \$3,851,000 (12.9%) on 2019 with 6,494 ozs (36.7%) less gold in concentrate sold at average prices of \$441 per oz (33.4%) higher than 2019 and 41,337 ozs (12.4%) less silver in concentrate sold at average prices of \$3.9 per oz (28.3%) higher than 2019.

In 2020, metal in concentrate sales were:

- Zinc 32,276 tonnes (2019: 37,811 tonnes);
- Gold 11,218 ozs (2019: 17,712 ozs);
- Silver 291,756 ozs (2019: 333,093 ozs); and
- Lead 1,425 tonnes (2019: 1,221 tonnes).

Average prices achieved in 2020 were:

- Zinc metal per tonne of \$1,645 (2019: \$1,471);
- Gold metal per oz of \$1,759 (2019: \$1,318);
- Silver metal per oz of \$17.70 (2019: \$13.80); and
- Lead metal per tonne of \$1,339 (2019: \$1,575).

Cost of sales of \$42,737,000 in 2020 were down 12.1% on that incurred in 2019 of \$48,609,000. This reduction in the main reflects less ore mined, hauled and processed with operations impacted by restrictions to contain the Covid-19 pandemic in the first quarter. Additional cost savings were achieved in mining and haulage thereby reducing unit costs per tonne of ore. Despite the reduction in tonnes of ore mined and processed, non-cash depreciation charges rose with additional capital costs.

Administration expenses fell \$1,915,000 (9.9%) from \$19,433,000 in 2019 to \$17,518,000 in 2020. This reduction reflects efforts to contain costs across the Group during the Covid-19 pandemic, despite additional work on the application for a mining licence at Zone II and Green Mine certification.

Foreign exchange gains of \$22,000 (2019: losses \$93,000) were recorded in 2020, mainly on a strengthening of the Renminbi.

Interest of \$108,000 (2019: \$171,000) was received on bank deposits in 2020 whilst interest of \$111,000 (2019: \$51,000) was paid on short term bank loans. Finance interest on the lease of the dry tailings facility at Caijiaying and the London office totalling \$171,000 (2019: \$326,000) was incurred in 2020. Deemed interest on discounted rehabilitation provisions of \$77,000 (2019: \$Nil) was charged in 2020.

Losses on the disposal of \$1,129,000 (2019: \$305,000) were recorded with equipment being replaced to meet higher Chinese environmental standards.

Income taxes of \$5,605,000 (2019: \$5,628,000) have been charged in 2020. This includes a deferred taxation charge of \$424,000 (2019: \$380,000), and PRC withholding taxes on dividend distributions and fees of \$232,000 (\$50,000).

Basic earnings per share in 2020 was 5.16 cents (2019: 3.52 cents) and diluted earnings per share was 4.88 cents (2019: 3.24 cents).

Cash generated from operations of \$24,398,000 (2019: \$21,639,000) has been used in further developing the mine and facilities.

Attributable net assets per share at 31st December 2020 was \$1.35 (2019: \$1.24).

Chairman's Statement:

I believe I can safely say, this was the year when Griffin fulfilled all of its outstanding promises to its past, current and future shareholders by delivering the confirmed regulatory and operational requirements to propel the Company forward into the foreseeable future. The list of achievements is extraordinary.

Firstly, the granting by the Chinese Ministry of Land and Natural Resources (the "MNR") of new the Mining Licence covering both Zone II and Zone III in conjunction with the issuance of the 3rd Stage Zone III Project Final Acceptance Permit (the "PFA") was a momentous achievement in terms of time, complexity and operational importance. It will increase the annual ore mined from Zone III from 820,000 tonnes in 2020 to 1.1 million tonnes in 2021, but with the increased ore accessed from Zone II, this should increase to over 1.5 million tonnes per annum in 2022, possibly increasing further as these zones continue to be developed. It catapults Griffin into the ranks of one of the largest zinc producers in China, which remains the largest consuming base and ferrous metals market in the world.

Secondly, the announcement of the new Global Mineral Resource estimate reported in accordance with the JORC Code (2012) for the Caijiaying Mine of an amazing 101.5 million tonnes at 3.9% Zinc, 0.6% Lead, 27.0 g/t Silver and 0.5 g/t Gold, resulting in total contained metal of approximately 4.0 million tonnes of Zinc, 0.6 million tonnes of Lead, 88.8 million ounces of Silver and 1.59 million ounces of Gold totalling \$17.7 billion of metal in situ, a 50% increase in the known mineral resource.

Thirdly, obtaining Green Mine accreditation by the MNR having passed the national level green mine assessment. Failing to obtain certification would have meant closure of the Caijiaying Mine. So not only has the smooth continuation of operations at the Caijiaying Mine been ensured, but it continues also to show the Company's commitment to the environment, the local Chinese community and to the greater People's Republic of China. Green Mine approval comes after the Company's past environmental best practices were recognised by the Chinese government with the Environmental Award and the Mine Development Outstanding Achievement Award at successive China Mining Conferences.

Fourthly, yet another outstanding operational result considering operations were either suspended or severely curtailed in the first quarter of 2020 due to the Covid-19 pandemic, with access being denied for the whole of 2020 to the deeper stopes in Zone III awaiting PFA approval and the wait for the Zone II new Mining Licence. Nevertheless, operating profit, profit before tax, profit after tax and earnings per share all increased. Griffin now has the extraordinary claim that it has been profitable on an operational basis, in all the turmoils of the commodities markets, for the full 15 years it has been in operation and has only made a loss, on a net profit basis, in one of those years.

Fifthly, and although I place little faith in the share price as an indicator of value, in the last 12 months the Company's share price has increased approximately 200%; 65.1% against the FTSE Fledgling Index, 64% against the FTSE All AIM Index and 60% against the FTSE Small Mining Cap Index. A remarkable performance.

As the Company has grown and generated cash, inevitably various opinions have been voiced in relation to the share price, share buybacks, dividends and even the realisation of the value of the Company. It is enough to say that your board continues to evaluate all these options on an ongoing and meticulous basis and remains committed to ensuring that the views of all the shareholders are considered and, where possible, acted upon, a course of action that Solomon himself, with all his wisdom, would find difficult.

The Company continues to evaluate opportunities not only through acquisition or organic expansion but also through continuing exploration at the Caijiaying Mine and the surrounding region and through exploration outside of Hebei Province wherever host rocks mimic the Caijiaying Mine area and provide the potential for significant exploration success.

Penultimately, I would like to thank our Chinese and ex pat employees, contractors, consultants, subsidiary directors, partners, spouses and children. Life has taught me that people make things happen and, in the extraordinary Covid-19 year of 2020, these very people went above and beyond the call of duty to travel and work in extremely difficult circumstances, often leaving homes and loved ones, to put the Company's interests first. We couldn't be more grateful.

Lastly, I would like to thank on behalf of the shareholders, those few to whom we owe so much and of whom Michael Jordan said in *The Last Dance* "Have some respect for the people who laid the foundations to make this a profitable organization." I call them the founders of the Company. Those who believed when no-one believed. Those who flew standby (when that existed) and sat at the airport for a week hoping to catch a flight home. Those few who went to Caijiaying when it was a 12-hour drive from Beijing on a single lane gravel road overrun with over-laden coal trucks and stayed at what can only loosely be called accommodation. Those few who took no salaries or compensation and stayed when the Company had almost run out of funds. Those few who worked out of a terrible, serviced office the size of a cupboard. Those few include Roger Goodwin, Dal Brynelsen, the deceased Bill Mulligan and the recently departed Rupert Crowe.

It would be absolutely wrong of me to not mention Rupert, even though I have said much before. His wisdom, expertise and counsel are missed every day by all of us at Griffin. Without him, the Caijiaying Mine would have remained a valley, topped by Mongolian sands, next to a little village in northern China. An extraordinary, brilliant geologist, the Father of Caijiaying and, far more importantly, a gracious, gentle, considered, dedicated, intelligent human being it has been my absolute privilege to know and to have spent a large portion of my working life.

With the past behind us, I look forward to the next year of this incredible journey.

Further information

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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

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 2020
(expressed in thousands US dollars)

	2020	2019
	Audited	Audited
	\$000	\$000
Revenue	75,403	82,267
Cost of sales	(42,737)	(48,609)
	<hr/>	<hr/>
Gross profit	32,666	33,658
Administration expenses	(17,518)	(19,433)
	<hr/>	<hr/>
Profit from operations	15,148	14,225
Losses on disposal of plant and equipment	(1,129)	(305)
Provisions against intangible assets	(10)	(1,985)
Foreign exchange gains / (losses)	22	(93)
Finance income	108	171
Finance costs	(359)	(377)
Other income	735	76
	<hr/>	<hr/>
Profit before tax	14,515	11,712
Income tax expense	(5,605)	(5,628)
	<hr/>	<hr/>
Profit for the year	8,910	6,084
	<hr/>	<hr/>
Basic earnings per share (cents)	5.16	3.52
	<hr/>	<hr/>
Diluted earnings per share (cents)	4.88	3.24
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Griffin Mining Limited
Summarised Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020
(expressed in thousands US dollars)

	2020	2019
	Audited	Audited
	\$000	\$000
Profit for the year	<u>8,910</u>	<u>6,084</u>
Other comprehensive income / (expenses) that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	<u>9,662</u>	<u>(2,324)</u>
Other comprehensive income / (expenses) for the year, net of tax	<u>9,662</u>	<u>(2,324)</u>
Total comprehensive income for the year	<u><u>18,572</u></u>	<u><u>3,760</u></u>

Griffin Mining Limited
Summarised Consolidated Statement of Financial Position
As at 31 December 2020
(expressed in thousands US dollars)

	2020 Audited \$000	2019 Audited \$000
ASSETS		
Non-current assets		
Property, plant and equipment	266,709	228,287
Intangible assets – exploration interests	325	322
	<u>267,034</u>	<u>228,609</u>
Current assets		
Inventories	5,333	3,839
Receivables and other current assets	6,675	1,861
Cash and cash equivalents	16,435	19,885
	<u>28,443</u>	<u>25,585</u>
Total assets	<u>295,477</u>	<u>254,194</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	1,728	1,728
Share premium	68,470	68,455
Contributing surplus	3,690	3,690
Share based payments	2,072	2,072
Shares held in treasury	(917)	(917)
Chinese statutory re-investment reserve	2,830	2,500
Other reserve on acquisition of non controlling interests	(29,346)	(29,346)
Foreign exchange reserve	11,365	1,703
Profit and loss reserve	173,814	165,059
Total equity attributable to equity holders of the parent	<u>233,706</u>	<u>214,944</u>
Non-current liabilities		
Other Payables	13,487	-
Long-term provisions	2,200	2,150
Deferred taxation	3,359	2,731
Finance leases	-	479
	<u>19,046</u>	<u>5,360</u>
Current liabilities		
Trade and other payables	42,342	31,769
Finance leases	383	2,121
Total current liabilities	<u>42,725</u>	<u>33,890</u>
Total equities and liabilities	<u>295,477</u>	<u>254,194</u>
Attributable net asset value per share to equity holders of parent	1.35	1.24

Griffin Mining Limited
Summarised Consolidated Statement of Changes in Equity.
For the year ended 31 December 2020
(expressed in thousands US dollars)

	Share Capital	Share Premium	Contributing surplus	Share Based Payments	Shares held in Treasury	Chinese statutory 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
At 1st January 2019	1,727	68,442	3,690	2,072	(917)	2,386	(29,346)	4,027	159,161	211,242
Regulatory transfer for future investment	-	-	-	-	-	153	-	-	(153)	-
Issue of shares on exercise of options	1	13	-	-	-	-	-	-	-	14
Transaction with owners	1	13	-	-	-	153	-	-	(153)	14
Profit for the year	-	-	-	-	-	-	-	-	6,084	6,084
Adjustment for adoption of IFRS 16 leases	-	-	-	-	-	-	-	-	(33)	(33)
<i>Other comprehensive income:</i>										
Exchange differences on translating foreign operations	-	-	-	-	-	(39)	-	(2,324)	-	(2,363)
Total comprehensive income	-	-	-	-	-	(39)	-	(2,324)	6,051	3,688
At 31st December 2019	1,728	68,455	3,690	2,072	(917)	2,500	(29,346)	1,703	165,059	214,944
Regulatory transfer for future investment	-	-	-	-	-	155	-	-	(155)	-
Issue of shares on exercise of options	-	15	-	-	-	-	-	-	-	15
Transaction with owners	-	15	-	-	-	155	-	-	(155)	15
Profit for the year	-	-	-	-	-	-	-	-	8,910	8,910
<i>Other comprehensive income:</i>										
Exchange differences on translating foreign operations	-	-	-	-	-	175	-	9,662	-	9,837
Total comprehensive income	-	-	-	-	-	175	-	9,662	8,910	18,747
At 31st December 2020	1,728	68,470	3,690	2,072	(917)	2,830	(29,346)	11,365	173,814	233,706

Griffin Mining Limited
Summarised Consolidated Cash Flow Statement
For the year ended 31 December 2020
(expressed in thousands US dollars)

	2020	2019
	Audited	Audited
	\$000	\$000
Net cash flows from operating activities		
Profit before taxation	14,515	11,712
Foreign exchange (gains) / losses	(22)	93
Finance income	(108)	(171)
Finance costs	359	377
Depreciation, depletion and amortisation	12,801	12,343
Provisions against intangible assets	10	1,985
Losses on disposal of equipment	1,129	305
(Increase) / decrease in inventories	(1,494)	1,112
(Increase) / decrease in receivables and other current assets	(4,814)	959
Increase in trade and other payables	5,666	4,016
Taxation paid	<u>(3,644)</u>	<u>(11,092)</u>
Net cash inflow from operating activities	<u>24,398</u>	<u>21,639</u>
Cash flows from investing activities		
Interest received	108	171
(Costs) / proceeds on disposal of equipment	(44)	1
Payments to acquire – mineral interests	(18,691)	(18,883)
Payments to acquire – plant and equipment	(5,684)	(8,193)
Payments to acquire office, office furniture & equipment	(5)	(69)
Payments to acquire intangible fixed assets – exploration interests	<u>(11)</u>	<u>(308)</u>
Net cash outflow from investing activities	<u>(24,327)</u>	<u>(27,281)</u>
Cash flows from financing activities		
Issue of ordinary shares on exercise of options	15	14
Interest paid	(112)	(52)
Finance lease advance	-	65
Finance lease repayments	<u>(2,469)</u>	<u>(2,762)</u>
Net cash outflow from financing activities	<u>(2,566)</u>	<u>(2,735)</u>
(Decrease) / increase in cash and cash equivalents	(2,495)	(8,377)
Cash and cash equivalents at the beginning of the year	19,885	28,452
Effects of exchange rates	<u>(955)</u>	<u>(190)</u>
Cash and cash equivalents at the end of the year	<u>16,435</u>	<u>19,885</u>
Cash and cash equivalents comprise bank deposits.		
Bank deposits	<u>16,435</u>	<u>19,885</u>

Included within net cash flows of \$2,495,000 (2019 \$8,377,000) are foreign exchange losses of \$22,000 (2019: gains \$93,000) which have been treated as realised.

Notes:

This statement has been prepared using accounting policies and presentation consistent with those applied in the preparation of the statutory financial statements of the Company.

The summary financial statements set out above do not constitute statutory financial statements 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 31 December 2020 and the Summarised Consolidated Income Statement, Summarised Consolidated Statement of Comprehensive Income, Summarised 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 2020 statutory financial statements.

The annual report and accounts for 2020 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, 8th Floor, 54 Jermyn Street, London, SW1Y 6LX and are available on Griffin Mining Ltd's web site www.griffinmining.com

The Group has one business segment, the Caijiaying zinc gold mine in the People's Republic of China. All revenues and costs of sales in 2020 and 2019 were derived from the Caijiaying zinc gold mine.

	2020	2019
	\$000	\$000
REVENUES		
China	<u>75,403</u>	<u>82,267</u>
Zinc concentrate sales	53,095	55,627
Lead and precious metals concentrate sales	25,999	29,850
Royalties and resource taxes	<u>(3,691)</u>	<u>(3,210)</u>
	<u>75,403</u>	<u>82,267</u>
COST OF SALES: CHINA		
Mining costs	16,056	17,652
Haulage costs	7,282	8,277
Processing costs	8,868	10,019
Depreciation (excluding depreciation in administration costs)	11,780	11,462
Stock movements	<u>(1,249)</u>	<u>1,199</u>
	<u>42,737</u>	<u>48,609</u>
ADMINISTRATION EXPENSES		
China	12,939	14,253
Australia	312	414
UK / Bermuda	<u>4,267</u>	<u>4,766</u>
	<u>17,518</u>	<u>19,433</u>

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

Notes (continued):

TOTAL ASSETS	2020	2019
	\$000	\$000
China	290,147	248,119
Australia	967	686
UK / Bermuda	4,363	5,389
	<u>295,477</u>	<u>254,194</u>
CAPITAL EXPENDITURE	2020	2019
	\$000	\$000
China	24,375	27,076
Australia	-	65
UK / Bermuda	5	4
	<u>24,380</u>	<u>27,145</u>
FINANCE INCOME	2020	2019
	\$000	\$000
Interest on bank deposits	<u>108</u>	<u>171</u>
FINANCE COSTS	2020	2019
	\$000	\$000
Interest payable on short term bank loans	111	51
Interest on rehabilitation provisions	77	-
Finance lease interest	171	326
	<u>359</u>	<u>377</u>
OTHER INCOME	2020	2019
	\$000	\$000
Scrap and sundry other sales	<u>735</u>	<u>76</u>
INCOME TAX EXPENSE	2020	2019
	\$000	\$000
Profit for the year before tax	<u>14,515</u>	<u>11,712</u>
Expected tax expense at a standard rate of PRC income tax of 25% (2018 25%)	3,629	2,929
<i>Adjustment for tax exempt items:</i>		
- Income and expenses outside the PRC not subject to tax	567	746
<i>Adjustments for short term timing differences:</i>		
- In respect of accounting differences	(298)	(234)
Adjustments for permanent timing differences other	1,051	1,757
Withholding tax on intercompany dividends and charges	232	50
Current taxation expense	<u>5,181</u>	<u>5,248</u>
Deferred taxation expense		
Correction of provision brought forward	-	18
Origination and reversal of temporary timing differences	424	362
	<u>424</u>	<u>380</u>
Total tax expense	<u>5,605</u>	<u>5,628</u>

Notes (continued):

INCOME TAX EXPENSE (continued)

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 2020 (25% in 2019) based upon the profits calculated under Chinese generally accepted accounting principles (Chinese "GAAP").

EARNINGS PER SHARE

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

	Earnings	2020 Weighted Average number of shares	Per share amount (cents)	Earnings	2019 Weighted Average number of shares	Per share amount (cents)
	\$000			\$000		
Basic earnings per share						
Earnings attributable to ordinary shareholders	8,910	172,788,420	5.16	6,084	172,748,831	3.52
Dilutive effect of securities						
Options	-	9,861,227	(0.28)	-	15,107,500	(0.28)
Diluted earnings per share	8,910	182,649,647	4.88	6,084	187,856,331	3.24

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

Notes (continued):

PROPERTY, PLANT AND EQUIPMENT

	Mineral Interests	Mill and mobile mine equipment	Offices furniture & equipment	Total
At 1 January 2019	167,338	45,747	55	213,140
Foreign exchange adjustments	(1,611)	(786)	-	(2,397)
Additions during the year	18,883	8,193	69	27,145
Change in estimate of mine closure costs	(115)	-	-	(115)
Adjustment for adoption of IFRS16 leases	-	-	370	370
Adjustment for change in lease accounting estimate.	-	2,792	-	2,792
Disposals	-	(305)	-	(305)
Depreciation charge for the year	(6,912)	(5,268)	(163)	(12,343)
At 1 January 2020	177,583	50,373	331	228,287
Foreign exchange adjustments	8,292	3,408	5	11,705
Additions during the year	18,691	5,684	5	24,380
Provision for licence transfer fees	16,338	-	-	16,338
Change in estimate of mine closure costs	(115)	-	-	(115)
Transfer of rehabilitation provision	697	(697)	-	-
Disposals	-	(1,085)	-	(1,085)
Depreciation charge for the year	(6,542)	(6,084)	(175)	(12,801)
At 31 December 2020	<u>214,944</u>	<u>51,599</u>	<u>166</u>	<u>266,709</u>
At 31 December 2018				
Cost	205,840	72,028	134	278,002
Accumulated depreciation	(38,502)	(26,281)	(79)	(64,862)
Net carrying amount	<u>167,338</u>	<u>45,747</u>	<u>55</u>	<u>213,140</u>
At 31 December 2019				
Cost	222,589	80,935	573	304,097
Accumulated depreciation	(45,006)	(30,562)	(242)	(75,810)
Net carrying amount	<u>177,583</u>	<u>50,373</u>	<u>331</u>	<u>228,287</u>
At 31 December 2020				
Cost	267,763	90,173	583	358,519
Accumulated depreciation	(52,819)	(38,574)	(417)	(91,810)
Net carrying amount	<u>214,944</u>	<u>51,599</u>	<u>166</u>	<u>266,709</u>

Mineral interests comprise the Group's interest in the Caijiaying ore bodies including costs on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and construction of the Caijiaying mine including expenditure for the initial establishment of access to mineral reserves, commissioning expenditure, and direct overhead expenses prior to commencement of commercial production and together with the end of life restoration costs.

Mill and mobile mine equipment include \$3,872,000 (2019: \$1,997,000) of assets under construction yet to be depreciated.

Notes (continued):

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The offices, furniture and equipment disclosed above relates solely to the fixed assets, including leased offices, of Griffin Mining (UK Services) Limited and China Zinc Pty Limited.

During 2013 plant and equipment with a deemed value of \$11,381,000, revalued in 2019 to \$14,150,000, were acquired under a finance lease, upon which depreciation of \$6,712,000 (2019: \$5,123,000) has been provided. At 31 December 2019 the net carrying amount of this equipment was \$8,417,000 (2019: \$9,027,000). In 2019 the London office lease was capitalised to comply with IFRS16 with a deemed value of \$371,000 upon which depreciation of \$248,000 has been provided. At 31 December 2020 the net carrying amount of this office was \$124,000 (2019:\$247,000).

The Group assesses the carrying value of the mineral interests, mill and mobile mine equipment at least annually, and more frequently in the event of any indications of impairment, by reference to discounted cash flow forecasts of future revenue and expenditure for each business segment. These forecasts are based upon both past and expected future performance, available resources and expectations for future markets. Management determined that there were no impairment indicators at 31 December 2020. However, as best practice management have updated the impairment model.

In determining any indications of impairment in the carrying value of the Caijiaying Mine the directors have reassessed the net carrying value of capitalised costs at 31 December 2020 by reference to the estimated mineral resources at Caijiaying that may be extracted by 2056 and 2037 when the current business licence of Hebei Hua Ao expires. However, it is expected that Hebei Hua Ao will be converted to an equity joint venture company with an indefinite life before then. Accordingly, a Life of Mine plan (“LOM”) has been prepared by the Company that indicates the continued extraction of ore until 2056. In estimating the discounted future cash flows from the continuing operations at the Caijiaying mine the following principal assumptions have been made:

- Future market prices for zinc of \$2,500 per tonne, gold of \$1,800 per troy ounce and silver of \$20 per troy ounce;
- Zinc treatment charges of 30% of market prices;
- Extraction of measured and indicated resources of 25.5 million tonnes to 2037 when the current business licence of Hebei Hua Ao expires, with ore mined and processed rising to a maximum rate of 1.6 million tonnes of ore per annum;
- Operating costs, recoveries and payables based upon past performance and that budgeted for 2021;
- Capital costs based upon that initially scheduled with sustaining capital based on future scheduling;
- Discount rate of 10%; and
- Continued maintenance and grant of applicable licences and permits.

Notes (continued):

INTANGIBLE ASSETS

China – mineral exploration interests

	<u>\$000</u>
At 1 January 2019	2,016
Foreign exchange adjustments	(17)
Additions during the year	308
Impairment during the year	<u>(1,985)</u>
At 1 January 2020	322
Foreign exchange adjustments	2
Additions during the year	11
Impairment during the year	<u>(10)</u>
At 31 December 2020	<u><u>325</u></u>

Intangible assets represent cost on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work in respect to regional exploration in China. Where expenditure on an area of interest is determined as unsuccessful such expenditure is written off to profit or loss. The recoverability of these assets depends, initially, on successful appraisal activities, details of which are given in the report on operations. The outcome of such appraisal activity is uncertain. Upon economically exploitable mineral deposits being established, sufficient finance will be required to bring such discoveries into production. At 31 December 2020 impairment charges of \$10,000 (2019: \$1,985,000) had been provided and charged to the income statement in respect of the above exploration costs previously capitalised by Hebei Sino Anglo.

POST BALANCE SHEET EVENTS

As at 31 December 2020 there were no adjusting post balance sheet events (2019: none). Since 31 December 2020 the Company has bought in 316,840 shares to be held in treasury at a cost of \$584,000.