

.....FLASH NOTE.....FLASH NOTE.....FLASH NOTE.....FLASH NOTE.....

13 April 2021

## Caijiaying Q1 zinc production up by 64% yoy

- **Solid recovery yoy:** Griffin has issued a Q1 update, with 185kt of ore mined and 200kt of ore processed at the company's Caijiaying mine in northern China. Zinc production was up by 64% to 8.2kt, gold production up by 200% to 3.5Moz, silver production up by 52% to 63koz and lead production up by 32% to 234t. Production in Q1 2020 was materially affected by closures relating to the pandemic, which has had only a minimal impact this year. Tonnes processed were up by 12.1% on 2019 and zinc production was up by 12.8% versus 2019. Q1 is the weakest quarter for the company due to the scaling back of operations owing to holidays for the Chinese New Year (12 February). We anticipate H1 production of 22.1kt of zinc in concentrate, with 7.5koz of gold, with continuous operations throughout Q2, and 42kt of production for the year. We believe that the mine remains on track to achieve this.
- **Stronger metals prices also reflected:** Average received metal prices for the quarter were USD2,161/t for zinc, USD1,645/oz for gold, USD20/oz for silver and USD1,591/t for lead. Griffin is paid based on a discount to spot prices to take account of treatment and refining charges. This suggests that the commercial discounts applied to concentrate have declined from 44% to 21% for zinc during the past year, with a similar pullback for the other metals. We view this as a significant positive, representing a material improvement on the 35% average discount that we had assumed for 2021 and reflecting the stronger market for concentrate, with other miners announcing a reduction in treatment charges from USD299.75/t last year to USD159/t. Zinc demand has been stimulated by the recovery in demand for galvanised steel used in construction and the automotive industry, and should benefit from the stimulus-driven post-pandemic recovery in the global economy in 2021.
- **Valuation and recommendation:** We maintain our Buy recommendation and price target (based on a blend of 8x EV/EBITDA and 1x NAV). We expect a positive response from the shares this morning due to higher production and lower treatment charges.

**Griffin**

**BUY**

**Price target**

GBp 160

**Current price**

GBp 145

12/04/2021 London  
Close

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Griffin Mining Limited	2, 3

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Production of the recommendation completed: 13.04.2021, 06:06 GMT

### Historical price target and rating changes for Griffin Mining Limited in the last 12 months

Date	Price target - GBP	Rating	First dissemination GMT	Initiation of coverage
<u>19 November 20</u>	<u>105</u>	<u>Buy</u>	<u>2020-11-20 06:56</u>	<u>19 November 20</u>
<u>09 December 20</u>	<u>115</u>	<u>Buy</u>	<u>2020-12-10 07:08</u>	
<u>04 January 21</u>	<u>130</u>	<u>Buy</u>	<u>2021-01-04 08:31</u>	
<u>26 January 21</u>	<u>170</u>	<u>Buy</u>	<u>2021-01-27 07:11</u>	
<u>06 April 21</u>	<u>160</u>	<u>Buy</u>	<u>2021-04-07 07:01</u>	

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Sell	5.46 %	0.00 %
Hold	37.17 %	1.88 %

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