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Registered number: EC13667 Bermuda.
Registered Office: Clarendon House, 2 Church Street, Hamilton HM11. Bermuda.
Principal Office: 60 St James's Street, London SW1A 1LE. UK.

Griffin Mining Limited is a mining development and investment company whose principal asset is the Caijiaying zinc-gold project located 200 kilometres north-west of Beijing, China. Griffin has begun construction of the Caijaiying mine and processing facilities, with commissioning expected in early 2005.

Further information on the Company is available on the Company's web site: www.griffinmining.com.

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

CHAIRMAN'S STATEMENT

Lao Tzu once said, "The journey of a thousand miles begins with the first step". For Griffin Mining Limited ("Griffin" or "the Company"), that first step was taken in 1997 with the acquisition of the Caijiaying deposit. That has been followed with drilling, numerous studies, resource definition, licensing, feasibility study, financing, and now finally, construction of the Caijiaying mine.

2003 was a year of fervent activity and momentous progress. The full feasibility study was commissioned and, notwithstanding the outbreak of the SARS virus in China during the year, was completed in September 2003. Negotiations then began with numerous commercial and investment banks to arrange debt facilities to fund the construction of the Caijiaying mine. In particular, the Company was driven by the need to begin construction of the processing plant so as to be completed prior to the onset of the 2004 winter. The banks exhibited an insufficient understanding of China to complete such a financing in a timely manner and the Company was forced to think laterally to find the funding necessary for Caijiaying. The strength of the Company's position in China and the quality of the Caijiaying asset brought several large and prestigious institutional investors to the Company's register with the successful completion of an £8.75m equity placement.

The first consequence of the completion of the financing was that Griffin was fully funded to construct and commission the Caijiaying mine. Construction of the mine has commenced with commissioning scheduled for March 2005.

The second consequence of the completion of the financing was support for a higher share price. Only now is the market beginning to appreciate some of the value represented by the Caijiaying project. The real value inherent in Griffin will only be truly reflected with the commissioning of the Caijiaying mine and the cash flows generated therefrom, and even more importantly, exploration success in the Caijiaying area.

The Company remains committed to exploring the Caijiaying area as soon as cash flows permit and drilling, in the first instance, the extensions to the known mineralization between zones II and III, the gold occurrences in zone V, and finally the large areas of epithermal alteration along the F45 fault, south of zone II.

Traditionally, I have attempted to thank those people or groups of people who have contributed so greatly to the success of the Company. This year has again produced a large number of such people, many of whom I will inevitably forget to mention. For that, I apologise. I would like to thank: Ocean Equities, and in particular Guy Wilkes and Rupert Williams, for successfully completing the large and vital institutional equity placing; CSA Australia, and in particular Rupert Crowe and Warren Woodhouse, for their tireless and endless work at Caijiaying; Griffin's nominated advisors and brokers, Charles Stanley and Company; and Griffin's staff who work extraordinary hours to achieve amazing results, and in particular, Jeff Sun in China and Roger Goodwin in London.

Perhaps now is the appropriate time and place to acknowledge Trellus Management LLC, and in particular its principal Adam Usdan, for the courage, foresight and faith he has shown in the Company. Trellus has participated in every equity placement by the Company since the first placement in 1997/1998, and without its support, it is most unlikely that the Company would be in the fortunate position it finds itself in today.

I also would like to welcome the Company's new institutional shareholders. The Company has always understood that its shareholders are the owners of the Company. Rest assured that responsibility is not taken lightly and that the Company will use its best endeavours to repay the faith its new and existing shareholders have shown, and continue to show, in the Company.

Finally, in Sir Winston Churchill's words "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."

Mladen Ninkov
Chairman
10th May 2004

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Caijiaying project location map

Introduction

Griffin is a mining development and investment company listed on the Alternative Investment Market of the London Stock Exchange. Griffin, through two joint ventures, has a controlling interest in mining and exploration licences over 67 square kilometres in the Caijiaying area of the Hebei Province ("Caijiaying") in the Peoples Republic of China ("the PRC").

Caijiaying Area

Caijiaying is located approximately 200 km north west of Beijing in the Hebei Province in the PRC. The site is easily accessible by sealed road, which runs to site, has adequate water supplies available from underground sources and is connected to the electricity grid. The Caijiaying area is on the south-east edge of the Mongolian Plateau. Conditions are not severe although winters are cold and dry.

Legal Structure

Griffin's initial interest in Caijiaying has been held through its local Chinese subsidiary company Hebei Hua' Ao Mining Development Company Limited ("Hebei Hua-Ao").

Hebei Hua-Ao is a contractual joint venture entity established in 1994 in which Griffin, through its wholly owned Australian subsidiary company China Zinc Pty Ltd ("China Zinc"), holds a 60% equity interest and the Chinese joint venture partners (which include the Zhangjiakou City People's Government, the Hebei Bureau of the Ministry of Land and Resouces and the Third Geological Brigade) have a 40% equity interest. Significantly, for the first 3 years of commercial production 100% of the cash flows accrue to China Zinc.

In October 1998 Hebei Hua-Ao was the first foreign controlled joint venture to be awarded a new exploration licence for a hard rock deposit in the PRC when it received an exploration licence covering an area of 11.3 square kilometres at Caijiaying.

REVIEW OF OPERATIONS

New entrance to incline at Caijiaying

On 21 March 2002, Hebei Hua-Ao became the first foreign controlled joint venture to be granted a mining licence over a base metals deposit in the PRC when it was granted a mining licence over 1.56 square kilometres of the original 11.3 square kilometres of the zone III licence area at Caijiaying.

The Company has long recognized the exploration potential of the area surrounding the original 11.3 square kilometre licence area at Caijiaying. On 5 June 2000, an exploration licence was granted covering an area of over 102.2 square kilometres of highly prospective ground surrounding the existing licence area at Caijiaying. This licence area was subsequently reduced to discard the non-prospective areas and a new 2 year exploration licence was granted covering 55.7 square kilometres in January 2003.

In January 2004, a second contractual joint venture, the Hebei Sino Anglo Mining Development Company Limited ("Hebei Anglo"), was formed to hold the above exploration licence over the 55.7 square kilometres and any further areas of interest in the Hebei Province. Griffin, through its wholly owned UK subsidiary company Panda Resources Limited, has a 90% interest in Hebei Anglo. The other shareholders holding the remaining 10% of Hebei Anglo are the same as in Hebei Hua-Ao.

Caijiaying Geology

The Caijiaying zinc mineralization is believed to have originated 131-204 million years ago during a volcanic episode that affected ancient, 2.3 billion-year-old metamorphic rocks, along a major northeast-trending structure.

The base metal mineralization is believed to have been caused by replacement of certain horizons in the metamorphic rocks by hot metal-bearing solutions during an early stage of a volcanic system. Some gold may have been deposited at this time, but the main gold event is interpreted to have occurred later as a hot-spring or epithermal type of mineralization towards the end of the volcanic period. This type of epithermal mineralization usually consists of gold and silver (with minor base-metals) deposited in veins and breccias with extensive alteration of the surrounding rock by the hot fluid. The epithermal nature of the system has been confirmed with mineralization displaying many features in common with other world-class epithermal deposits.

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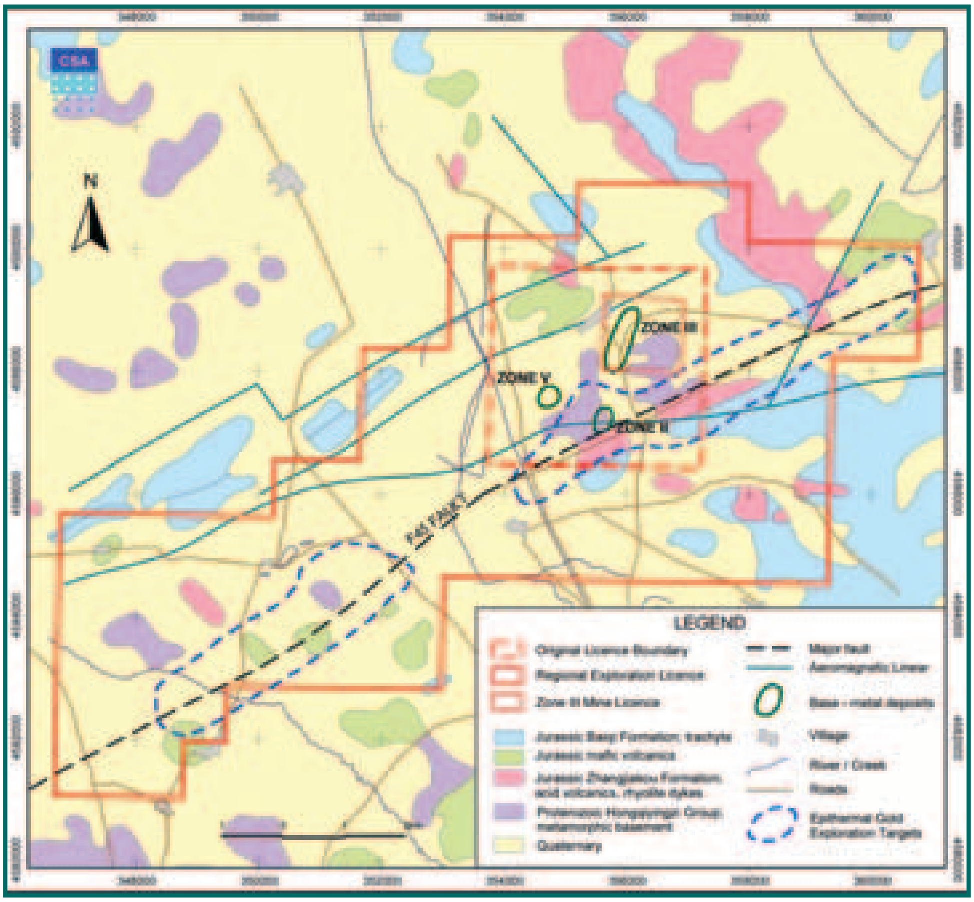

Regional geological sketch map of Caijiaying Project Area showing licence areas and zones of mineralisation

The main mineralization occurs within distinct north-south trending altered corridors separated by zones of barren rock. These are situated within synclinal folds, formed as part of a conjugate set of structures in response to movement along the regionally important F45 Fault, which trends east-northeast across the area south of the main deposits. The line of this fault is believed to be on a zone of crustal weakness which is thought to have acted as a conduit for rising mineralizing fluids.

Caijiaying Discovery

Mineralization was first identified in the Caijiaying area during the Chinese "Cultural Revolution" in the late 1960's. Subsequently, exploration teams of the Third Brigade of the Hebei Province of the now defunct Ministry of Geology and Mineral Resources (predecessor to the Ministry of Land and Natural Resources), conducted 10 years of exploration work on Caijiaying, including 95,000 metres of diamond drilling.

Within the original 11.3 sq km licence area at Caijiaying, the Third Brigade defined 5 separate mineralized zones. Zone III, covering an area of some 1.5 square kilometres, has been the main focus of exploration and development activity. The other zones have not been so intensively explored, but drilling and other work, in particular in zones II and V, have indicated significant potential for further economic mineralization.

The Caijiaying project has had a long exploration history because of the complex nature of the mineralization, which was first interpreted by Chinese geologists of the Third Brigade as forming a series of E-W trending, fairly steeply (-50º to -70º) southerly-dipping lenses from 0-500 metres below surface. This interpretation led to the Chinese drill grid being orientated in the wrong direction, in parallel to the main mineralized zones.

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Surveying processing plant site at Caijiaying

Development of Caijiaying

Since 1994, China Zinc, through Hebei Hua-Ao, has expended some $5 million on Caijiaying, again mostly on zone III, including the cost of a pre-feasibility study, a mining scoping study, resource statements, approximately 10,000 metres of diamond drilling, 300 metres of underground drive, ore-body modelling, metallurgical test work and various geological, metallurgical, engineering, environmental, power and transport studies, culminating in the completion of a full feasibility study in August 2003.

Work initially undertaken by China Zinc involved infill drilling and resource studies on an open-pit concept. However, the open pit concept was hampered by difficulties in interpretation of the ore-block geometry.

Underground trial mining in the southern section of zone III completed in 2000 revealed that instead of dipping south, the main mineralised bodies trend north parallel to the drill grid. This resulted in the resource estimates being downgraded and the project reassessed as being more amenable to smaller scale underground mining.

In 2000, the Company commissioned a mining scoping study from CSA Australia Pty Ltd ("CSA") in conjunction with Gillespie Mining Services Limited. This indicated that an underground mine could be brought into production at Caijiaying to economically produce some 180,000 tonnes of ore per annum at 12.3% zinc, 0.7 grams per tonne ("g/t") gold and 48 g/t silver over approximately 10 years.

In 2002, a programme of diamond drilling was undertaken in the correct east-west orientation for the first time. This showed that the mineralised lodes occur within the north-south corridors and dip 75-80º to the west. Recognition of this geometry allowed a new geological resource model to be interpreted by CSA which formed the basis of a new resource estimate.

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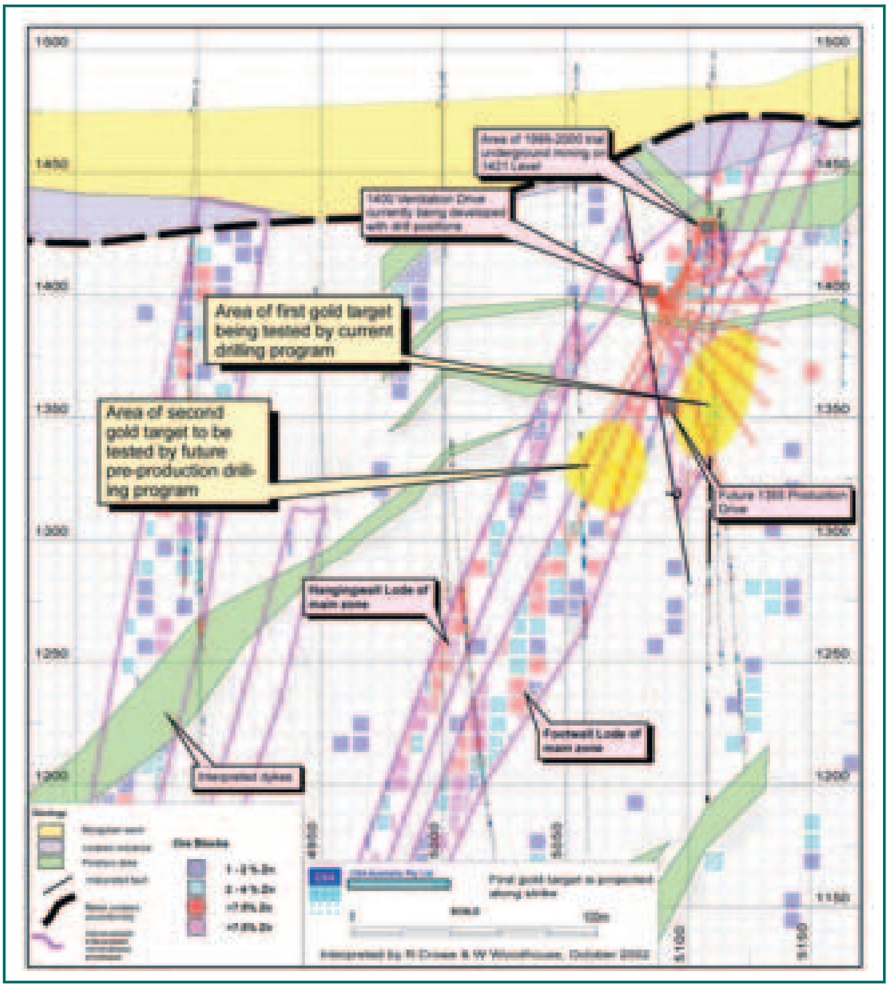

Caijiaying ore-body cross section

Resource Estimate

The results of the 2002 drilling programme together with drill hole data from past work enabled a new resource statement to be compiled by independent consultants Micromine Pty Ltd Consulting Division ("Micromine") in accordance with the guidelines set out in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code):

- An indicated resource of 16.9 million tonnes at 7.84% zinc and 0.75g/t gold; and
- An inferred resource of 6.68 million tonnes at 8.69% zinc and 0.5g/t gold;
- For a total resource of 23.6 million tonnes at 8.08% zinc and 0.68g/t gold; at a 4% zinc cut-off grade

or:

- An indicated resource of 6.95 million tonnes at 11.58% zinc and 0.64g/t gold; and
- An inferred resource of 3.602 million tonnes at 11.73% zinc and 0.49g/t gold;
- For a total resource of 10.56 million tonnes at 11.63% zinc and 0.59 g/t gold at a 7% zinc cut-off grade

These resource estimates cover only zone III at Caijiaying. The interpretation of steep north-trending lode orientations is consistent with the mineralization at the zone II deposit, which is situated within Hebei Hua-Ao's licence area, 1 kilometre to the south of the main zone III deposit. This similarity of geometry strongly suggests that the two deposits are continuous, opening up a large area for further exploration. The mine has been designed to enable this area to be accessed when needed.

The diamond drilling programme undertaken by Griffin in the summer of 2002 also encountered significant gold intercepts which, taken together with earlier gold results, allowed Micromine to compile separate inferred estimates for the gold resource at zone III, including 2.61 million tonnes at 6.78 g/t at a 3 g/t cut off. This places over 500,000 ounces of gold at zone III at Caijiaying.

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Underground drilling 2004

On the basis of the above resource statement, in November 2002, Griffin commissioned CSA Australia to complete a full feasibility study on zone III at Caijiaying.

2003 Activity - Feasibility Study

The main focus of activity in 2003 was the production of a full feasibility study which was completed in August 2003.

The feasibility study ("the Study") broadly follows the plan that was presented in the scoping study completed in 2000 for a zinc-gold mine with an initial throughput of 200,000 tonnes per annum using a western-style decline and low-cost Chinese mining methods to feed a process plant to produce zinc concentrates. A gold processing plant was included in the design to produce gold dore bars on site for refining and sale to the Chinese market.

The basic design of the mine incorporates a Chinese built process plant using conventional crushing, grinding and flotation technology to produce a standard zinc concentrate for sale to the local market. However, the gold circuit is of modular Australian design and will treat a precious-metals concentrate from which both gravity and cyanide-extracted gold will be won.

The mine has been designed for development from three different directions at the same time. The first part involves widening and lengthening the existing exploration incline and developing the necessary ventilation and production drives from its base. This will enable early access to conduct the pre-production drilling and the installation of water, power and compressed air services.

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Mining operations 2004

The second part involves sinking a 200m deep ventilation shaft in the northern part of the deposit which will connect the other drives and provide an emergency escape.

The third part is the production decline which will connect the process plant to the mine and enable easy access and upgrading of the mine capacity.

The Study demonstrates that the project is robust and is capable of generating significant profits even at historically low world zinc prices. Operating costs are expected to be amongst the lowest of any underground zinc mining operation in the world.

The Study shows life of mine production of 314,250 tonnes of zinc metal and 108,450 kilograms of silver in 586,300 tonnes of concentrate grading 53.6% zinc and 185 g/t silver. In addition, 39,850 ounces of gold will be produced in bullion. It is anticipated that gold production will be increased as the mine develops.

The mine has been designed so that an upgrade of mine production can be readily implemented. The Company expects to increase throughput to 500,000 tonnes per year as soon as practicable.

The Study has been conducted using mainly Australian experts for the mine process plant and infrastructure and the leading Chinese base-metals engineering institute, the Beijing Non Ferrous Engineering Institute ("ENFI"), for the mine design to comply with Chinese regulations and costs.

The ore reserves (based on the aforementioned resources compiled by Micromine Consulting) have been optimized by Datamine Consulting and CSA and estimated by ENFI according to the mine plan. Only those reserves that relate to Phase One of the Caijiaying mine development (i.e. the first 14.5 years) have been included in the ore reserves. The result is a Probable Ore Reserve (under the Australian JORC Code classification) of 2,570,000 tonnes at 12.59% zinc, 0.42g/t gold and 45.63g/t silver. This reserve is based on an optimized resource block model at a 7% minimum zinc cut off and incorporates 8% mining dilution and an 8% ore loss.

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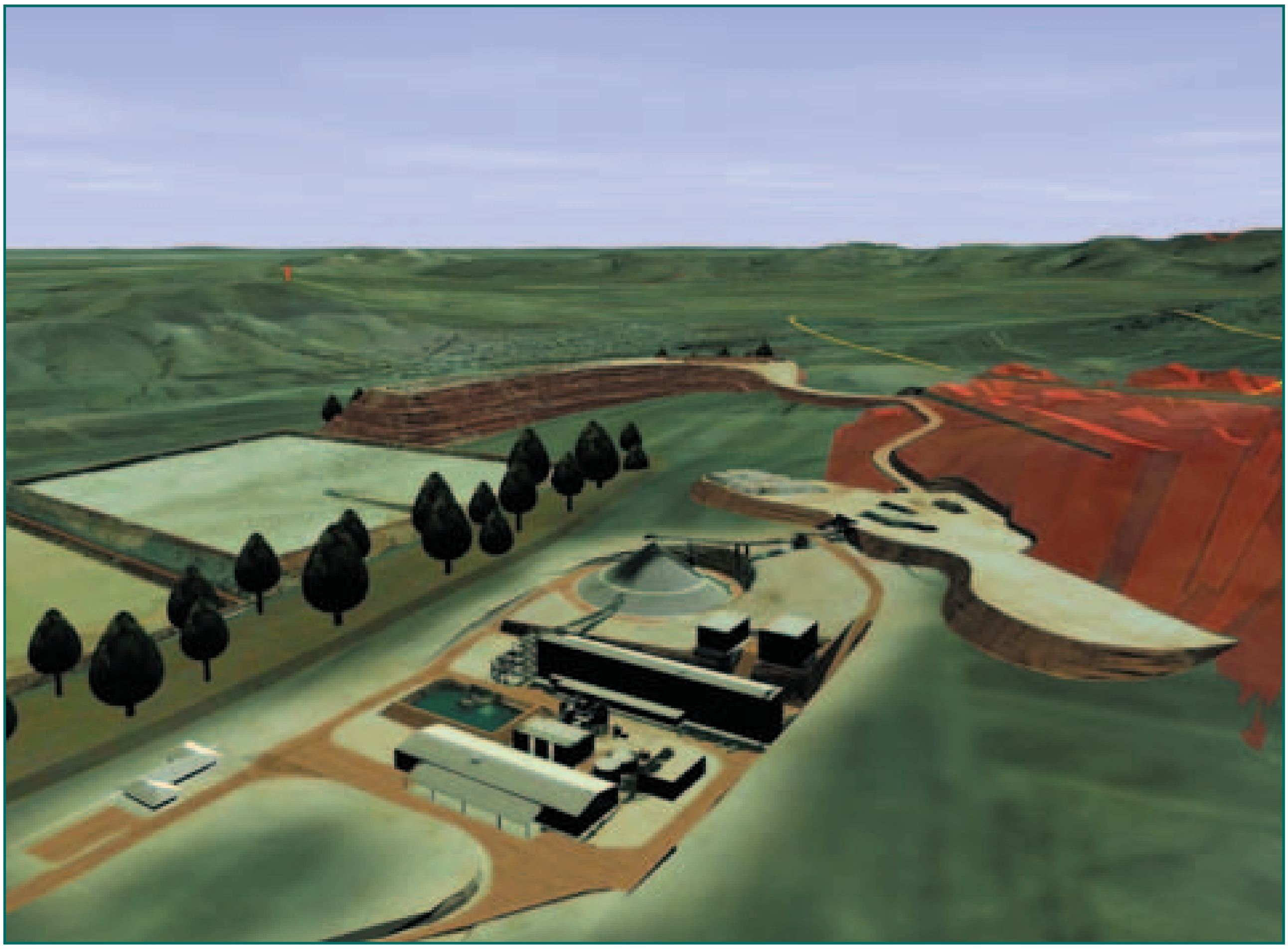

Conceptual layout of mine and processing facilities at Caijiaying

In addition to the aforementioned computer-generated reserve, the mining plan incorporates a manually interpreted inferred resource block of higher grade gold mineralisation of 330,000 tonnes at 8.61% zinc, 2.47g/t gold and 36.35g/t silver. This resource block does not include significant other gold intersections such as hole ZK313-14 which produced 8 metres at 11.65 g/t gold, 7.12% zinc and 31.13 g/t silver from 118 metres. A gold exploration drilling programme targeting this area is being undertaken. The area surrounding drill hole ZK313-14 falls outside the current ore reserve and mine plan but close to the area of initial mining and is being drilled to define its extent so that it can be included in the mine plan. It is expected that further combined zinc/gold blocks will be delineated by stope drilling ahead of mining.

Tests have shown that the majority of the contained gold is free, although a portion occurs within the sulphides. With mining costs covered by the zinc production, gold production costs are expected to be minimal.

Caijiaying will benefit from reduced tax rates as it is located in a special development region with no taxes payable on profits in the first two years of production, rising thereafter in increments to a maximum 18% income tax after 10 years.

A financial model based upon the results of the Study has been prepared by independent experts Northwind Resources Pty Ltd, which shows the forecast performance after payback of capital and applicable taxes but before minority interests.

At the time of the preparation of the Study, Chinese zinc concentrate prices were equivalent to an LME zinc price of $760/tonne. At this price and using the then prevailing world market prices for precious metals, the model shows the project generates after tax cumulative cash of $41.2 million over the Phase One 14.5 year mine life. As expected, the project is sensitive to the price of zinc, which at the time of the preparation of the study was near historical lows. Zinc prices have increased substantially since the preparation of the Study to around $1,100 per tonne at which price the model shows the project generates after tax cumulative cash of $104.4m over Phase One 14.5 year mine life.

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Northern ventilation shaft construction

The project requires total pre-production and working capital of $15.7 million. These capital costs include a 15% contingency for mining capital costs and a 20.75% contingency for fixed plant and equipment and all other capital costs. Payback of capital expenditure is expected in under 2 years from commencement of production.

It is important that the following be noted:

1. The feasibility study applies only to zone III at Caijiaying, which is only a small area of some 1.5 sq km in the overall tenement package of 67 sq km held by the Company at Caijiaying, the vast majority of which has yet to be explored;

2. The Company will continue to drill underground for further zinc and gold resources during the construction and commissioning of the mine at zone III; and

3. The Company expects to increase throughput from 200,000 tonnes of ore per annum to 500,000 tonnes of ore per annum as soon as practical.

With production of 22,000 tonnes of zinc metal per annum, Caijiaying is expected to be the 11th largest zinc mine in China and Hebei Hua-Ao is expected to be the 4th biggest zinc producer in China which, despite declining production and increased consumption, remains the largest zinc producing country in the world.

Caijiaying Exploration Potential

The Company has long recognised the exploration potential of the Caijiaying area, particularly for gold. Now that the Caijiaying mine is due to start production in the first quarter of 2005, Griffin is setting new priorities for future exploration, in particular to focus on increasing already identified deposits thereby enabling the current mine plan to be enhanced, increasing profitability. The main objectives of future exploration will be to:

1. Prove up additional high-gold and moderate-zinc grade ore blocks within the mine area as soon as possible;

2. Prove up wider underground zinc ore blocks by underground drilling on an east-west orientation, similar to the surface drilling conducted in 2002 but at a much lower cost, to enable mine throughput to be increased as soon as practical;

3. Explore for gold and zinc in the surrounding prospects with the aim of proving up additional resources that can be added to the ore stream (zones II & V);

4. Explore between the present mine at zone III and zone II where there are indications that the two areas are connected;

5. Re-evaluate the previous data and conduct further exploration work in the original licence for further zinc

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deposits that were not discovered by the wrongly oriented previous drill holes; and

6. Conduct a regional epithermal gold exploration programme for stand-alone new deposits.

To achieve the first two parts of the plan, Hebei Hua-Ao has purchased two underground drill rigs and contracted an Australian driller to manage the drilling programmes and train local workers. This part of the programme is now well underway.

To achieve the other parts of the exploration programme, it is intended to use both local and international drill rigs, and in particular, to use a western-style reverse-circulation rig. This will allow more cost-effective testing of the various targets, particularly the regional epithermal gold ones.

Gold zones within zone III

The first gold exploration target to be tested is the southern end of zone III near the existing incline. Drilling in 1998 discovered two high-grade zones: Drill hole CJ 313-14 of 2m at 30.90g/t (from 115m depth) and 8 metres at 11.65g/t gold (from 118m depth). This target will be re-evaluated once results from the initial holes are received.

A second set of combined zinc/gold targets will then be tested by systematic pre-production drilling of a zone of scattered gold values in a lode beneath the main zinc mineralisation proved in the trial mining completed in 2000.

It is hoped that these two programmes will delinate up ore in the vicinity of the first section of the orebody to be mined (which are not currently in the mine plan).

Proving wider zinc lodes

As the pre-production grade control drilling is being undertaken, the drill holes will be lengthened in order to investigate the true width of the mineralised envelopes in the zone III system, which were not fully tested by the previous drilling. Griffin's experience to date has consistently shown that these corridors are wider than previously thought. This part of the programme will be undertaken as part of the general mine development.

Nearby prospects

Exploration of the nearby prospects will be conducted firstly at zone V. Griffin had originally planned to conduct the zone V drilling from underground workings constructed by unlicensed local miners and since shut down, but new information has suggested that these workings would be difficult to dewater. Consequently, the targets will be tested by a programme of surface drilling. Following completion of this drilling programme a decision will then be made as to whether to dewater the old workings and undertake more extensive exploration.

Work at zone II will need to await the results of the longer term programme between zone III and zone II. However, it is expected that it will eventually be re-drilled to assess its suitability as a separate source of ore when the process plant is enlarged.

Area between zone III and zone II

A staged approach will be used to evaluate the large area between zones III and II as this will take some time. The first stage will be by surface drilling of wide-spaced holes. If a sufficiently encouraging picture emerges, the next stage will be to underground drive towards this area from the planned decline to allow more densely spaced resource definition drilling from underground workings.

Re-evaluation of original licence

Now that the correct geometry of the mineralization is understood, Griffin expects to re-evaluate the original licence area. This will be an ongoing task as there is a large amount of previous data and many targets available. No drill testing of these targets will be contemplated until lower cost, reverse circulation drill rigs become available.

Regional epithermal gold exploration

Testing of the epithermal gold targets that were delineated in 2002 will also need to await the availability of a reverse-circulation drill rig on site. In the meantime, a programme of target delineation will be conducted during the coming summer.

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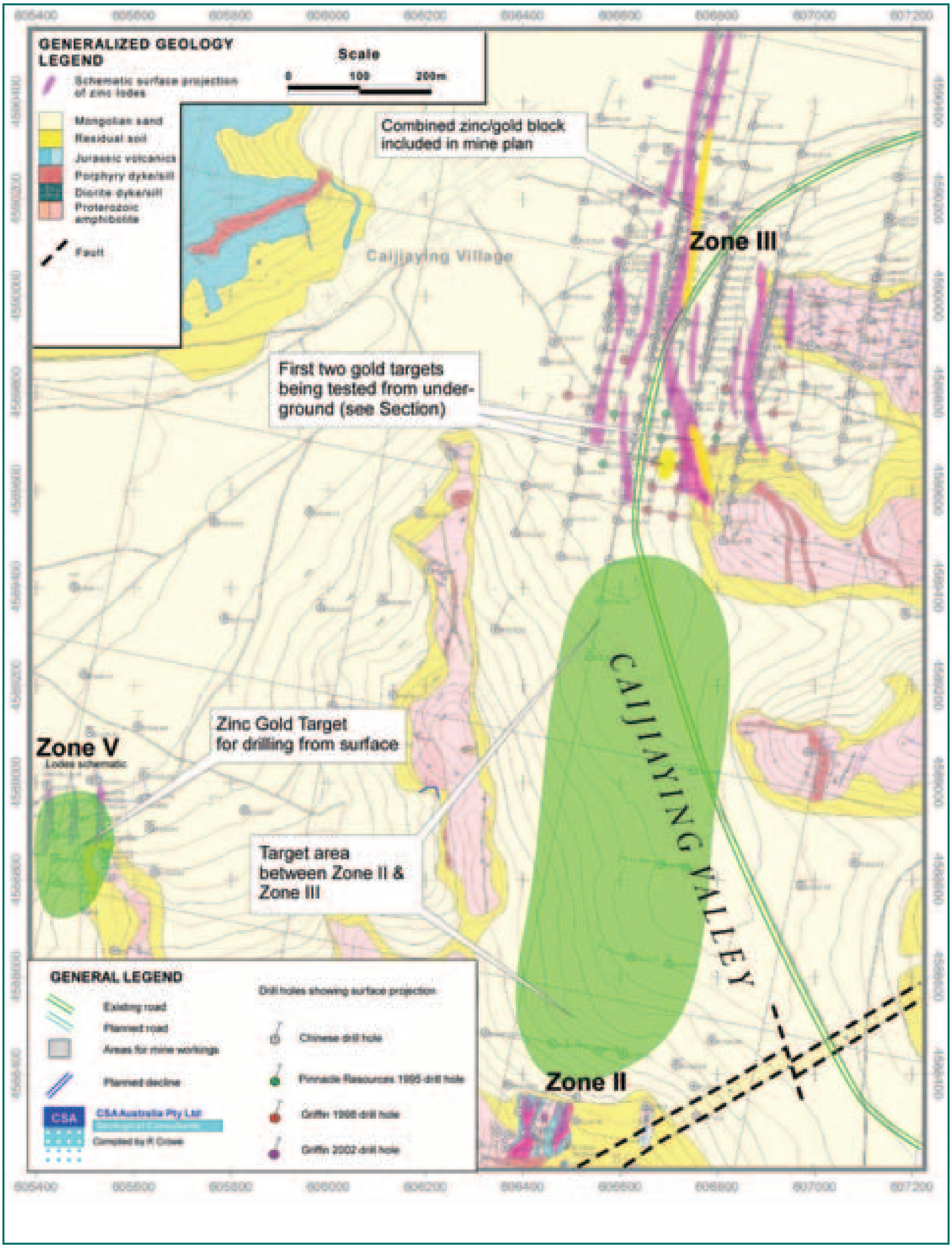

Caijiaying primary exploration targets

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The Future

With the completion of the feasibility study and the successful raising of the necessary mine finance, construction on an underground mine at zone III at Caijiaying has commenced. Commissioning of the plant is expected in early 2005 to be in full production by the summer of 2005.

To date, the incline and underground levels driven in 2000 have been dewatered and extended, the incline widened and the portal refurbished. A ventilation shaft is being driven to a depth of 200 meters at the northern end of the ore body. A number of surface buildings have been constructed and site preparation has commenced. The site has been connected to the Chinese electricity grid and a substantial amount of equipment has been purchased and the main items for the process plant ordered.

A number of new staff have been engaged including Rupert Crowe as project manager, Stan Rogers as mine manager, and Gary Patrick as chief metallurgist. These personnel will be assisted by a team of consultants covering the main disciplines who will oversee the work being conducted by Chinese contractors.

ENFI has been contracted to undertake detailed engineering design work, equipment procurement advice and assistance in construction of the mine and processing facilities.

As previously indicated, an underground drilling programme is currently under way to test for extensions of the best gold intersections to date in the planned mine area in zone III.

Further exploration work at Caijiaying is also planned in accordance with the previous section entitled "Caijiaying Exploration Potential".

Exploration success in any of these areas should add significantly not only to the current gold and zinc resources at Caijiaying, but should also enhance the probability that they will be economically extractable as the processing facilities being constructed at Caijiaying will be available to process such additional resources with no additional capital expenditure required.

The Company believes that with the commissioning of the first, majority foreign owned mine in the PRC at Caijiaying, the possibility exists for other world class projects to be offered to Griffin by various arms of the PRC's local, provincial and central governments for development, modernisation and operation. The commissioning of Caijiaying lays the foundation not only for Griffin to become a profitable mining company, but also gives it the potential to further expand its influence in the mining sector of the world's largest mineral producer.

Griffin will continue to initiate and investigate transactions both within its traditional mining base and other areas where its staff and consultants have particular expertise and where further value may be added to the Company.

Financial

The Group recorded a loss for the year of $20,000 (2002 loss $230,000).

Operating costs in 2003 were $586,000 (2002 $462,000).

Foreign exchange gains of $476,000 were recorded in 2003 (2002 $159,000) on foreign currency deposits.

Shareholder funds increased from $7,321,000 at 31 December 2002 to $13,365,000 at 31 December 2003, with the benefit of two share placings and exercises of warrants and options completed in 2003.

Since the end of the financial year the Company has completed a private private placing of 35,000,000 new ordinary shares, and options over 6,600,000 new ordinary shares have been exercised, to raise a further $16.3m before expenses.

DIRECTORS AND SENIOR EXECUTIVES

Directors:

Mladen Ninkov, Chairman

Mladen Ninkov holds a Masters of Law Degree from Trinity Hall, Cambridge and Bachelor of Laws (with Honours) and Bachelor of Jurisprudence Degree from the University of Western Australia. He is a principal of Keynes Capital. He has a mining, legal, fund management and investment banking background and is admitted as a barrister and solicitor of the Supreme Court of Western Australia. He was a director and Head of International Corporate Finance at ANZ Grindlays Bank Plc in London, a managing director of Maxwell Central and East European Partners plc in London and a Vice President of Prudential-Bache Securities Inc. in New York. He also worked at Skadden Arps Slate Meagher & Flom in New York and Freehill Hollingdale & Page in Australia. He was Chairman of Westgold Resources NL and a director of Ramsgate Resources NL, both companies listed on the Australian Stock Exchange, and was also a director of Mt Monger Gold Project Pty Ltd, Castle Hill Resources NL and Matu Mining Pty Ltd.

Roger Goodwin, Finance Director

Roger Goodwin is a Chartered Accountant. He has been with the Company since 1996 having previously held senior positions in a number of public and private companies within the natural resources sector. He has a strong professional background, including that as a manager with KPMG, with considerable public company and corporate finance experience, and experience of emerging markets particularly in Africa, the CIS and Eastern Europe.

Dal Brynelsen, Director

Dal Brynelsen is a graduate of the University of British Columbia in Urban Land Economics. Mr. Brynelsen has been involved in the resource industry for over 20 years. He has been responsible for the discovery, development and operation of several underground gold mines during his career. Mr. Brynelsen is the President and a director of Pacific Vangold Mines Limited and provides independent consulting services to private clients and institutions.

William Mulligan, Director

William Mulligan has a BSc from Thomas Clarkson University, an MS in Geological Engineering from the University of Connecticut and an MBA from NYU Bernard Baruch School of Business Administration. He is currently the Managing Director for Global Projects and Political Risk at AIG Global Trade and Political Risk Insurance Company, a wholly owned subsidiary of American International Group Inc., and a director of AIG Investment Bank (ZAO) Ltd based in Moscow. From 1994 to 1996 he was Executive Vice President for Corporate Development at Latin American Gold Limited. He is a director of Arcon International Plc, the Dublin based company which operates the Galmoy zinc mine in Ireland.

Senior Executives:

Rupert Crowe, Project Manager

Rupert Crowe has been seconded from CSA Australia Pty Ltd, to act as the Caijiaying Project Manager. He gained a BSc (Hons) from Trinity College, Dublin. He has 30 years of experience as a geologist and has managed gold and base metal exploration and development projects in Australia, South East Asia and Africa. He was Exploration Manager for Aquitaine Mining in Ireland in the 1980s and established CSA in both Ireland and Austrailia. He played a key role in the development of the Lisheen zinc mine in Ireland, and has been a director of Ivernia West, Golden Tiger Resources and Maiden Gold.

Jeff Haitian Sun, General Manager

Jeff Haitian Sun is a Professor of Geology based in Beijing. He holds a PhD and MSc in mineral deposits from the Chinese University of Geosciences and has undertaken postdoctoral research in geology at the Norwegian University of Technology. Jeff has worked on a number of mineral projects both in China and overseas. Prior to joining Griffin he was engaged by Mundoro Mining Inc of Canada as a senior geologist.

Stanley Rogers, Mine Manager

Stanley Rogers has had many years of experience in managing mines in developing countries. He previously managed the Wassa Gold Mine of Glencar Mining in Ghana. He has worked at the Kilembe copper mine in Uganda, was Mine Manager of the Pendarves tin mine in Cornwall, Project Manager of a Sudanese gold mine, General Manager of a Kenyan gold mine and Operations Manager of the Mahd ad Dhahab gold mine in Saudi Arabia.

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated accounts of Griffin Mining Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2003.

Financial results

The Group loss on ordinary activities before taxation, amounted to US$20,000 (2002 - loss US$230,000). No taxation was charged (2002 - nil). The Group loss after taxation amounted to US$20,000 (2002 - loss US$230,000) and has been charged to reserves.

The loss per share amounted to 0.02 cents (2002 - loss 0.2 cents). The attributable net asset value per share at 31 December 2003 amounted to 10 cents (2002 - 7 cents).

The Directors do not recommend the payment of a dividend.

Principal activities

The principal activity of the Group is that of mining development and investment. A review of the Group's operations for the year ended 31 December 2003 and the indication of likely future developments are set out on pages 4 to 15.

Directors

The Directors of the Company during the year were:

Mladen Ninkov – *Australian – Chairman*
Roger Goodwin – *British - Finance Director*
Dal Brynelsen – *Canadian*
William Mulligan – *American (US)*
John Steele – *Canadian – Resigned 7 March 2003*

Under the bye laws of the Company, the Directors serve until re-elected at the next Annual General Meeting of the Company. Being eligible all the Directors currently in office offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

The beneficial interests of the Directors holding office at 31 December 2003 and their immediate families in the share capital of the Company were as follows:

Name	**At 31 December 2003**		**At 1 January 2003**	
	Ordinary shares no.	Options over ordinary shares no.	Ordinary shares no.	Options over ordinary shares no.
Mladen Ninkov	33,001	6,000,000	33,001	6,000,000
Roger Goodwin	311,163	0	30,000	800,000
Dal Brynelsen	1	0	200,001	0
William Mulligan	1	300,000	1	300,000

The options granted to the Directors entitled the holders to subscribe for new ordinary shares in Griffin at 5 pence per share on or before 31 March 2004.

On 31 July 2003 Roger Goodwin exercised options over 800,000 new ordinary shares at an exercise price of 5 pence per new ordinary share of which 279,163 were retained by him and 520,837 ordinary shares, were placed with institutional investors.

DIRECTORS' REPORT

On 1 March 2004 Great Welland Corporation exercised options over 6,000,000 new ordinary shares at an exercise price of 5 pence per share. These options were acquired by Great Welland Corporation on 27 February 2004 from Frick Pty Ltd (a company associated with the Chairman of Griffin, Mr Mladen Ninkov).

On 1 March 2004 William Mulligan exercised options over 300,000 new ordinary shares at an exercise price of 5 pence per share.

On 9 March 2004 the Directors agreed to grant new options to the Directors and certain key management and on 22 March 2004 a total of 9,500,000 new options were granted to the Directors and certain key employees of the Company. Each new option entitles the holder to subscribe for new ordinary shares in the Company at 30 pence per share on or before the 28 February 2007. The new options vest with each option holder in 3 separate and equal instalments triggered by the following events:

a. The first third of each holder's new options vest immediately;

b. The second third of each holder's new options will vest upon the commissioning of the plant at Caijiaying, China with an initial throughput of 200,000 tonnes per annum; and

c. The last third of each holder's new options will vest upon the announcement of an upgrade in the throughput of the Caijiaying plant from 200,000 tonnes per year to 500,000 tonnes per year.

The new options will not vest if an employee or a director resigns or leaves the Company prior to the vesting event taking place. All the new options will vest immediately upon a takeover offer being made or a change in substantial control of the Company taking place prior to the new options expiring.

The options have been allocated as follows:

	No.
Directors:	
Mladen Ninkov (Chairman)	6,000,000
Roger Goodwin (Finance Director)	1,700,000
Dal Brynelsen (Director)	600,000
William Mulligan (Director)	600,000
Management:	
Jeff Sun (General Manager – China)	250,000
Rupert Crowe (Project Manager)	300,000
Warren Woodhouse (Project Geologist)	50,000
Total	**9,500,000**

All of the Directors' interests detailed are beneficial.

Substantial interests

Griffin is aware that at 27 April 2004 Trellus Partners L.P. had a beneficial interest in 20,866,423 Ordinary Shares, which amounts to 11.8% of the ordinary shares in issue at 30 April 2004.

Griffin was notified on 29 January 2004 that Gartmore Investment Limited, Gartmore Fund Managers Limited and Gartmore Global Partners as discretionary investment managers of clients and client funds have an aggregate interest in 13,195,581 ordinary shares in the Company. This amounts to 7.5% of the ordinary shares in issue at 30 April 2004.

DIRECTORS' REPORT

Griffin was notified on 25 February 2004 that Merrill Lynch International Investment Fund's World Mining Fund has an aggregate interest in 6,487,805 ordinary shares in the Company. This amounts to 3.7% of the ordinary shares in issue at 30 April 2004.

Post Balance Sheet Events

On 24 February 2004 Griffin completed a private placing of 35,000,000 new ordinary shares at 25 pence per share with institutional investors to raise £8.75 million (US$16.2 million) before placing fees and expenses, to fund the completion of the underground mine facilities and the above ground processing and other facilities at the Company's Caijiaying project in China. The financing will enable mine construction at Caijiaying to be completed with a view to the commissioning of the Caijiaying zinc-gold mine in early 2005.

Corporate Governance

Although incorporated in Bermuda and therefore not obliged to comply with the code of best practice established by the Combined Code issued by the Committee on Corporate Governance, the Company has reviewed and broadly supports this code. The Company does not comply where compliance would not be commercially justified allowing for the practical limitations relating to the Company's size.

The Board of directors includes a number of non executive directors who are independent and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board meets at least once per quarter, and is responsible for the overall strategy of the Group, its performance, management and major financial matters. All directors are subject to re appointment annually at each annual general meeting of the Company's shareholders.

Various safeguards and checks have been instigated as part of the Company's system of financial control. These include:

- preparation of regular financial reports and management accounts
- preparation and review of capital and operational budgets
- preparation of regular operational reports
- prior approval of capital and other significant expenditure
- regular review and assessment of foreign exchange risk and requirements

As part of these procedures all costs incurred on behalf of and by Hebei Hua-Ao are independently audited and checked by the Chinese authorities and approved by the directors of Hebei Hua-Ao.

Auditors

Grant Thornton have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their appointment will be put to the forthcoming Annual General Meeting.

DIRECTORS' REPORT

Statement of directors' responsibilities in respect of the accounts

Bermuda company law and generally accepted best practice requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these accounts, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board and signed on its behalf by:

Roger Goodwin
Finance Director and Company Secretary
10 May 2004
London

REPORT OF THE INDEPENDENT AUDITORS

Report of the Independent Auditors to the Members of Griffin Mining Limited

We have audited the financial statements of Griffin Mining Limited for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the consolidated balance sheet, the statement of total recognised gains and losses, the consolidated cash flow statement, the accounting policies, and notes 1 to 22. These financial statements have been prepared in accordance with International Accounting Standards and under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Bermuda law and International Accounting Standards are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with International Accounting Standards. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's statement, review of operations and Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group at 31 December 2003 and of its loss for the year then ended in accordance with International Accounting Standards.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
SOUTHAMPTON
10 May 2004

REPORT OF THE INDEPENDENT AUDITORS

The maintenance and integrity of the Griffin Mining Limited website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statement may differ from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003
(expressed in thousands US dollars)

	Notes	2003 $000	2002 $000
Income			
Gains on the disposal of investments	1	-	8
Net operating expenses	2	(586)	(462)
Operating (loss)		(586)	(454)
Foreign exchange gains		476	159
Interest receivable and similar income	4	90	65
(Loss) on ordinary activities before taxation		(20)	(230)
Taxation on loss on ordinary activities	5	-	-
(Loss) for the financial year	17	(20)	(230)
(Loss) per share (cents)	6	(0.02)	(0.20)

CONSOLIDATED BALANCE SHEET

As at 31 December 2003
(expressed in thousands US dollars)

	Notes	2003 $000	2002 $000
Non-current assets			
Intangible assets	7	**6,285**	5,617
Tangible assets	8	**174**	2
		6,459	5,619
Current assets			
Portfolio investments	9	**62**	29
Accounts receivable		**33**	10
Prepaid expenses		**66**	13
Cash and deposits	10	**6,831**	1,737
		6,992	1,789
Current liabilities:			
Accrued expenses		**(60)**	(57)
Creditors		**(26)**	(30)
Net current assets		**6,906**	1,702
Total net assets		**13,365**	7,321
Capital and reserves			
Share capital	11	**1,352**	1,036
Share premium	13	**21,385**	15,537
Contributing surplus	14	**3,690**	3,690
Investment revaluation reserve	15	**(811)**	(844)
Foreign exchange reserve	16	**(121)**	152
Profit & loss account	17	**(12,130)**	(12,250)
Shareholders equity interests		**13,365**	7,321
Number of shares in issue		**135,227,731**	103,557,248
Attributable net asset value per share	19	**$0.10**	$0.07

The accounts on pages 22 to 34 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman
10 May 2004

Roger Goodwin
Finance Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2003
(expressed in thousands US dollars)

	Notes	2003 $000	2002 $000
(Loss) for the financial year		**(20)**	(230)
Unrealised gains on investments	15	**33**	13
Currency translation differences on foreign currency net investments	16	**(133)**	(21)
Total gains and losses recognised in the year	18	**(120)**	(238)

Losses and profits for the financial year are the same as those on an historical cost basis.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003
(expressed in thousands US dollars)

	Notes	2003 $000	2002 $000
Net cash (outflow) from operating activities		**(227)**	(285)
Investing activities			
Interest received	4	**90**	65
Payments to acquire intangible fixed assets	7	**(760)**	(648)
Payments to acquire tangible fixed assets	8	**(173)**	-
Net cash (outflow) from investing activities		**(843)**	(583)
Net cash (outflow) before financing		**(1,070)**	(868)
Financing			
Issue of ordinary share capital	11/13	**6,452**	24
Expenses paid in connection with share issue	13	**(288)**	-
		6,164	24
Increase / (decrease) in cash and cash equivalents	10	**5,094**	(844)

	Notes	2003 $000	2002 $000
Reconciliation of operating (loss) to net cash (outflow) from operating activities			
Operating loss		**(586)**	(454)
Depreciation	2	**1**	1
(Gains) on sale of investments		**-**	(8)
Receipts on the sale of investments		**-**	8
(Increase) in debtors		**(76)**	(4)
(Decrease) / increase in creditors		**(1)**	17
Exchange differences		**435**	155
		(227)	(285)

ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared in accordance with applicable International Accounting Standards.

The significant accounting policies adopted are detailed below:

Accounting convention

The accounts have been prepared under the historical cost convention modified for the revaluation of portfolio investments.

Consolidation basis

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings drawn up to 31 December each year.

The results of subsidiary undertakings acquired are included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which existed at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Under the terms of the joint venture contract establishing the Hebei Hua' Ao Mining Development Company Limited, the Company is entitled to 100% of the net cash flows of the subsidiary for the first three years after commencement of commercial production reverting thereafter to 60% being the Company's share of the equity interest.

No minority interest in Hebei Hua' Ao Mining Development Company Limited is recognised in these financial statements as the minority interest's share of capital is extinguished by accumulated losses.

Non current assets

Intangible assets

The Group uses the full cost method of accounting for mining operations. Expenditure on licences, concessions and exploration incurred by subsidiary undertakings are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves and the necessary finance in place, at which time such costs will be transferred to tangible fixed assets to be amortised over the expected productive life of the asset. The Group's intangible assets are subject to periodic review by the Directors. Exploration, appraisal and development costs determined as unsuccessful are written off to the profit and loss account.

Tangible assets

Plant and equipment, office furniture and equipment and motor vehicles are shown at cost less depreciation and provisions for impairment in value (see note 8).

Depreciation

Plant and equipment will be depreciated at rates appropriate to the expected life of the asset once production has commenced on a unit of production basis. Office equipment is depreciated over four years on a straight line basis.

ACCOUNTING POLICIES

Investments

Current asset investments are valued as follows:

Portfolio investments

Marketable securities listed or traded on a recognised stock exchange, are valued at the bid market price on such exchange or market. Unrealised gains and losses on revaluation are taken direct to an investment revaluation reserve.

Unquoted investments are initially valued at cost. A reduction in the value of an unquoted investment will be made if considered appropriate in the light of a company's condition or prospects. It is not practicable to ascertain the fair value of unquoted investments.

Realised gains and losses on sales of investments are calculated based on the average cost of the investment and are reflected in income when realised.

Foreign currency transactions

The accounts have been prepared in United States dollars being the local currency of Bermuda. Whilst registered in Bermuda the Company, together with its subsidiaries, operate in China, the United Kingdom, and Australia.

Investments and monetary items have been translated at rates in effect at the balance sheet date. Foreign currency transactions have been translated at the rate in effect at the date of transaction. Any realised or unrealised exchange adjustments have been charged or credited to income.

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date and profit and loss account items are translated at the average rate for the year. The exchange difference arising on the re-translation of opening net assets is taken directly to the foreign exchange reserve. All other translation differences are taken to the profit and loss account.

Income

Income comprises gains on disposal of investments and other income receivable from third parties net of Value Added Tax or similar taxes.

Equity compensation

Griffin operates an equity compensation plan under which directors and certain key management are granted options to subscribe for new ordinary shares in the Company as described in the Directors' report on page 18. In accordance with current accounting standards the Company does not make a charge to staff costs in connection with share options issued to directors and employees.

NOTES TO THE FINANCIAL STATEMENTS

1. Income

The Group's income arises from continuing operations.

2. Net operating expenses

	2003	2002
	$000	$000
Net operating costs comprise:		
Depreciation	**(1)**	(1)
Staff costs	**(218)**	(163)
Other administrative costs	**(367)**	(298)
Total operating expenses	**(586)**	(462)
	No.	No.
Number of persons employed by the Group	**6**	5

All operating expenses charged to profit relate to continuing operations.

3. Directors' remuneration

The following fees and remuneration were receivable by the Directors holding office during the year:

	Fees	Salary	Taxable benefits	**Total 2003**	Total 2002
	$000	$000	$000	**$000**	$000
Mladen Ninkov	-	-	-	**-**	-
Dal Brynelsen	-	-	-	**-**	-
Roger Goodwin	-	114	-	**114**	104
William Mulligan	-	-	-	**-**	-
John Steele	-	-	-	**-**	-

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $225,000 (2002 $225,000), for the provision of advisory and support services to Griffin Mining Limited and its subsidiaries during the year, 60% of which fees are charged to Hebei Hua-Ao and capitalised. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

On 31 July 2003 Roger Goodwin exercised options over 800,000 new ordinary shares at an exercise price of 5 pence per new ordinary share of which 279,163 were retained by him and 520,837 ordinary shares, were placed with institutional investors.

On 1 March 2004 Great Welland Corporation exercised options over 6,000,000 new ordinary shares at an exercise price of 5 pence per share. These options were acquired by Great Welland Corporation on 27 February 2004 from Frick Pty Ltd (a company associated with the Chairman of Griffin, Mr Mladen Ninkov).

On 1 March 2004 William Mulligan exercised options over 300,000 new ordinary shares at an exercise price of 5 pence per share.

On 9 March 2004 the Directors agreed to grant new options to the Directors and certain key management and on 22 March 2004 a total of 9,500,000 new options were granted to the Directors and certain key employees of the Company. Each new option entitles the holder to subscribe for new ordinary shares in the Company at 30 pence per share on or before the 28 February 2007. The new options vest with each option holder in 3 separate and equal instalments triggered by the following events:

NOTES TO THE FINANCIAL STATEMENTS

a. The first third of each holder's new options vest immediately;

b. The second third of each holder's new options will vest upon the commissioning of the plant at Caijiaying, with an initial throughput of 200,000 tonnes per annum; and

c. The last third of each holder's new options will vest upon the announcement of an upgrade in the throughput of the Caijiaying plant from 200,000 tonnes per year to 500,000 tonnes per year.

The new options will not vest if an employee or a director resigns or leaves the Company prior to the vesting event taking place. All the new options will vest immediately upon a takeover offer being made or a change in substantial control of the Company taking place prior to the new options expiring.

The Directors options have been allocated as follows:

	No.
Mladen Ninkov	6,000,000
Roger Goodwin	1,700,000
Dal Brynelsen	600,000
William Mulligan	600,000
Total	8,900,000

4. Interest receivable and similar income

	2003	2002
	$000	$000
Bank and short term interest	**90**	65

5. Taxation on loss on ordinary activities

	2003	2002
	$000	$000
Taxation on loss on ordinary activities	-	-

The Company is resident for corporation tax purposes in the United Kingdom.

Factors affecting total current corporate tax charge for the year

	2003	2002
	$000	$000
Loss on ordinary activities multiplied by the UK standard rate of corporation tax 30% (2002: 30%)	(7)	(69)
Expenses not deductible for tax purposes	2	2
Losses carried forward	5	67
Current tax charge for the year	-	-

The Company has unutilised tax losses estimated at $6.6m, and capital losses estimated at $2.4m.

6. (Loss) per share

The loss per share has been calculated on the basis of the net loss after taxation of US$20,000 (loss US$230,000 in 2002) and the weighted average number of shares in issue in the year ended 31 December 2003 of 114,682,774 (103,266,289 in 2002). There is no dilutive effect of share purchase options.

NOTES TO THE FINANCIAL STATEMENTS

7. Intangible assets

Exploration interests
China – Zinc/Gold

COST / VALUATION	**$000**
At 1 January 2003	**5,617**
Foreign exchange adjustments	**(92)**
Additions during the year	**760**
At 31 December 2003	**6,285**
NET BOOK VALUE	
At 31 December 2003	**6,285**
At 31 December 2002	5,617

Intangible assets represent fair values on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work. Where expenditure on an area is determined as unsuccessful such expenditure is written off to the profit and loss account. 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.

8. Tangible assets

	Plant and Machinery	Office furniture and equipment	Total
COST	**$000**	**$000**	**$000**
At 1 January 2003	**-**	**21**	**21**
Additions	**171**	**2**	**173**
At 31 December 2003	**171**	**23**	**194**
DEPRECIATION			
At 1 January 2003	**-**	**19**	**19**
Provided during the year	**-**	**1**	**1**
At 31 December 2003	**-**	**20**	**20**
NET BOOK VALUE			
At 31 December 2003	**171**	**3**	**174**
At 31 December 2002	-	2	2

9. Portfolio investments

	2003	2002
	$000	$000
Quoted (cost $873,000 - 2002 $873,000)	**62**	29

Quoted securities are valued at the bid market price. Unquoted investments have been fully provided against. Quoted and unquoted investments are classified as available for sale.

NOTES TO THE FINANCIAL STATEMENTS

10. Cash and deposits

Analysis of changes in cash and cash equivalents

	2003	2002
	$000	$000
At 1 January	**1,737**	2,581
Net cash inflow / (outflow)	**5,094**	(844)
At 31 December	**6,831**	1,737

Include within the net cash inflows of $5,094,000 (2002 outflow $844,000) are $476,000 (2002 $159,000) of foreign exchange gains on cash deposits which have been treated as realised.

11. Share capital

	2003		2002	
	Number	**$000**	Number	$000
AUTHORISED:				
Ordinary shares of US$0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US$0.01 each				
At 1 January	**103,557,248**	**1,036**	103,257,248	1,033
Issued during the year	**31,670,483**	**316**	300,000	3
At 31 December	**135,227,731**	**1,352**	103,557,248	1,036

On 31 July 2003, 10,416,667 new ordinary shares in the Company were allotted at 12 UK pence ($0.20) per ordinary share for cash to raise $2.1m before expenses on an equity placing.

On 31 July 2003 1,100,000 new ordinary shares in the Company were allotted at 5 UK pence ($0.08) per ordinary share on the exercise of options.

On 21 August 2003, 12,000,000 new ordinary shares in the Company were allotted at 14 UK pence ($0.23) per ordinary share for cash to raise $2.8m before expenses on an equity placing.

On 3 September 2003 410,261 new ordinary shares were allotted at 12 UK pence ($0.20) per ordinary share on the exercise of warrants to existing shareholders as part of arrangements for the equity placing in July 2003.

On 6 October 2003 6,493,555 new ordinary shares were allotted at 12 UK pence ($0.20) per ordinary share on the exercise of warrants to existing shareholders as part of arrangements for the equity placing in July 2003.

On 6 October 2003 750,000 new ordinary shares in the Company were allotted at 5 UK pence ($0.08) per ordinary share and 500,000 new ordinary shares in the Company were allotted at 10 UK pence ($0.17) per ordinary share on the exercise of warrants.

12. Share options and warrants

	At 1 January 2003 Number	Granted in year Number	Exercised Number	At 31 December 2003 Number
Options exercisable at 5 pence per share at anytime up to 31 March 2004.	7,700,000	-	(1,100,000)	6,600,000
Warrants exercisable at 5 pence at anytime up to 30 September 2003.	750,000	-	(750,000)	-
Warrants exercisable at 10 pence at anytime up to 30 September 2003.	500,000	-	(500,000)	-
Warrants exercisable at 15 pence at anytime up to 30 September 2004.	500,000	-	-	500,000
Warrants exercisable at 20 pence at anytime up to 30 September 2004.	250,000	-	-	250,000
Warrants exercisable at 20 pence at anytime up to 31 August 2005.	-	6,000,000	-	6,000,000
	9,700,000	6,000,000	(2,350,000)	13,350,000

13. Share premium

	2003	2002
	$000	$000
At 1 January	**15,537**	15,516
Premium on shares issued in year	**6,136**	21
Expenses paid in connection with share issues	**(288)**	-
At 31 December	**21,385**	15,537

14. Contributing surplus

	2003	2002
	$000	$000
At 1 January and 31 December	**3,690**	3,690

The Contributing surplus is a statutory reserve for the maintenance of capital under Bermuda company law and was created on a reduction in the par value of the Company's ordinary shares on 15 March 2001.

15. Investment revaluation reserve

	2003	2002
	$000	$000
At 1 January	**(844)**	(857)
Movements during the year	**33**	13
At 31 December	**(811)**	(844)

Unrealised appreciation and depreciation of portfolio investments are reflected in the investment revaluation reserve

NOTES TO THE FINANCIAL STATEMENTS

16. Foreign exchange reserve

	2003	2002
	$000	$000
At 1 January	152	173
Transfer profit and loss account	(140)	-
Movements during the year	(133)	(21)
At 31 December	(121)	152

Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings, whose accounts are prepared in local currencies, are reflected in the foreign exchange reserve.

The transfer to the profit and loss account in the year is in respect of foreign exchange gains on the translation of the net assets of overseas subsidiary undertakings disposed of during the year.

17. Profit and loss account

	2003	2002
	$000	$000
At 1 January	(12,250)	(12,020)
Transfer foreign exchange reserve	140	-
(Loss) for the financial year	(20)	(230)
At 31 December	(12,130)	(12,250)

18. Reconciliation of shareholders' funds

	2003	2002
	$000	$000
Total (losses) and gains recognised in the year	(120)	(238)
Issue of ordinary shares in the year	6,164	24
Net additions to / (reductions in) shareholders' funds	6,044	(214)
Opening shareholders' funds	7,321	7,535
Closing shareholders' funds	13,365	7,321

19. Attributable net asset value per share

The attributable net asset value per share has been calculated from the consolidated net assets of the Group divided by the number of ordinary shares in issue at 31 December 2003 of 135,227,731 (103,557,248 at 31 December 2002).

20. Post Balance Sheet Events

On 24 February 2004 Griffin completed a private placing of 35,000,000 new ordinary shares at 25 pence per share with institutional investors to raise £8.75 million (US$16.2 million) before placing fees and expenses, to fund the completion of thea underground mine facilities and the above ground processing and other facilities at the Group's Caijiaying project in China.

NOTES TO THE FINANCIAL STATEMENTS

21. Financial instruments

The Group finances its operations primarily from equity issues. The Group does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. The Group has no borrowings other than trade creditors and funds in excess of immediate requirements are placed in US dollar and sterling short term fixed and floating rate deposits. Although the Group has overseas subsidiaries operating in China and Australia, whose costs are denominated in local currencies, liabilities are primarily incurred in US dollars.

In the normal course of its operations the Group is exposed to foreign currency and interest rate risks.

The Group places funds in excess of immediate requirements in US dollar and sterling deposits with a number of banks to spread currency, interest rate and bank risk. These deposits are kept under regular review to maximise interest receivable and with reference to future expenditure and future currency requirements.

22. Subsidiary companies

At 31 December 2003, Griffin Mining Limited had interests in the share capital of the following principal subsidiary companies.

Name	Class of shares held	Proportion of shares held	Nature of business	Country of incorporation
China Zinc Pty Limited	Ordinary	100%	Holding company	Australia
Hebei Hua' Ao Mining Development Company Limited*		60%	Zinc mining and development	China
Panda Resources Limited	Ordinary	100%	Holding company	England
Hebei Sino Anglo Mining Development Company Ltd*		90%	Gold exploration and development	China

* China Zinc Pty Ltd and Panda Resources Ltd are directly owned by the Company. China Zinc Pty Ltd has a controlling interest in Hebei Hua' Ao Mining Development Company Ltd, see below, and Panda Resources Ltd has a 90% controlling interest in Hebei Sino Anglo Mining Development Company Ltd.

** The joint venture contract establishing the Hebei Hua' Ao Mining Development Company Ltd, as ammended, provides that 100% of the cash flows generated by the joint venture in the first three years from commencement of commercial production be paid to the foreign party. Thereafter the foreign party will receive 60% of the cash flows, in accordance with its share in the equity interest in the joint venture.

CORPORATE INFORMATION

Principal office:	6th & 7th Floors, 60 St James's Street, London. SW1A 1LE. UK. Telephone: + 44 (0)20 7629 7772 Facsimile: + 44 (0)20 7629 7773 Email: griffin@griffinmining.com Web site: www.griffinmining.com
Registered office:	Clarendon House, 2 Church Street, Hamilton. HM11. Bermuda.
China Zinc office:	Level 9, BGC Centre, 28 The Esplanade, Perth, WA 6000. Australia. Telephone: + 61(0)8 9321 7143 Facsimile: + 61 (0)8 9321 7035
Directors:	Mladen Ninkov (Chairman) Roger Goodwin (Finance Director) Dal Brynelsen William Mulligan
Company Secretary:	Roger Goodwin
Nominated Adviser and Broker for AIM:	Charles Stanley and Company Limited 25 Luke Street, London. EC2A 4AR. UK.
Auditors:	Grant Thornton 31 Carlton Crescent, Southampton. SO15 2EW. UK.
Solicitors:	Denton Wilde Sapte One Fleet Place, London. EC4M 7WS. UK. Conyers Dill & Pearman Clarendon House, Church Street, P.O. Box HM 666, Hamilton. HMCX. Bermuda.
Bankers:	National Westminster Bank PLC. St James's and Piccadilly, London. W1A 2DG. UK. The Bank of N T Butterfield & Son Ltd Rosebank Centre, 14 Bermudiana Road, Pembroke, Bermuda. Anglo Irish Bank Corporation plc 10 Old Jewry, London. EC2R 8DN. UK.
UK Registrars & Transfer Agents:	Capita IRG plc Bourne House, 34 Beckenham Road, Beckenham, Kent. BR3 4TU. UK.