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Griffin Mining Limited is a mining development and investment company whose principal asset is the Caijiaying zinc-gold mine, located 200 kilometres north-west of Beijing, China. The mine and processing facilities are currently in the process of being commissioned.

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)

The processing plant at Caijiaying

CHAIRMAN'S STATEMENT

Mladen Ninkov, Chairman, at Caijiaying

The history of the junior mining company market is one often characterized by endless capital raisings, on-going drilling programs, promises made and promises broken and, in the end, failure. But ever so rarely, one small junior mining company with a project usually belittled by its peers, journalists and mining analysts, rises from the ashes to shake the very foundations of the mining industry. Such a company is Griffin Mining Limited ("Griffin" or the "Company").

After a long, arduous and frantic 7 years, having weathered the doom merchants and scare mongers, the Company stands ready to finally deliver on its promises with completion of construction of the Caijiaying processing facilities and the developed underground mine workings at Caijiaying. As we go to press, dry commissioning has begun at Caijiaying and, by the time of the Annual General Meeting of the Company, full production should have commenced. To our knowledge, Caijiaying will be the first foreign owned and built, new hard rock mining operation in China in over 100 years.

The last 7 years have shown management to have made some significant and positive decisions. The Company now has a project almost in production with no debt on its balance sheet, no hedging commitments and substantial cash balances. This is a unique and extremely strong financial position for the Company to find itself in. The Company is not hampered by penury commercial bank covenants, nor the need to pay interest on any debt and has not been hamstrung by the obligation to sell forward its base and precious metals production. Significantly, the Company was able to avoid the need to appoint an EPCM contractor to build the Caijiaying facilities on a "fixed price" contract basis, a usual requirement of bank financing. Instead the Company itself has controlled the building of Caijiaying due to its strong balance sheet position. The cost savings to shareholders have been substantial.

This does not mean, of course, that the Company will rest on its laurels. The Company operates on the well known expression, "If you are not moving forwards, then you are moving backwards." However, unlike so many other mining companies, the success of Caijiaying will not be dissipated by leveraging into an unwise acquisition or joint venture. Caijiaying still has enormous, untapped potential.

In the first instance, the Company will immediately start examining the viability of expanding its production to 150% of its planned first year throughput. That will be a primary focus of the Company. Secondly, a huge amount of ground within the Company's licence areas at Caijiaying require both primary and secondary exploration for precious and base metals. That also remains another primary focus of the Company. Thirdly, the Company will continue to investigate, conduct due diligence and make calculated decisions on any future mining acquisitions. These may occur anywhere the management believes it can find extraordinary value with a project which can weather a commodities downturn and provide the necessary shareholder returns. Inevitably, our first country of interest has been, and will remain, China. Although we have examined many acquisitions in China, none has yet met the mining, metallurgical and financial criteria we have set for the Company. The Company remains optimistic that such a project will be offered in due course following the commissioning of Caijiaying.

Finally, an achievement like Caijiaying could not have been achieved with anything other than a remarkable, cohesive and talented group of individuals. It would be remiss of me not to mention just a few of these people.

In the mining world every project must have a champion. Someone who truly believes in a project through all its adversities. Someone who says it will work and then makes it work. Someone who proves the soothsayers wrong. For Caijiaying that person is Rupert Crowe of CSA Australia Pty Limited. Although on secondment to Griffin as its Project Manager, Rupert has been Caijiaying's champion from the beginning and must be recognized as such.

The board of directors (both past and present) have laid their reputations on the line and worked tirelessly, many years without compensation, to fulfil their dream of a mine in China. That contribution needs to be recognized. That includes past directors Craig Niven, John Goodger, Gordon Montgomery and John Steele and the long standing current directors Dal Brynelsen, Bill Mulligan and Roger Goodwin. In that regard, no-one has worked harder and longer for the Company than Roger.

The employees and quasi-employees, past and present, of both the Company and the Hebei Sino Australian Mining Development Company Limited joint venture, who have worked so long and hard, should be recognized. In the early days Bo Zhou and subsequently Jeff Sun, Ruilin Ji, Qi Chengxiao, and Jin Shengchang. Western staff including Stan Rogers, Campbell Powell, Bill Rankin, Roy Elliott and Les Hogan. Special mention should be made of our Chief Geologist, Warren Woodhouse, who can now be officially classified as the "old man" of the site having been there longer than almost anyone.

The various experts and consultants who have traveled to China consistently over the last year. Mention needs to be made of Alan Senior, Gary Patrick, Doug Cooper and many, many others. The financial advisors who have supported the Company over the years including our nominated advisor and broker, Charles Stanley and Company Limited, and in particular Giles Leather, and all the staff at Ocean Equities, in particular Guy Wilkes.

Finally, you the owners of the Company must be thanked. For it has been your commitment to the Company and your financial support which has seen Caijiaying come to fruition. A number of financial institutions have been staunch and long term supporters of the Company and they need to be recognized and thanked. In particular Adam Usdan at Trellus Management LLC has been the pillar on which this Company has been built.

All that remains now is for the market to understand and value the unique project and position Griffin has in China. We await the day.

Mladen Ninkov, Chairman
9th May 2005

Review of Operations

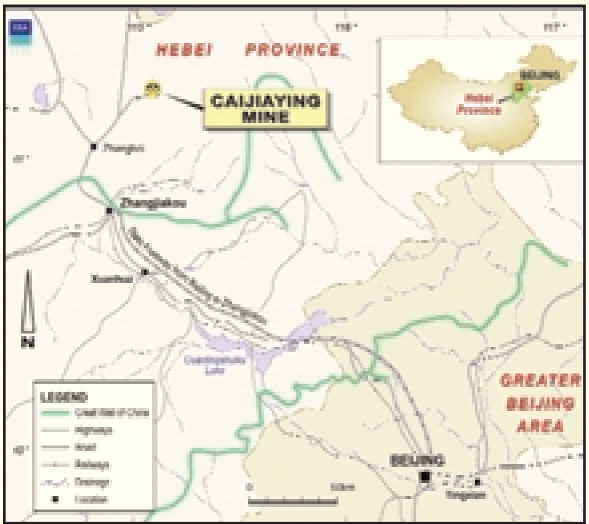
Introduction

Griffin is a mining 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 ("China" or "the PRC").

Commissioning of the mine and processing facilities at Caijiaying has commenced with an initial production rate of 200,000 tonnes of ore per annum to produce some 22,000 tonnes of zinc metal plus gold, silver and other associated metals for at least 14 years. The Company's management is investigating ways to increase production at Caijiaying as soon as possible.

The area surrounding Caijiaying and within Griffin's tenement area is highly prospective, indicating significant potential for further economic base and precious metals mineralization.

Caijiaying Area



Caijiaying mine location

Caijiaying is located approximately 200 km north west of Beijing in the Hebei Province of the PRC. The site is easily accessible by sealed road, 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.


Panorama of Caijiaying processing plant during construction in the winter

Legal Structure

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

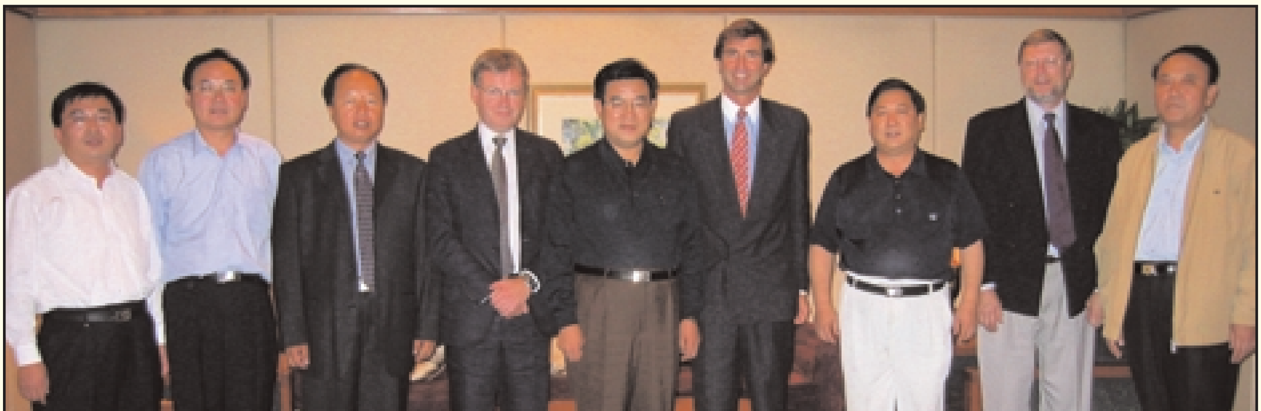
Hebei Hua-Ao is a contractual joint venture entity established in 1994 in which Griffin, through its wholly owned Australian subsidiary company China Zinc Pty Ltd ("China Zinc"), holds a 60% equity interest and the Chinese joint venture partners (which include the Zhangjiakou City People's Government,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

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.

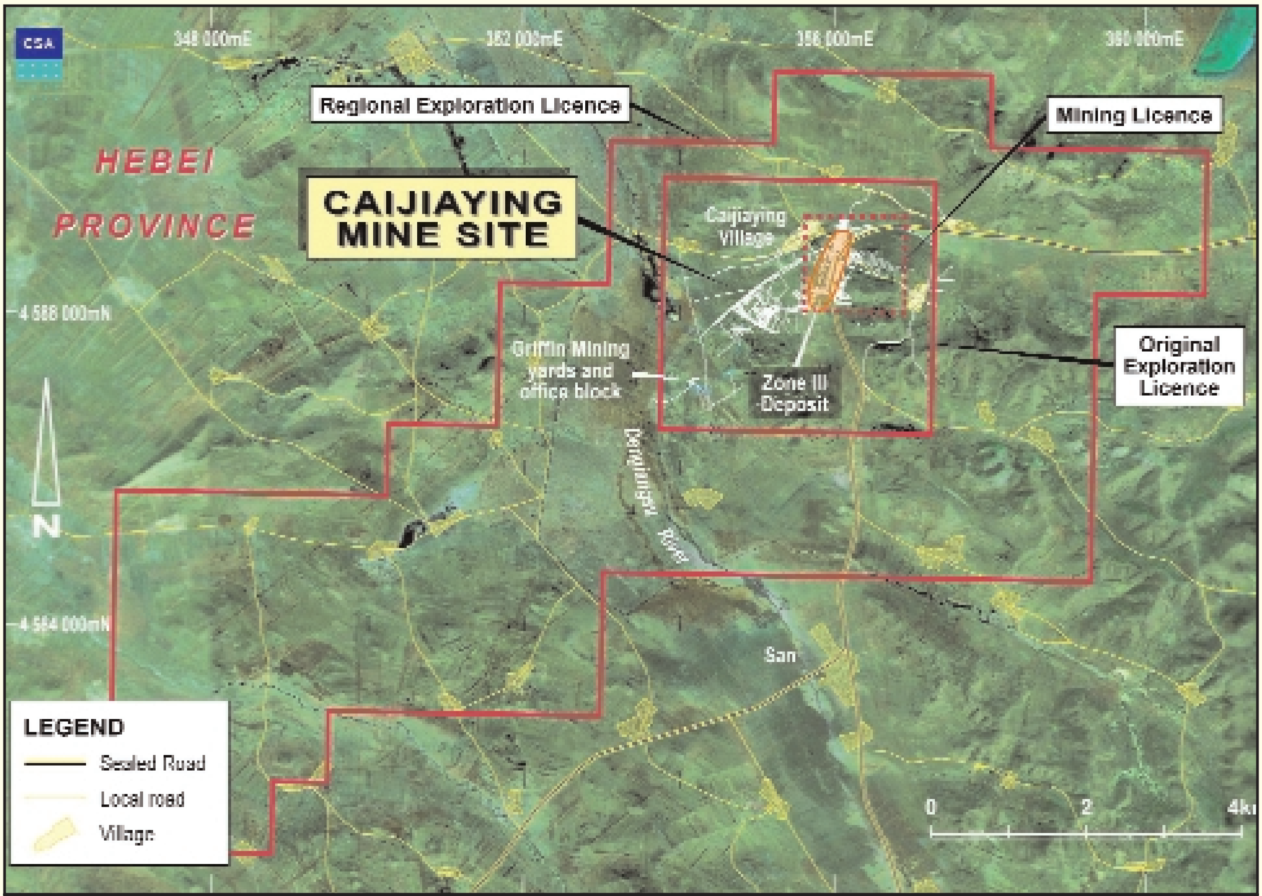
On 21 March 2002, Hebei Hua-Ao became the first foreign controlled joint venture to be granted a mining licence over a base metals deposit in the PRC when it was granted a mining licence over 1.56 square kilometres of the original 11.3 square kilometre licence area at Caijiaying. In April 2005 this licence was renewed for a 15 year period to 14 April 2020.

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 has since been reduced to discard the non-prospective areas and a new 2 year exploration licence was granted covering 55.7 square kilometres in January 2003. This licence has since been renewed for a further 2 year period.

In January 2004 a second contractual joint venture company, the Hebei Sino Anglo Mining Development Company Limited ("Hebei Anglo"), was formed to hold the above exploration licence over 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 Chinese shareholders remain the same as in Hebei Hua-Ao.



From left to right: Jen Shengchang (CFO Hebei Hua-Ao); Xu Weiwem (Foreign affairs director Zhangjiakou City Government); Jeff Sun (General Manager Griffin China); Roger Goodwin (Finance Director Griffin); Gao Jinhao (Mayor Zhangjiakou); Mladen Ninkov (Chairman Griffin); Zhang Baoyi (Chairman Zhangjiakou People Congress); Rupert Crowe (Project Manager); Qi Chagxiao (Deputy General Manager Hebei Hua-Ao).



Enhanced satellite and air-photo imagery of the Caijiaying region

Caijiaying Geology

The Caijiaying zinc mineralization is believed to have been emplaced 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 the 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 economic epithermal deposits.

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. This fault 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, the Third

Geological Brigade of the now defunct Ministry of Geology and Mineral Resources (predecessor to the Ministry of Land and Natural Resources, a shareholder in Hebei Hua-Ao), 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 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 (-50° to -70°) southerly-dipping lenses from 0-500 metres below surface, and which led to the Chinese drill grid being orientated in the wrong direction, parallel to the main mineralized zones.

Development of Caijiaying

Since 1994, China Zinc, through Hebei Hua-Ao, has expended some $5 million on Caijiaying on exploration and pre development work, again mostly on zone III. This includes 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. This culminating in the completion of a full feasibility study in August 2003.

Underground trial mining in the southern section of zone III completed in 2000 revealed that instead of dipping south, the main mineralized bodies trend north, parallel to the drill grid. Consequently, the project was reassessed as being more amenable to smaller scale underground mining and, 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 economic underground mine could be brought into production at Caijiaying.

Early surface drilling of Caijiaying ore-body

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

Resource Estimate

The results of the 2002 drilling program together with the 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) with the following results:

* 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

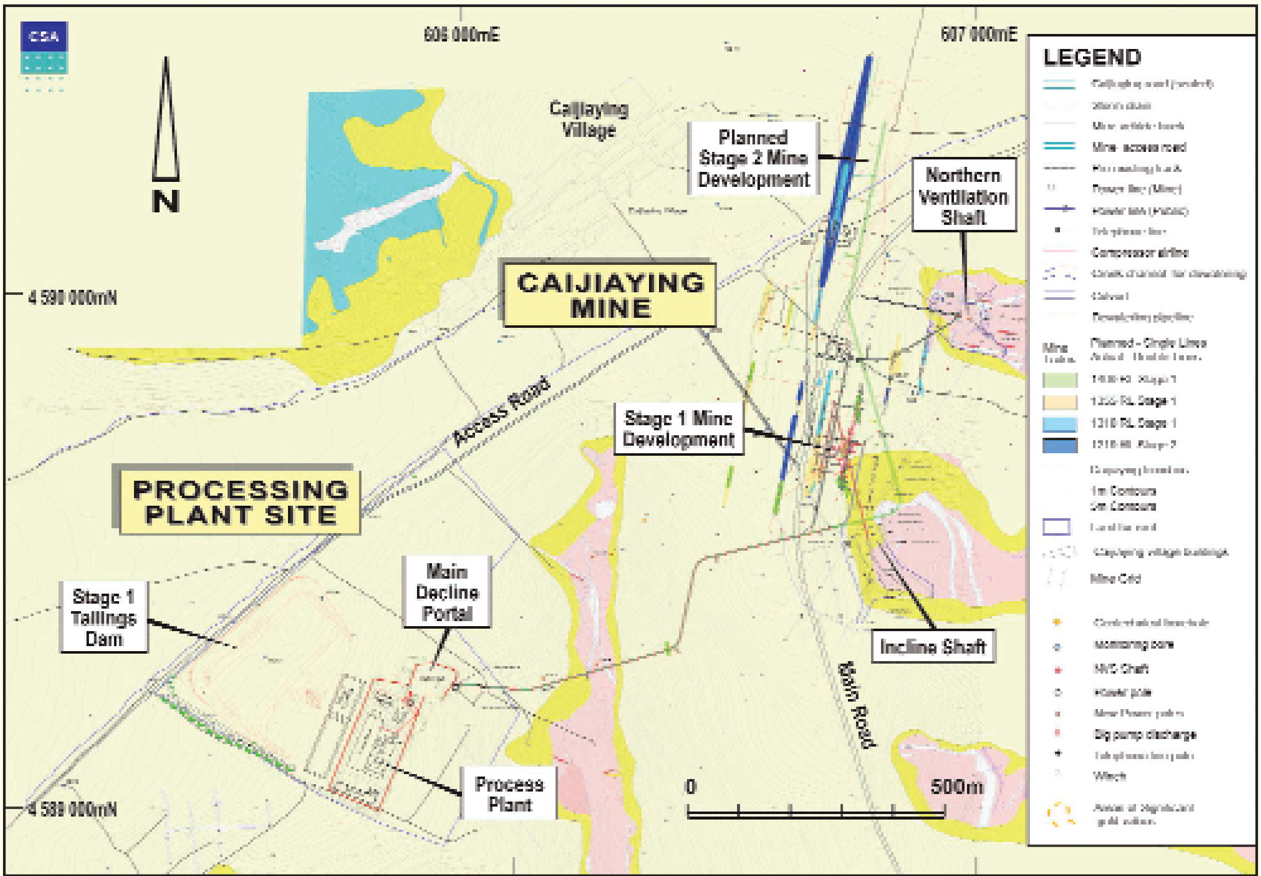
or:

* 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. The interpretation of steep north-trending lode orientations is consistent with the outcropping mineralization at zone II, which is situated 1 kilometre to the south of the main zone III deposit. This similarity of geometry strongly suggests that the two deposits maybe continuous, opening up a large area for further exploration. The mine has been designed to enable this area to be accessed for mining if exploration proves successful.

The diamond drilling program 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.

The Chairman, Project Manager and Chief Geologist examining mineralisation underground at Caijiaying



General layout of the Caijiaying mine and processing plant site

Feasibility study

With the benefit of the above resource statement Griffin commissioned CSA Australia to complete a full feasibility study ("the Study") on zone III at Caijiaying, which was completed in August 2003. This Study broadly followed 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 a zinc concentrate. A gold processing plant was included in the design to produce gold dore bars on site for refining and sale.

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 to treat a precious-metals concentrate from which both gravity and cyanide-extracted gold will be won.

The Study demonstrated 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 concentrates 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.

With the benefit of 100% of the cash flows generated by Caijiaying accruing to China Zinc in the first 3 years of commercial production, preferential local tax rates (including no income taxes payable in the first 2 years of commercial production), the Company is planning to increase production as soon as practicable.

The Study indicated the need for total pre-production and working capital of US$15.7 million. The Study was conducted using mainly Australian experts for the mine process plant and infrastructure and the leading base-metal Chinese base-metal engineering institute the Beijing Engineering Non Ferrous Institute (ENFI) for the mine design so as to ensure compliance with Chinese regulations.

Reserves

The ore reserves have been optimized by Datamine Consulting and CSA and estimated by ENFI according to the mine plan. Only those reserves that relate to Phase I 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 445.63g/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 8% ore loss.

In addition to the above 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 falling outside the current ore reserve and mine plan but close to the area of initial mining, which produced 8 metres at 11.65 g/t gold, 7.12% Zinc and 31.13 g/t silver from 118 metres. 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.

Construction

Processing plant site preparation May 2004

With the benefit of the feasibility study, in February 2004 Griffin completed a private placing with institutional investors to raise £8.75 million (US$16.2 million), before placing fees and expenses, to fund the development of the underground mine and the above ground processing and other facilities at Caijiaying.

Detailed design work commenced immediately upon completion of the fund raising and work started on refurbishing, widening and lengthening the existing exploration decline constructed in 1999 / 2000. At the same time work commenced on refurbishing and upgrading the support facilities and infrastructure at Caijiaying. Work was also started on the sinking of a ventilation and access shaft for the underground drives to the north east of the area to be mined.

Accomodation block

With the widening and lengthening of the existing exploration decline, work commenced on developing a production and ventilation drive at the 1400 level, approximately 100 metres below the surface, to join up with the northern ventilation shaft and provide access to the ore bodies. Subsequently, a number of cross cuts were driven and a sub-incline driven to the lower 1355 level.

A cross cut drive has also been put in to connect the 1368 level to the main production decline to allow early production of ore from below the 1400 level. The northern ventilation shaft has been sunk to the 1355 level and a cross cut driven from the bottom of the shaft. Stope development has now commenced at a number of levels with ore being extracted and stock piled ready for commissioning of the process plant.

In July 2004 work commenced on driving the main production decline from the processing plant area to the workings being developed from the existing exploration decline. In January 2005 this production decline reached the main production drive at the 1400 level allowing haulage of ore from the underground workings up the production decline direct to the processing plant site.

Work continues on the production decline to the lower levels and to the north of the area of initial mining. This is to the main area of mineralisation in zone III indicated from earlier exploration work and surface drilling.

In May 2004 work commenced on construction of the main processing plant buildings, administration and office buildings and supporting service facilities. Crucially these were structurally completed before the onset of winter allowing for the installation of plant and equipment during the winter months. This was a significant achievement as the main processing plant building comprises an interior of some 69,000 cubic metres and was constructed using in excess of one million bricks.

Ore stockpile ready for processing

During the summer of 2004 the initial tailings dam was excavated, the sides built up and lined in readiness for commissioning of the process plant.

By April 2005 all major items of plant and machinery had been installed and plant dry commissioning commenced.

View of processing plant from the tailings dam

The development of the mine and commissioning of the processing plant is broadly on target and the costs in line with that estimated in the feasibility study.

Mine development

Main production portal

With access enabled from the underground drives, an ongoing program of systematic underground stope-definition diamond drilling is being undertaken. The results from this underground drilling to date has exceeded expectations in defining high-grade lodes in locations not originally included in the feasibility study ore reserve. Crucially this drilling has found ore at shallower levels allowing for early extraction of ore and enabling ore to be stock piled in advance of the processing plant being commissioned. This will have a significant positive impact on the economics of the Caijiaying mine. Over 10,000 metres have been drilled under this drilling program.

The main focus of the drilling programme since July 2004 has been to define ore to be mined first, above the 1400 level. Mineralization and specifically the "Fu Long lode" (Rich Dragon), has been identified above the 1400 level which was not included in the feasibility study ore reserve. Further lodes, namely the Jin Long lode to the west and below the main 1400 level and the Chang Long lode crossing the 1400 level to the north, have also since been identified. The drilling program has delineated the Fu Long and Jin Long lodes down to the 1300 level, to the east and west of the 1400 drive respectively.

A resource estimate and reconciliation with the Feasibility Study estimate is currently underway on the Fu Long lode. The drilling programs on the Jin Long and Chang Long lodes are continuing as both lodes are turning out to be more extensive than originally believed from surface drilling.

Given the success of the underground drilling programs, attention is now being given to expanding the production rate. This will require the continuation of an aggressive underground drilling campaign over the coming months together with continued upgrading of the geology department to enable it to cope with the demands of production at the same time as the exploration drilling program. The geometry of the Jin Long and Chang Long lodes appear to make them more amenable to bulk mining.

Administration and Management

The Griffin management team, working in combination with ENFI, continue to provide a cost effective and flexible management system, maintaining management control for the benefit of Griffin whilst at the same time accessing Chinese expertise in designing and installing their own equipment. This system has helped keep costs under control and maintain timetables.

With the development of the mine and processing facilities at Caijiaying, Hebei Hua-Ao has employed over 40 staff and has contracted with a number of local entities for the provision of supporting services, building and plant construction, and mine development. When in full operation Caijiaying will have a complement of some 240 people. During construction of the processing plant buildings over 500 people were engaged at the Caijiaying site. It is the intention of Griffin to employ local people and use local contractors wherever possible. This together with improvements in infrastructure by the local authorities is already bringing significant economic benefits to Caijiaying and surrounding areas.

Northern ventilation shaft

In addition to local staff, a foreign mine manager has been employed together with a foreign Chief Accountant. A number of foreign geologists have also been engaged to work at the Caijiaying site as well as an underground drill supervisor and mine superintendent.

Some of the Hebei Hua-Ao staff underground at Caijiaying

Caijiaying Exploration Potential

The Company has long recognised the exploration potential of the Caijiaying area particularly for gold. Now that the Caijiaying mine is coming into production, Griffin is setting its priorities for future exploration. Griffin intends to initially focus on increasing already identified deposits, thereby enabling the current planned mine production to be enhanced thereby, 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;

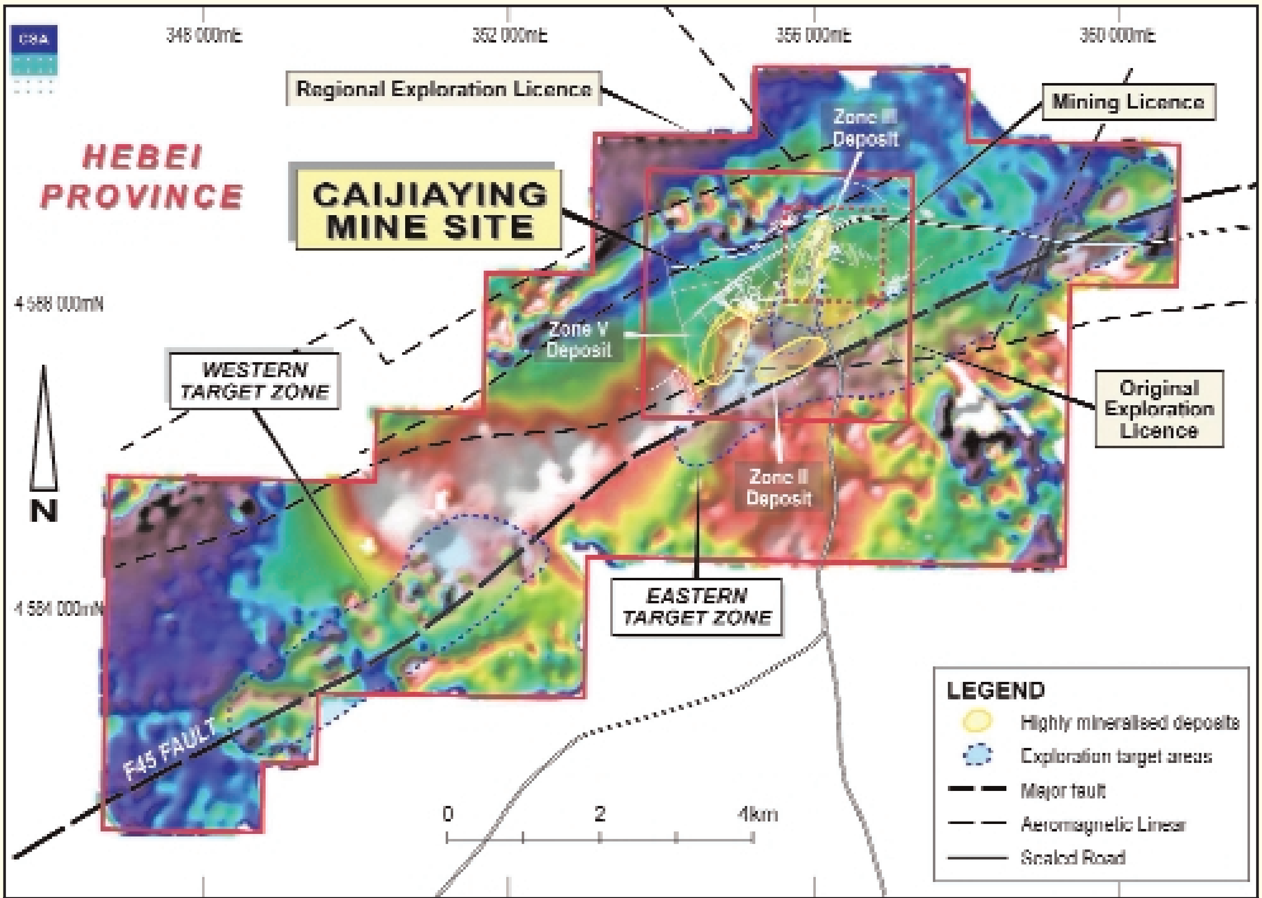
2. Prove up wider underground zinc ore blocks by underground drilling, to enable mine throughput to be increased as soon as practical;

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 (zone III) and zone II where there are indications that significant mineralization may exist between the two;

5. Re-evaluate the previous data and conduct further exploration work in the original licence area for further zinc deposits that were not discovered by the wrongly oriented previous drill holes; and

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



Main areas of interest following ground magnetic image survey

As indicated above, a program of underground drilling is well underway to achieve the first two parts of the plan.

Underground resource definition drilling

During the summer of 2004, an induced polarisation ("IP") orientation survey was conducted over zone III and following this, a comprehensive IP survey was conducted over the area between zones II and III. A short program of three surface holes was implemented before winter to test some of the anomalies. On the regional programme, a reconnaissance ground magnetic survey (at 200 metre line spacing) was completed over the area of epithermal gold anomalies. This has yielded excellent results and a follow-up detailed survey (at 50 metre line spacing) is now being conducted which will be used to define drill targets.

Griffin is now planning an extensive drilling program for the forthcoming summer using a western-style reverse-circulation rig. This will allow much more cost-effective testing of the various targets, particularly the regional epithermal gold zones. Future exploration work on the areas surrounding zone III at Caijiaying will focus on the following:

Zone V

Exploration of the nearby prospects at zone V, containing old underground workings, will be tested by a program of surface drilling. Following completion of this drilling program a decision will then be made as to whether to de-water the old workings and conduct further exploration from underground.

Area between zones III and 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 reverse-circulation drilling of wide-spaced holes. If a sufficiently encouraging picture emerges, the next stage will be to drive underground towards this area from the existing main production decline to allow more densely spaced resource definition drilling.

Zone II

Work at zone II will be integrated with the results of the program between zone III and zone II. It is expected that it will eventually be re-drilled to assess its suitability as a separate source of ore on possible enlargement of the process plant.

Re-evaluation of existing data

Now that the correct geometry of the mineralization is better understood Griffin expects to re-evaluate the data on the original licence area. This will be an ongoing task as there is a large amount of previous data and there are many targets to investigate.

Regional epithermal gold targets

The regional epithermal gold targets that were delineated by geochemical surveys in 2002 will be tested with the reverse-circulation drill during the coming summer.

The Future

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 China. With Caijiaying coming into production and with Griffin having invested $20m into China, Griffin and its management have established a good reputation in China as a result of which Griffin is being offered other high class mining projects by various arms of the PRC's local, provincial and central governments for development, modernisation and operation. As Caijiaying progresses, it is the intention to acquire further economically robust mining projects to expand operations.

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, in order to add further value to the Company.

Financial

The Group recorded a profit for the year of $398,000 (2003 loss $20,000).

Operating costs in 2004 were $1,048,000 (2003 $586,000).

Foreign exchange gains of $939,000 were recorded in 2004 (2003 $476,000) on foreign currency deposits.

Shareholders' funds increased from $13,365,000 at 31 December 2003 to $29,336,000 at 31 December 2004, with the benefit of the profit for the year, a placing of 35,000,000 new ordinary shares, and the exercise of options and warrants over 7,100,000 new ordinary shares, to raise a total of $15,630,000 after expenses. With completion of these capital raisings, which fully fund construction of the mine and processing facilities at Caijiaying, exploration and development costs incurred to date of $6,419,000 have been reclassified as tangible fixed assets. Further expenditure of $10,037,000 was incurred in constructing the mine and processing facilities to 31 December 2004.

The Chairman by the main ball mill

DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS:

Mladen Ninkov, Chairman, 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, British, 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. Roger was named as one of the top 100 UK finance directors of 2004 by Finance Week magazine.

Dal Brynelsen, Director, Canadian, is a graduate of the University of British Columbia in Urban Land Economics. Mr. Brynelsen has been involved in the resource industry for over 30 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 Vangold Resources Limited and provides independent consulting services to private clients and institutions.

William Mulligan, Director, USA, 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, Australian and Irish, has been seconded from CSA Australia Pty Ltd to act as 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, SE Asia and Africa. He was Exploration Manager for Aquitaine Mining in Ireland in the 80s and established CSA in both Ireland and Australia. He played a key role in the development of the Lisheen zinc mine in Ireland and the Double A gold mine in Australia. He has been a director of Ivernia West, Golden Tiger Resources and Maiden Gold.

Jeff Haitian Sun, General Manager China, Chinese, 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, British, has many years of experience in managing mines in developing countries. Previously he managed the Wassa Gold Mine of Glencar in Ghana. He 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.

Main production decline at the Caijiaying mine

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 2004.

Financial results

The Group profit on ordinary activities before taxation, amounted to US$398,000 (2003 - loss US$20,000). No taxation was charged (2003 - nil). The Group profit after taxation amounted to US$398,000 (2003 - loss US$20,000) and has been credited to reserves.

The profit per share amounted to 0.23 cents (2003 - loss 0.02 cents). The attributable net asset value per share at 31 December 2004 amounted to 17 cents (2003 - 10 cents).

The Directors do not recommend the payment of a dividend.

Principal activities

The principal activity of the Group is that of mining, exploration and development. A review of the Group's operations for the year ended 31 December 2004 and the indication of likely future developments are set out on pages 6 to 18.

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)*

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 2004 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2004		At 1 January 2004	
	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	1,700,000	311,163	800,000
Dal Brynelsen	1	600,000	1	0
William Mulligan	300,001	600,000	1	300,000

The options granted to the Directors entitle the holder to subscribe for new ordinary shares in the Company at 30 pence per share on or before the 28 February 2007. *These 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 options vest immediately;

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

Directors' Report

c. The last third of each holder's 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.

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.

All of the Directors' interests detailed are beneficial.

Post Balance Sheet Events

On 14 February 2005 1,000,000 new ordinary shares in the Company were allotted at 20 UK pence each on the exercise of warrants

On 14 April 2005 Hebei Hua-Ao's mining licence at Caijiaying was renewed for a period of 15 years to 14 April 2020.

In April 2005 dry commissioning of the processing plant at Caijiaying commenced.

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 regularly, at least once a 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 UK LLP 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
- prepared 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
9 May 2005
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 2004 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 Financial Reporting 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 Financial Reporting 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 Financial Reporting 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 2004 and of its profit for the year then ended in accordance with International Financial Reporting Standards.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
SOUTHAMPTON
9 May 2005

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 2004
(expressed in thousands US dollars)

	Notes	2004 $000	2003 $000
Turnover	1	**-**	-
Cost of sales		**-**	-
Gross Profit		**-**	-
Net operating expenses	2	**(1,048)**	(586)
Operating (loss)		**(1,048)**	(586)
Foreign exchange gains		**939**	476
Interest receivable and similar income	4	**507**	90
Profit / (loss) on ordinary activities before taxation		**398**	(20)
Taxation on profit / (loss) on ordinary activities	5	**-**	-
Profit / (loss) for the financial year	17	**398**	(20)
Earnings / (loss) per share (cents)	6	**0.23**	(0.02)

Consolidated Balance Sheet

As at 31 December 2004
(expressed in thousands US dollars)

	Notes	2004 $000	2003 $000
Non-current assets			
Intangible assets – exploration interests	7	**39**	6,285
Tangible assets – mineral interests	8	**11,770**	-
Tangible assets – plant and equipment	8	**5,109**	171
Tangible assets – other	8	**15**	3
		16,933	6,459
Current assets			
Portfolio investments	9	**27**	62
Accounts receivable		**108**	33
Prepaid expenses		**168**	66
Cash and deposits	10	**12,985**	6,831
		13,288	6,992
Creditors: Amounts falling due within one year		**(885)**	(86)
Net current assets		**12,403**	6,906
Total net assets		**29,336**	13,365
Capital and reserves			
Share capital	11	**1,773**	1,352
Share premium	13	**36,594**	21,385
Contributing surplus	14	**3,690**	3,690
Investment revaluation reserve	15	**(846)**	(811)
Foreign exchange reserve	16	**(143)**	(121)
Profit & loss account	17	**(11,732)**	(12,130)
Shareholders equity interests		**29,336**	13,365
Number of shares in issue		**177,327,731**	135,227,731
Attributable net asset value per share	19	**$0.17**	$0.10

The accounts on pages 25 to 37 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman
9 May 2005

Roger Goodwin
Finance Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2004
(expressed in thousands US dollars)

	Notes	2004 $000	2003 $000
Profit / (loss) for the financial year		**398**	(20)
Unrealised (losses) / gains on investments	15	**(35)**	33
Currency translation differences on foreign currency net investments	16	**(22)**	(133)
Total gains and losses recognised in the year	18	**341**	(120)

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 2004
(expressed in thousands US dollars)

	Notes	2004 $000	2003 $000
Net cash inflow / (outflow) from operating activities		**611**	(227)
Investing activities			
Interest received	4	**507**	90
Payments to acquire intangible fixed assets	7	**(557)**	(760)
Payments to acquire tangible fixed assets – mineral interests	8	**(5,082)**	-
Payments to acquire tangible fixed assets – plant and equipment	8	**(4,938)**	(171)
Payments to acquire tangible fixed assets – other	8	**(17)**	(2)
Net cash (outflow) from investing activities		**(10,087)**	(843)
Net cash (outflow) before financing		**(9,476)**	(1,070)
Financing			
Issue of ordinary share capital	11/13	**16,391**	6,452
Expenses paid in connection with share issue	13	**(761)**	(288)
		15,630	6,164
Increase in cash and cash equivalents	10	**6,154**	5,094
Reconciliation of operating (loss) to net cash inflow / (outflow) from operating activities			
Operating loss		**(1,048)**	(586)
Depreciation	2	**5**	1
(Increase) in debtors		**(177)**	(76)
Increase / (decrease) in creditors		**799**	(1)
Exchange differences		**1,032**	435
		611	(227)

ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared in accordance with applicable International Financial Reporting 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

Expenditure on licences, concessions and exploration incurred on areas of interest by subsidiary undertakings are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves within each area of interest and the necessary finance in place, at which time such costs are 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 incurred in respect of each area of interest determined as unsuccessful are written off to the profit and loss account.

Tangible assets

Mine development expenditure for the initial establishment of access to mineral reserves, together with capitalised exploration, evaluation and commissioning expenditure, and direct overhead expenses prior to commencement of commercial production are capitalised to the extent that the expenditure results in significant future benefits.

An impairment test is carried out at each balance sheet date to assess whether the net book value of the capitalised costs in each area of interest, together with the costs of development of undeveloped reserves, is covered by the discounted future net revenues from reserves within that area of interest. Any deficiency arising is provided for to the extent that, in the opinion of the Directors, it is considered to represent a permanent diminution in value of the related asset, and where arising, is dealt with in the profit and loss account as additional depreciation.

Accounting Policies

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

All costs capitalised within an area of interest, together with an appropriate estimate of the future costs to be incurred in developing the estimated economic reserves will be amortised once production has commenced over the current estimated economic reserve of the area of interest on a unit of production basis.

Office equipment is depreciated over four years on a straight line basis.

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 retranslation of opening net assets is taken directly to the foreign exchange reserve. All other translation differences are taken to the profit and loss account.

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 21 and 22. 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. Segmental reporting

The Group's principal project is the Caijiaying zinc gold project in the Peoples Republic of China. There were no sales of mineral concentrates from this project in 2004. All operating costs in respect of the Caijiaying zinc gold project have been capitalised in accordance with the Group's accounting policies. Operating costs charged to profit are in respect of administration costs incurred by Griffin Mining Limited.

2. Net operating expenses

	2004	2003
	$000	$000
Net operating costs comprise:		
Depreciation	**(5)**	(1)
Staff costs	**(244)**	(218)
Other administrative costs	**(799)**	(367)
Total operating expenses	**(1,048)**	(586)

	No.	No.
Average number of persons employed by the Group in the year	**41**	6

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	**Total 2004**	Total 2003
	$000	$000	**$000**	$000
Mladen Ninkov	-	-	**-**	-
Dal Brynelsen	50	-	**50**	-
Roger Goodwin	-	173	**173**	114
William Mulligan	50	-	**50**	-

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $420,000 (2003 $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 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, 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 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

	2004	2003
	$000	$000
Bank and short term interest	**507**	90

5. Taxation on profit / (loss) on ordinary activities

	2004	2003
	$000	$000
Taxation on profit / (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

	2004	2003
	$000	$000
Profit / (loss) on ordinary activities multiplied by the UK standard rate of corporation tax 30% (2003: 30%)	**119**	(7)
Expenses not deductible for tax purposes	**4**	2
(Losses) brought forward / losses carried forward	**(123)**	5
Current tax charge for the year	**-**	-

The Company has unutilised tax losses estimated at $6.6m, and capital losses estimated at $2.6m, in respect of which no deferred tax asset has been recognised because of the uncertainty of future taxable income against which these losses may be utilised.

6. Earnings/ (Loss) per share

The earnings per share has been calculated on the basis of the net profit after taxation of US$398,000 (loss US$20,000 in 2003) and the weighted average number of shares in issue in the year ended 31 December 2004 of 170,646,361 (114,682,774 in 2003). There is no material 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 2004	6,285
Foreign exchange adjustments	(384)
Additions during the year	557
Transfer to tangible assets	(6,419)
At 31 December 2004	39
NET BOOK VALUE	
At 31 December 2004	39
At 31 December 2003	6,285

Intangible assets represent fair values on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work. Where expenditure on an area of interest 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

COST	Mineral Interests $000	Mill and mobile mine equipment $000	Office furniture and equipment $000	Total $000
At 1 January 2004	-	171	23	194
Foreign exchange adjustments	269	-	-	269
Additions during the year	5,082	4,938	17	10,037
Transfer from intangible assets	6,419	-	-	6,419
At 31st December 2004	11,770	5,109	40	16,919
DEPRECIATION				
At 1 January 2004	-	-	20	20
Provided during the year	-	-	5	5
At 31 December 2004	-	-	25	25
NET BOOK VALUE				
At 31 December 2004	11,770	5,109	15	16,894
At 31 December 2003	-	171	3	174

Mineral interests comprise the Group's interest in the Caijiaying ore bodies including fair values 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. The tangible assets remain in the course of construction at 31 December 2004 and consequently no depreciation has been charged during the year.

Notes to the Financial Statements

9. Portfolio investments

	2004	2003
	$000	$000
Quoted (cost $873,000 - 2003 $873,000)	27	62

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.

10. Cash and deposits

Analysis of changes in cash and cash equivalents

	2004	2003
	$000	$000
At 1 January	6,831	1,737
Net cash inflow	6,154	5,094
At 31 December	12,985	6,831

Included within the net cash inflows of $6,154,000 (2003 inflow $5,094,000) is $939,000 (2003 $476,000) of foreign exchange gains on cash deposits which have been treated as realised.

11. Share capital

	2004		2003	
	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	135,227,731	1,352	103,557,248	1,036
Issued during the year	42,100,000	421	31,670,483	316
At 31 December	177,327,731	1,773	135,227,731	1,352

On 24 February 2004, 35,000,000 new ordinary shares in the Company were allotted at 25 UK pence ($0.45) per ordinary share for cash to raise $15,664,000 before expenses on an equity placing.

On 1 March 2004 6,300,000 new ordinary shares in the Company were allotted at 5 UK pence ($0.09) per ordinary share on the exercise of options.

On 31 March 2004, 300,000 new ordinary shares in the Company were allotted at 5 UK pence ($0.09) per ordinary share on the exercise of options.

On 27 October 2004, 500,000 new ordinary shares in the Company were allotted at 15 UK pence ($0.27) per ordinary share on the exercise of warrants.

NOTES TO THE FINANCIAL STATEMENTS

12. Share options and warrants

COST	At 1 January 2004 Number	Granted in year Number	Exercised / lapsed Number	At 31st December 2004 Number
Options exercisable at 5 pence per share at anytime upto 31 March 2004.	6,600,000	-	(6,600,000)	-
Warrants exercisable at 15 pence at anytime upto 30 September 2004.	500,000	-	(500,000)	-
Warrants exercisable at 20 pence at anytime upto 30 September 2004.	250,000	-	(250,000)	-
Warrants exercisable at 20 pence at anytime upto 31 August 2005.	6,000,000	-	-	6,000,000
Warrants exercisable at 30 pence at anytime upto 31 December 2004.	-	500,000	-	500,000
Warrants exercisable at 35 pence from 1 January 2005 to 30 June 2005.	-	500,000	-	500,000
Warrants exercisable at 40 pence from 1 July 2005 to 31 December 2005.	-	500,000	-	500,000
Options exercisable at 30 pence per share at anytime upto 28 February 2007.	-	3,166,666	-	3,166,666
Options exercisable at 30 pence per share from commencement of production to 28 February 2007.	-	3,166,667	-	3,166,667
Options exercisable at 30 pence per share from upgrade in throughput of Caijiaying mine to 500,000 tonnes of ore per annum to 28 February 2007.	-	3,166,667	-	3,166,667
	13,350,000	11,000,000	(7,350,000)	17,000,000

13. Share premium

	2004 $000	2003 $000
At 1 January	21,385	15,537
Premium on shares issued in year	15,970	6,136
Expenses paid in connection with share issues	(761)	(288)
At 31 December	36,594	21,385

14. Contributing surplus

	2004 $000	2003 $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.

Notes to the Financial Statements

15. Investment revaluation reserve

	2004	2003
	\$000	\$000
At 1 January	**(811)**	(844)
Movements during the year	**(35)**	33
At 31 December	**(846)**	(811)

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

16. Foreign exchange reserve

	2004	2003
	\$000	\$000
At 1 January	**(121)**	152
Transfer profit and loss account	**-**	(140)
Movements during the year	**(22)**	(133)
At 31 December	**(143)**	(121)

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 2003 is in respect of foreign exchange gains on the translation of the net assets of overseas subsidiary undertakings disposed of during 2003.

17. Profit and loss account

	2004	2003
	\$000	\$000
At 1 January	**(12,130)**	(12,250)
Transfer foreign exchange reserve	**-**	140
Profit / (loss) for the financial year	**398**	(20)
At 31 December	**(11,732)**	(12,130)

18. Reconciliation of movements in shareholders' funds

	2004	2003
	\$000	\$000
Total gains and (losses) recognised in the year	**341**	(120)
Issue of ordinary shares in the year	**15,630**	6,164
Net additions to shareholders' funds	**15,971**	6,044
Opening shareholders' funds	**13,365**	7,321
Closing shareholders' funds	**29,336**	13,365

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 2004 of 177,327,731 (135,227,731 at 31 December 2003).

NOTES TO THE FINANCIAL STATEMENTS

20. Post Balance Sheet Events

On 4th February 2005 1,000,000 new ordinary shares in the Company were allotted at 20 UK pence ($0.38) per ordinary share on the exercise of warrants.

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. The Group has overseas subsidiaries operating in China and Australia, whose costs are denominated in local currencies. Liabilities are primarily incurred in US dollars, or Chinese Reminbi which is currently pegged to the US dollar.

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.

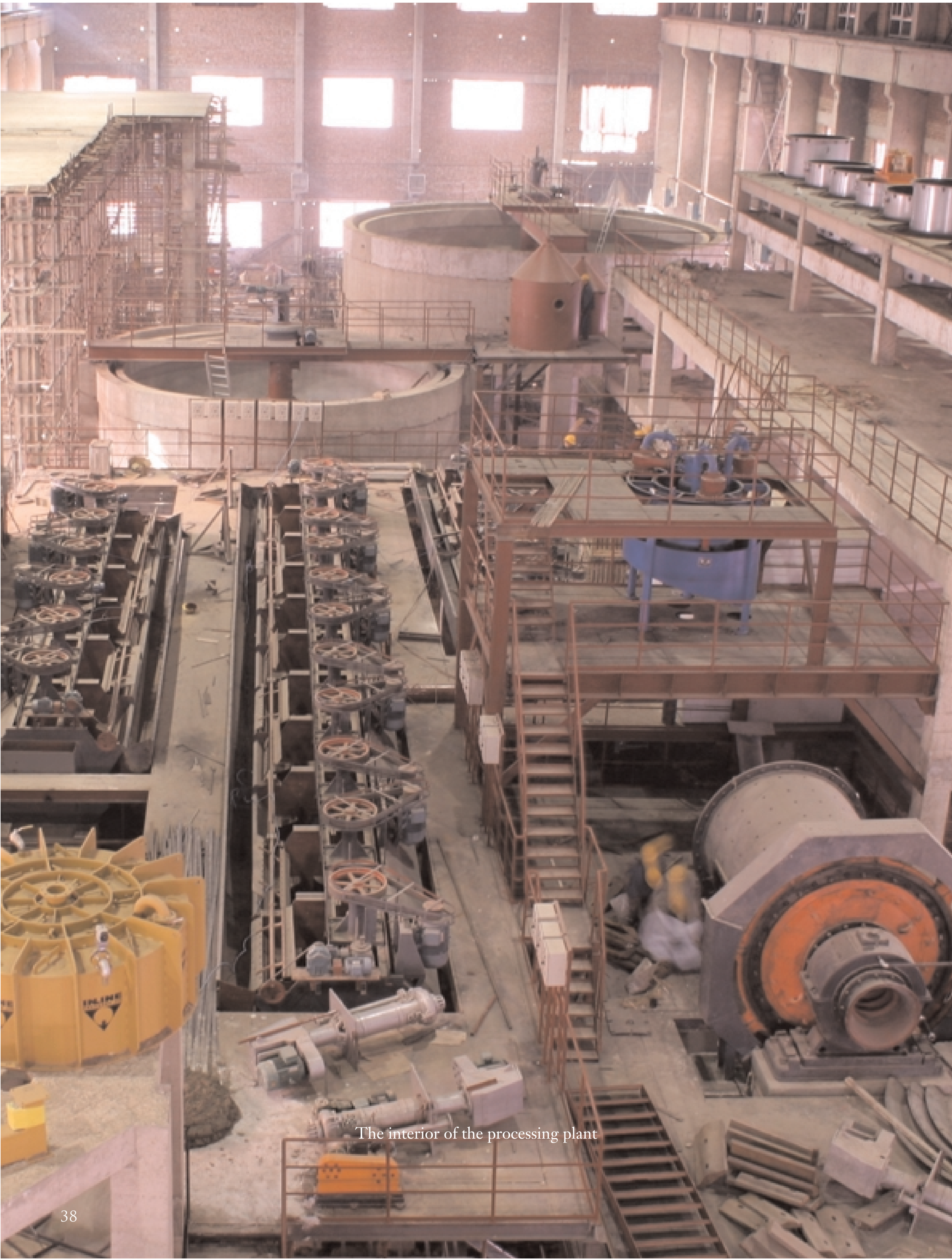
22. Subsidiary companies

At 31 December 2004, 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*		100% (reducing to 60% after 3 years from commercial production) **	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 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.



The interior of the processing plant

CORPORATE INFORMATION

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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 UK LLP 31 Carlton Crescent, Southampton. SO15 2EW. UK.
Solicitors:	Mallesons Stephen Jaques Unit 12, Level 5, Tower E1, The Towers Oriental Plaza No, 1 East Chang an Avenue, Dong Cheng District, Beijing 100738. PRC Conyers Dill & Pearman Clarendon House, Church Street, P.O. Box HM 666, Hamilton. HMCX. Bermuda.
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UK Registrars & Transfer Agents:	Capita IRG plc Bourne House, 34 Beckenham Road, Beckenham, Kent. BR3 4TU. UK.

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