Contents

Griffin Mining Limited is a mining and investment company whose principal asset is the Caijiaying zinc-gold mine. 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).

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

CHAIRMAN'S STATEMENT

As experience has taught us all, life is often filled with disappointment, heartache and failure. Yet occasionally, just occasionally, a moment occurs which reaffirms our faith in the fact that vision, energy and resources can fulfil some of our dreams. Such has been the case with Griffin Mining Limited ("Griffin" or the "Company").

It gives me enormous pride and real satisfaction to announce to you, the shareholders and owners of Griffin, a record annual profit of US$29.5 million for the Company in 2006 and to declare a maiden dividend of US$0.03 per share for the Company. This is a just and deserved result for the patience, loyalty and confidence you have shown in the Company, the Caijiaying mine and the Company's management.

The further good news is that Caijiaying continues to rapidly improve. Since commissioning approximately 18 months ago, throughput has doubled from 200,000 tonnes of ore per annum to over 400,000 tonnes of ore per annum. The resource base has increased from 1.2 to 3 million tonnes of zinc metal, from 0.2 to 1.6 million ounces of gold and from 13.9 to 53.7 million ounces of silver. An impressive achievement.

And 2007 promises to be an even more exciting year. The Company has announced an upgrade to the Caijiaying mine and facilities to enable the processing of over 500,000 tonnes of ore per annum by the end of 2007 rising to 750,000 tonnes of ore per annum in 2008. The Company has also announced that in 2007 it will begin producing a second concentrate which will contain gold, silver and lead. This will be another significant source of revenue for the Company. Lastly, the exploration programme continues underground with exploration and grade control drilling in zone III, pure underground exploration drilling at zone II in the newly constructed Fox Incline and exciting above ground diamond drilling between zones II and III.

Needless to say, the Company continues to endlessly look for further means to grow shareholder value. In that respect, the Company has evaluated a large number of mining projects, predominantly in China. The overwhelming majority of these projects have not met the rigorous geological, metallurgical, mining engineering and financial standards required by the Company. Nevertheless, the Company remains ever hopeful of acquiring such a project at some point in the future.

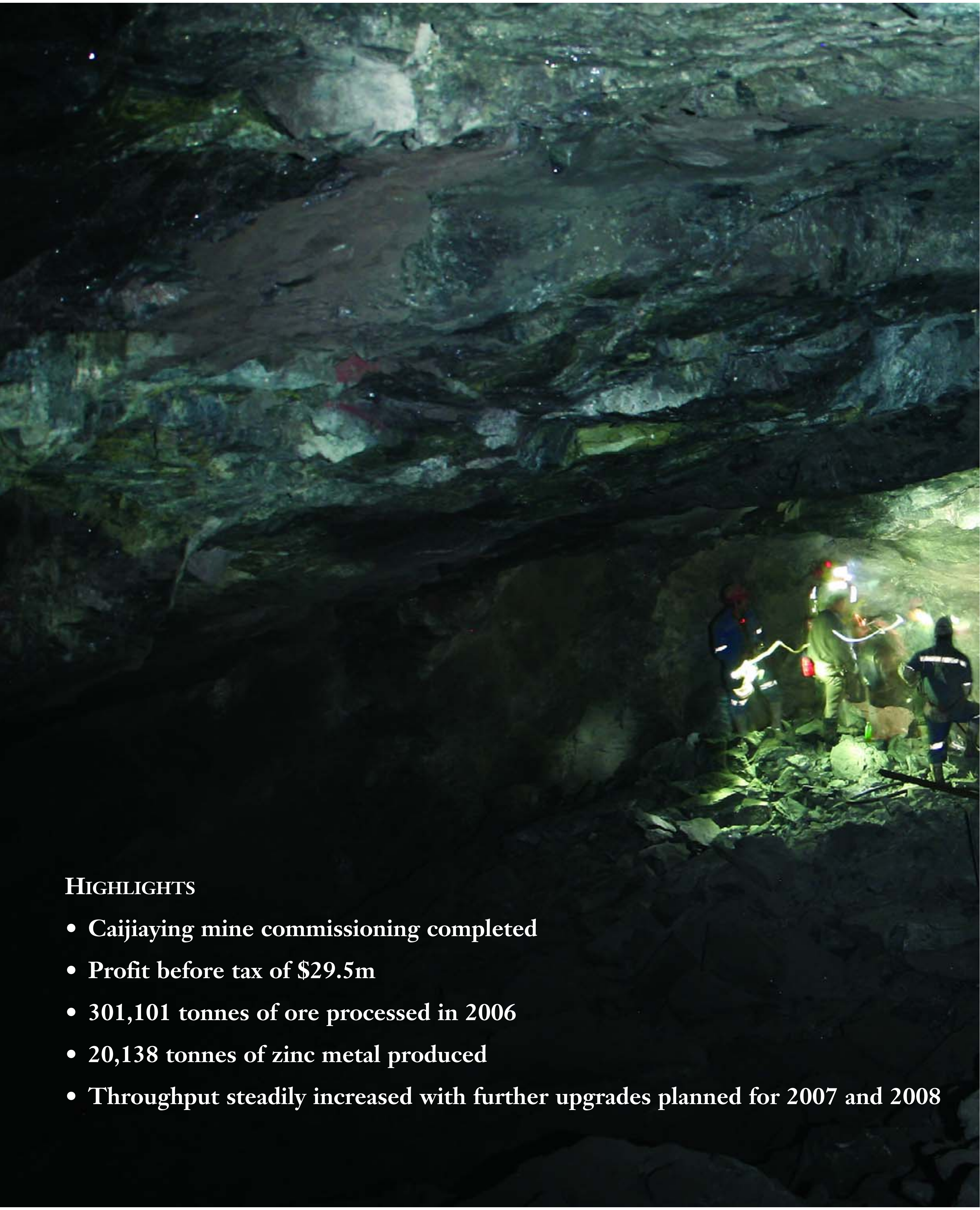
Obviously, the Company's enormous success and continued progress has not occurred, and will not continue to occur, without a group of dedicated, talented and loyal individuals gathered together in a historically unprecedented tight mining labour market. Sadly the Company has grown too large to mention those people specifically in such a limited space.

It is simply enough to say that the long list deserving the Company's heartfelt thanks runs right through from the directors to the Company's staff, site operating personnel and on-site contractors.

Finally, with US$48 million on the Company's balance sheet at the time of writing this report, no debt, no hedging commitments, continued strong commodities prices and an expanding mining operation at Caijiaying, the future of the Company looks particularly exciting. Please join us in this continuing journey forward.

Mladen Ninkov
Chairman
15 April 2007

Griffin directors at Caijiaying
from left to right: **William Mulligan, Mladen Ninkov (Chairman), Roger Goodwin (Finance), Dal Brynelsen.**



Highlights

- **Caijiaying mine commissioning completed**
- **Profit before tax of $29.5m**
- **301,101 tonnes of ore processed in 2006**
- **20,138 tonnes of zinc metal produced**
- **Throughput steadily increased with further upgrades planned for 2007 and 2008**

Review of Operations

Introduction

Griffin is a mining and investment company listed on the Alternative Investment Market of the London Stock Exchange. Its principal asset is the mine, processing facilities and extensive exploration ground located at Caijiaying, Hebei Province ("Caijiaying") in the People's Republic of China ("China" or the "PRC").

With the benefit of the first full year's production from Caijiaying, increasing production rates and higher zinc prices, the Group recorded a profit before tax for the year of $29,545,000 (2005 $311,000).

Caijiaying Zinc-Gold Mine

Griffin, through its two Chinese joint ventures, Hebei Hua Ao Mining Industry Company Limited ("Hebei Hua' Ao") and Hebei Sino Anglo Mining Development Company Limited ("Hebei Anglo") has a controlling interest in mining and exploration licences over 67 square kilometres at Caijiaying. Application has been made for further exploration licences in the immediate area.

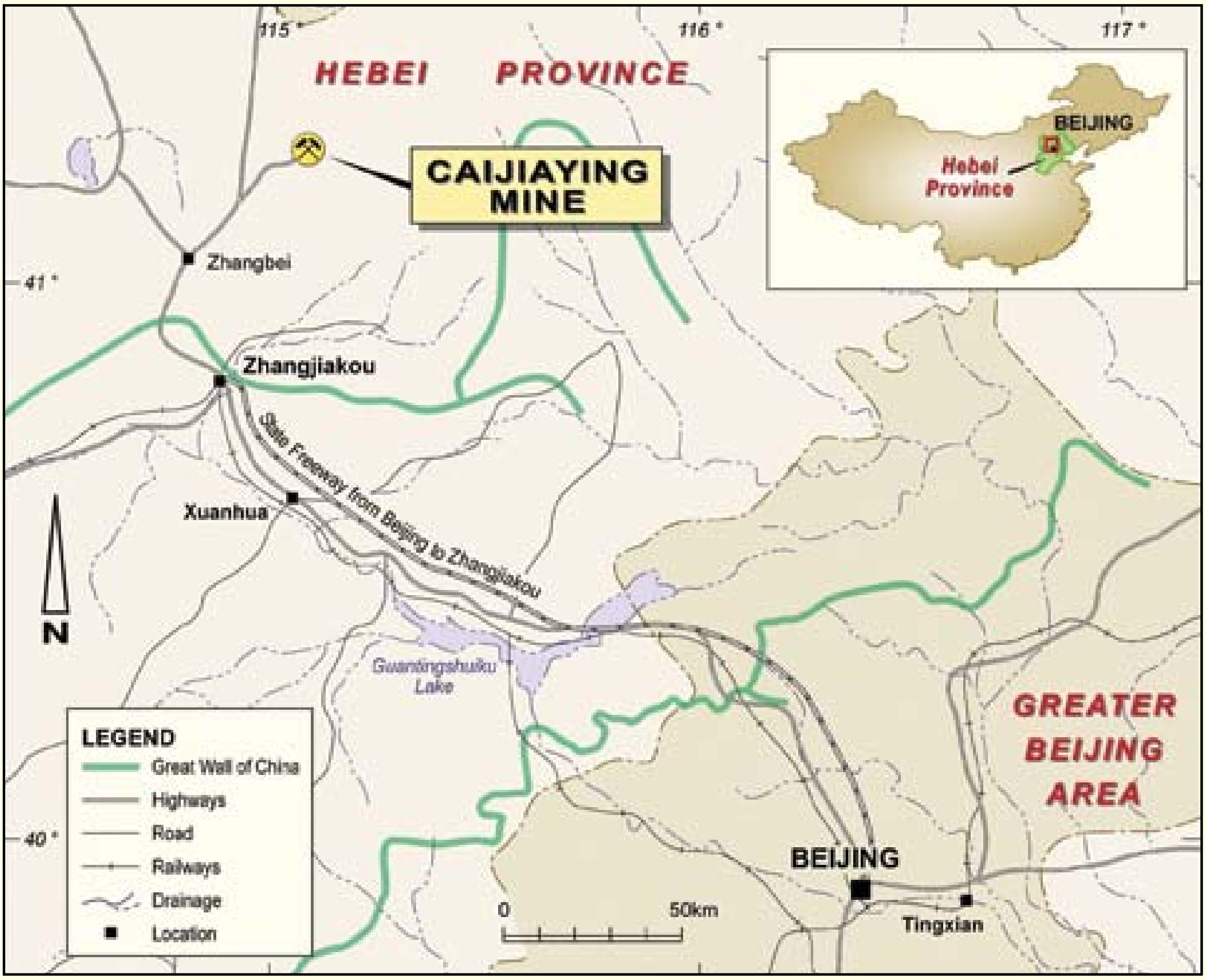
In 2005, Griffin successfully commissioned the mine and processing facilities at Caijiaying with an initial design production rate of 200,000 tonnes of ore per annum. Production rates have been steadily increased since commissioning with 301,101 tonnes of ore being processed in 2006 to produce 20,138 tonnes of zinc metal in concentrate.

Work is now underway to enable the processing capacity to be increased to 500,000 tonnes of ore per annum in 2007 and to 750,000 tonnes of ore per annum in 2008. The initial plant upgrade in 2007 will include a circuit for the production of a precious metals concentrate containing gold, silver and lead for sale in China.

Continuing exploration in the area surrounding the mine at Caijiaying and within Hebei Hua' Ao's and Hebei Anglo's tenement boundary has shown the area to be highly prospective, indicating significant potential for further economic base and precious metals mineralisation.

Caijiaying Area

Caijiaying is located on the south-east edge of the Mongolian Plateau, approximately 250 kilometres north-west of Beijing in the Hebei Province. The site is easily accessible by freeway from Beijing to Zhangbei via Zhangjiakou and then by sealed road to site. The site has significant water supplies and two independent connections to the electricity grid. A third connection to a new electric sub station is planned as part of the 2007 upgrade. The site is also fully connected to fixed line and mobile telecommunications and has broadband access for internet services. Weather conditions are not severe with warm summers and cold, dry winters.



CAIJIAYING MINE LOCATION

LEGAL STRUCTURE

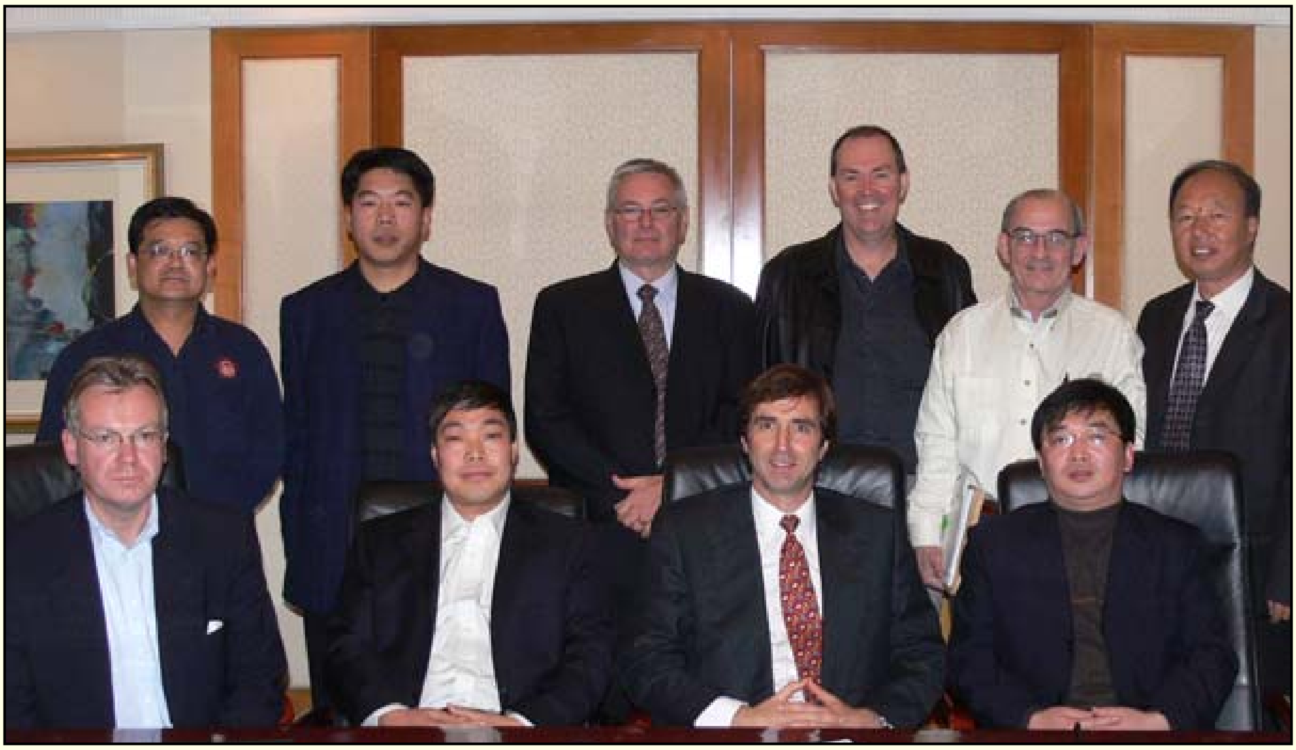
Griffin's initial interest in Caijiaying was obtained through the acquisition in 1997/98 of a 100% interest in China Zinc Pty Limited ("China Zinc") and its local Chinese subsidiary company, Hebei Hua' Ao.

Hebei Hua' Ao is a contractual co-operative joint venture entity established in 1994 in which Griffin, through 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 Resources and the Third Geological Brigade) have a 40% interest. Significantly, for the first three years of commercial production, 100% of the net cash flows from Caijiaying accrue to Griffin through 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 China when it received an exploration licence covering an area of 11.3 square kilometres in the Caijiaying area.

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 China when it was granted a mining licence over 1.56 square kilometres of the original 11.3 square kilometre licence area at Caijiaying. This is the area currently being mined at Caijiaying.

In January 2004, a second contractual joint venture company, Hebei Anglo, was formed to hold an exploration licence over 55.7 square kilometres surrounding the original 11.3 square kilometre licence area at Caijiaying and any further areas of interest in Hebei Province. Griffin, through its wholly owned UK subsidiary company Panda Resources Limited, has a 90% interest in Hebei Anglo. The other Chinese shareholders reflect those shareholders in Hebei Hua' Ao. Their 10% interest remains free carried until the commissioning of a full feasibility study on any new mineral deposits found by Hebei Anglo at which point they begin contributing to any further expenditure according to their joint venture interest.



Griffin Mining Limited and Hebei Hua' Ao Mining Industry Company directors and senior personnel.

Standing from left to right: **Ruilin Ji** (Finance Manager China), **Ren Pingjun** (JV Deputy General Manager), **Dal Brynelsen** (Director Griffin), **Dominic Claridge**, (Operations Manager), **William Mulligan** (Director Griffin), **Jeff Sun** (General Manager China)

Sitting from left to right: **Roger Goodwin** (Finance Director Griffin), **Pei Xiaodong** (JV Director), **Mladen Ninkov** (Chairman Griffin), **Jin Shengchang** (JV Director)

CAIJIAYING OPERATIONAL DEVELOPMENTS 2006/07

The Caijiaying mine operated throughout 2006 without any major accidents.

Both the mining and processing operations were successfully ramped up over the course of the year, with throughput increasing from a rate of 200,000 tonnes of ore per annum at the beginning of 2006 to 360,000 tonnes of ore per annum by December 2006. Although the mine and processing facilities were designed to mine and process 200,000 tonnes of ore per annum, 301,168 tonnes of ore were mined and 301,101 tonnes of ore were processed in 2006. Mill throughput of 30,154 in December 2006 was 81% above the design capacity of 16,666 tonnes per month.

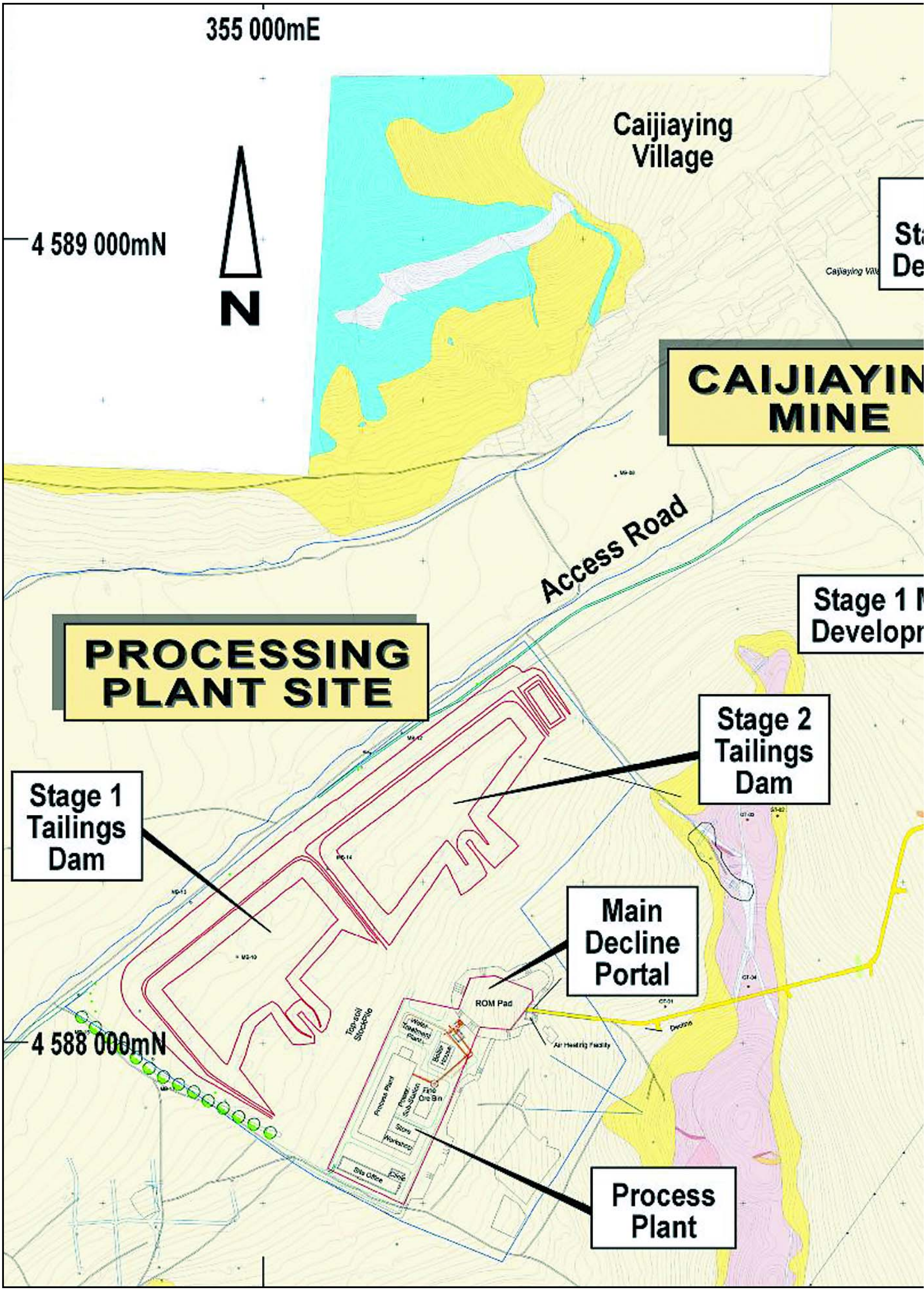
With the price of zinc quoted on the London Metals Exchange increasing from $1,910 at the beginning of 2006 to $4,330 at the end of 2006 the decision was made to reduce the Caijiaying mine's cut off grade to 1% zinc. This has had the effect of significantly increasing the economic mineral resource base, enabling mine production and throughput to be increased and extending the life of the mine. Despite the reduction in head grade, production of zinc metal in concentrate increased substantially. 20,138 tonnes of zinc metal in concentrate were produced in 2006 compared to 6,676 in 2005.

The ore mined at Caijiaying has proved to be particularly suited to the floatation circuit installed at Caijiaying. This has resulted in consistently high recovery rates of over 92%.

Production rates have continued to be steadily increased without the need for any major modifications to the processing facilities.

Following full commissioning in late 2005 the focus was to bring the mine and processing facilities up to full design capacity and to ensure their safe and efficient running. This was broadly achieved by March 2006 from which point, and as mine development allowed, the focus has been directed at increasing throughput whilst maintaining and where possible improving efficiencies.

A number of modifications to the processing facilities were identified soon after commissioning and these were made during the summer of 2006, including the installation of better heating and insulation systems to existing infrastructure. These changes proved to be highly successful and, as a result, operational downtime due to the cold weather in the winter of 2006 / 2007 has been eliminated.


355 000mE
4 589 000mN
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N
Caijiaying Village
CAIJIAYIN
MINE
Access Road
PROCESSING PLANT SITE
Stage 1 Tailings Dam
Stage 2 Tailings Dam
Main Decline Portal
Process Plant
ROM Pad
Stage 1 M
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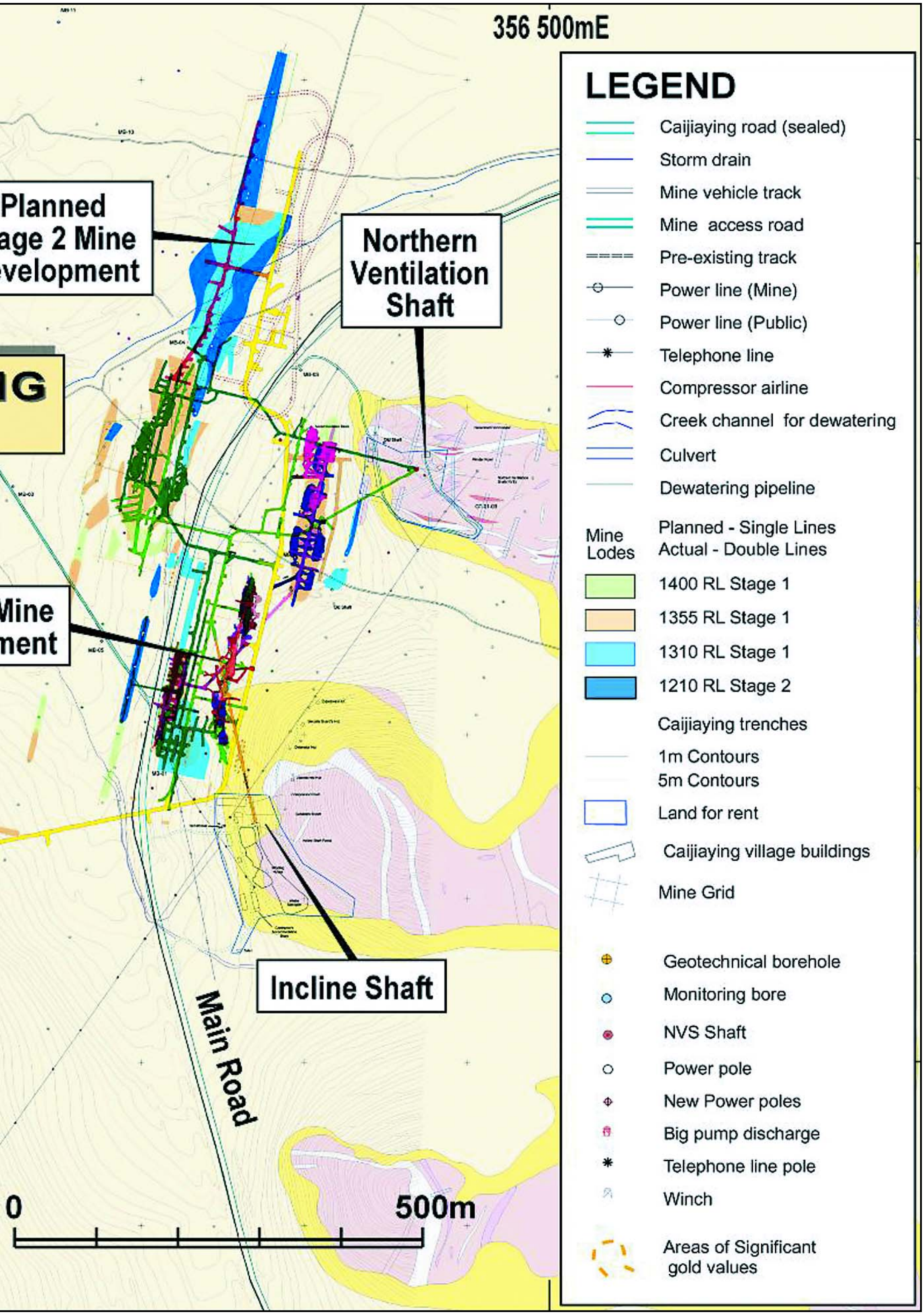
Top-soil Stockpile
Air Heating Facility
Decline
Fine Ore Bin
Process Plant
Site Office


356 500mE
Planned
age 2 Mine
evelopment
Northern
Ventilation
Shaft
IG
Mine
ment
Incline Shaft
Main Road
0
500m
LEGEND
Caijiaying road (sealed)
Storm drain
Mine vehicle track
Mine access road
Pre-existing track
Power line (Mine)
Power line (Public)
Telephone line
Compressor airline
Creek channel for dewatering
Culvert
Dewatering pipeline
Mine Lodes
Planned - Single Lines
Actual - Double Lines
1400 RL Stage 1
1355 RL Stage 1
1310 RL Stage 1
1210 RL Stage 2
Caijiaying trenches
1m Contours
5m Contours
Land for rent
Caijiaying village buildings
Mine Grid
Geotechnical borehole
Monitoring bore
NVS Shaft
Power pole
New Power poles
Big pump discharge
Telephone line pole
Winch
Areas of Significant
gold values

Excellent results from an ongoing underground grade control drilling programme, resulting in a resource upgrade, gave confidence to the Company to commission a feasibility study for the expansion of Caijiaying to process 500,000 tonnes of ore per annum by the end of summer 2007 with a further expansion to process 750,000 tonnes of ore per annum by 2008.

Upon completion of the feasibility study for the expansion of Caijiaying, the Company decided to move forward with the upgrade and appointed the Beijing General Research Institute of Mining & Metallurgy (BGRIMM) to provide the detailed engineering, and construction work required. Detailed engineering work is now being completed with construction about to commence.

The upgrade of the processing facilities will include the commissioning of a lead/gold/silver circuit to produce a second concentrate for sale in China. Initially this precious metals concentrate will contain mainly silver but, as the mine reaches the deeper gold bearing ore zones, greater quantities of gold should report to this concentrate.

The accommodation and support facilities at Caijiaying were upgraded during 2006, including the construction of a new accommodation block. Additional better quality accommodation is planned for 2007, to provide good quality accommodation for all senior national and international expatriate staff. This should assist the Group in attracting and retaining good quality personnel.

An indoor sports complex was also constructed which, although designed for a multitude of sporting activities, is also being used to host events for visiting Chinese and foreign dignitaries. A local school has also been given access to this facility during school hours.

MINE DEVELOPMENT

During 2006 underground development was centred mostly on the development and extraction of ore from the Chang Long, Hong Long, Jin Long and Fu Long lodes. The large Ju Long lode has only recently been accessed.

In 2006 some 4,000 meters of underground drives, rises and cross cuts were developed.

An underground pump station has been commissioned and a high voltage power supply has been installed into the underground workings.

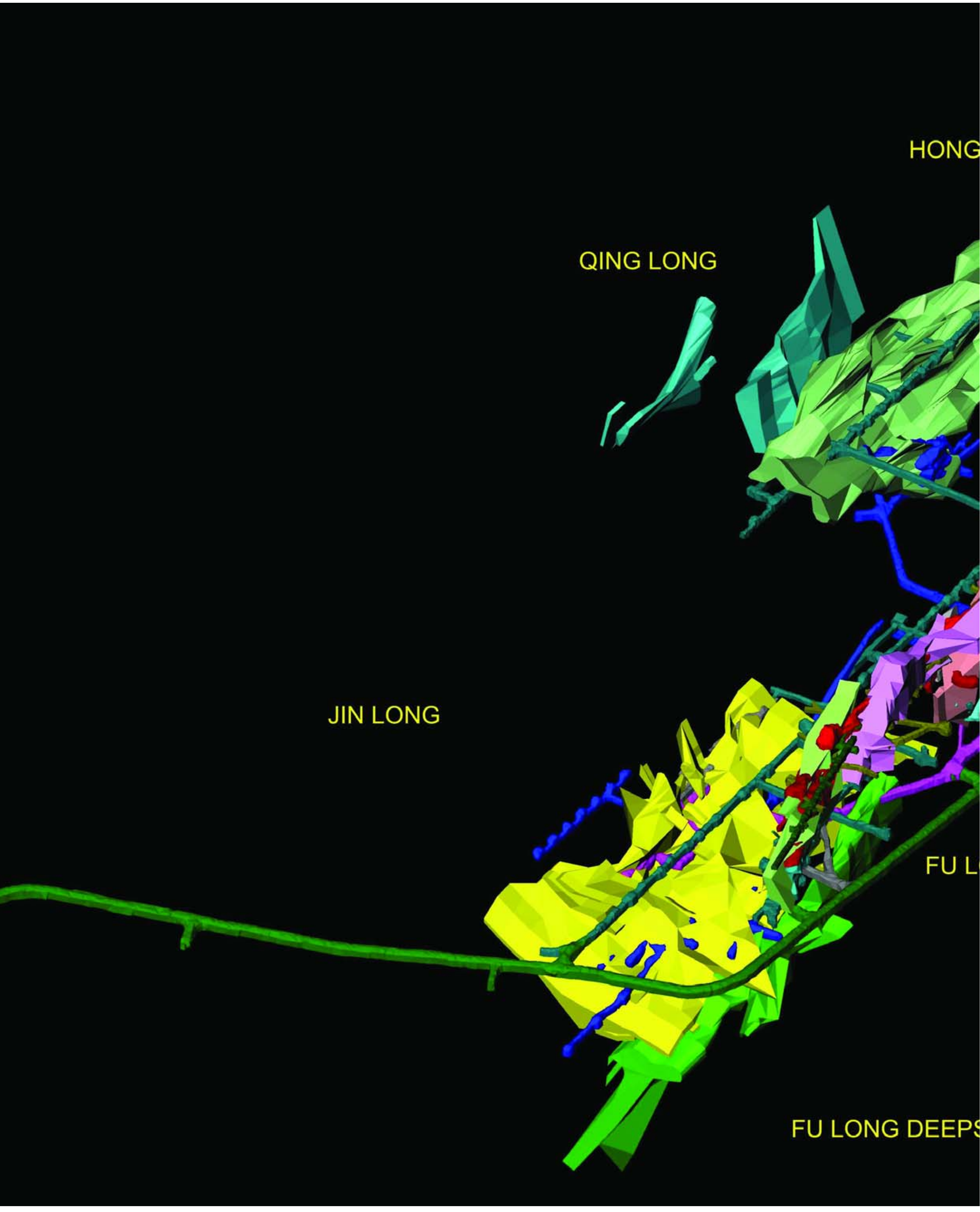
Due to the size of the lodes and expansion of operations, alternative mining methods have been considered. Long hole stoping has been introduced to increase ore extraction. By December 2006 long hole stoping accounted for over 50% of ore broken. Shrink stoping continues in the peripheral areas to maximise ore extraction.

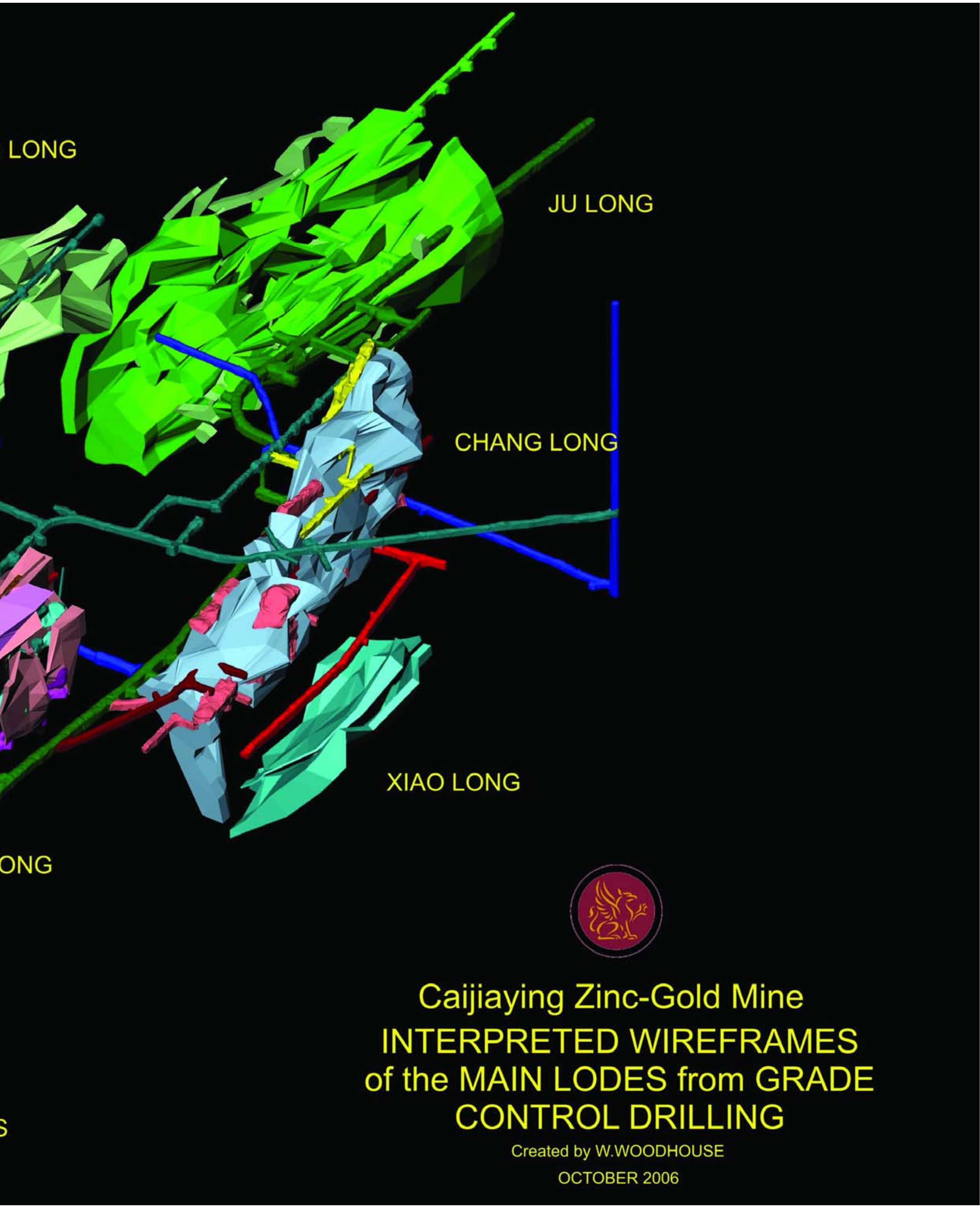
As part of the expansion plans for the Caijiaying mine, a backfill plant is to be constructed on site in 2007. The implementation of backfill to the mine compliments the process plant expansion, as fill material will be sourced from the process plant. During 2006 emphasis was given to clearly defining the larger ore zones. Underground grade control drilling continues to be focused on converting the pre-mining resource into the indicated and measured resource categories under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC code"), facilitating detailed mine design and forward mine planning.

By July 2006 there were four underground diamond drills operating 24 hours a day in three shifts.

Underground grade control drilling has been highly successful with the ore zones in the Chang Long, Hong Long and Ju Long lodes showing higher tonnes per vertical metre than earlier models had indicated.

In addition, drilling also focused on generating models for the smaller, less well defined lodes. Indications are that the Qing Long, Hei Long and Xiao Long lodes are more sizeable than initially thought.


HONG
QING LONG
JIN LONG
FU L
FU LONG DEEPS


LONG
JU LONG
CHANG LONG
XIAO LONG
ONG
S
Caijiaying Zinc-Gold Mine
INTERPRETED WIREFRAMES
of the MAIN LODES from GRADE
CONTROL DRILLING
Created by W.WOODHOUSE
OCTOBER 2006

Resource Estimate and Reconciliation

Following the first 18 months of mining operations and with the completion of approximately 52,700 metres of underground diamond drilling, a revised JORC compliant resource for Zone III at Caijiaying was prepared. The results of this revision lifted the contained metal in situ from approximately 1.2 to 3.0 million tonnes of zinc metal, from 0.2 to 1.6 million ounces of gold, and from 13.9 to 53.7 million ounces of silver.

Tabled below is a summary of the up-dated 2006 Mineral Resource for:

- the grade control drilled mine area; and
- the 2002 Mineral Resource for the non grade control drilled mine area, at both a 1% and 4% cut-off grade.

The aggregate resource is calculated by adding both the 2002 and 2006 resource estimates at a 1% cut-off grade. The 2006 Mineral Resource was estimated at a zinc cut-off grade of 1%.

Micromine 2002 Mineral Resource Estimate (Non Grade Control Drilling)

Category	Cut -off	Tonnes Millions	Metal Grade Zinc %	Metal Grade Gold g/t	Metal Grade Silver g/t	Contained Metal Zinc million tonnes	Contained Metal Gold million Oz	Contained Metal Silver million Oz
Indicated	1%	40.32	4.3	0.7	20	1.67	0.95	29.53
Inferred	1%	34.29	2.9	0.5	13	0.93	0.56	18.25
Total	**1%**	**74.61**	**3.6**	**0.6**	**17**	**2.60**	**1.51**	**47.78**
Indicated	4%	13.72	7.9	0.8	32	1.09	0.33	13.97
Inferred	4%	4.89	8.5	0.5	31	0.42	0.09	4.82
Total	**4%**	**18.61**	**8.1**	**0.7**	**32**	**1.51**	**0.42**	**18.79**

FinOre 2006 Mineral Resource Estimate (Grade Control Drilling)

Category	Cut -off	Tonnes Millions	Metal Grade Zinc %	Metal Grade Gold g/t	Metal Grade Silver g/t	Contained Metal Zinc million tonnes	Contained Metal Gold million Oz	Contained Metal Silver million Oz
Measured	1%	1.52	6.8	0.5	37	0.10	0.02	1.81
Indicated	1%	3.22	5.7	0.6	33	0.18	0.06	3.42
Inferred	1%	0.89	4.5	0.6	22	0.04	0.02	0.65
Total	**1%**	**5.63**	**5.8**	**0.6**	**32**	**0.32**	**0.10**	**5.88**

The information in this report that relates to the Mineral Resource estimates for the 2006 grade control drilled areas is based on information compiled by Mr C Fawcett BSc (Hons),G Dip Eng, MAusIMM, of FinOre Pty Ltd and the information relating to the 2002 non grade control drilled area by Mr D Pertel of Micromine Consulting Ltd. Mr Fawcett is a Member of The Australasian Institute of Mining and Metallurgy and Mr Pertel is a Member of the Australian Institute of Geoscientists. Both Mr Fawcett and Mr Pertel have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Fawcett consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The underground drilling used to re-estimate the Zone III resource covers less than 15% of the entire resource area defined for the original Caijiaying feasibility study in 2002.

The updated resource figures support the Company's decision to increase mine production to 750,000 tonnes of ore per annum by 2008. Significantly, the resource for silver and gold indicates that the inclusion of a precious metals circuit will generate significant cash flows for the Company.

With further development work, it is expected that a significant portion of the indicated resource will be converted to the measured category without any additional drilling. Almost six million tonnes of ore have already been confirmed in the indicated and measured categories since underground drilling commenced in 2004.

Drilling at the Ju Long lode has already identified almost 2.2 million tonnes of mineralisation at shallow depths that will be mined in the immediate future. The mineralisation is relatively wide, in places up to 25 metres thick, and is distributed within a tight fold. Within this fold there are significant areas of gold mineralisation.

A second decline is being developed off the main decline to access the lower levels of the Ju Long Lode expected to contain greater amounts of gold. In addition to allowing mining of the Ju Long Lode, the new decline will provide drilling access to definition drill the lower levels of the Ju Long Lode system which so far has not been adequately defined.

Drilling at the Fu Long Deeps Lode continues to almost 150 metres below the current mining level. The Fu Long Deeps Lode has been reported in the past as having a significant gold resource in its upper levels and it appears that this continues at depth. Drilling has confirmed good continuity of zinc and gold mineralisation for almost 170 metres down dip and is generally 15 metres thick. Further development and drilling work is required to determine the strike extent of this exciting part of this deposit before its size can be determined. The thickness and dip of this lode should enable ore to be extracted efficiently.

The Wo Long Lode is also showing good thickness and down dip continuity. The Wo Long lode is being characterised by some impressive zinc and gold intersections.

In addition to the bulk tonnages that are being pursued at Fu Long Deeps and Ju Long lodes, drilling has also targeted shallow lodes that have higher grades allowing ore to be extracted with minimal development. In this regard drilling has targeted the Qing Long Lode to the west and the Xiao Long Lode to the east. Both these lode systems are thick, steeply dipping, and located close to existing development allowing ore to be extracted relatively easily. The lodes contain higher grade material that will be used to add to the bulk


15
限速行驶
Speed limited
井下放炮时间
Firing Times
7:30 – 8:00
15:30 – 16:00
23:30 – 24:00
四轮驱动
低速行驶
Four-wheel-drive
lower speed drive
鸣笛
Horn
Helmet on
必须穿防护鞋
Must wear
protective shops
严禁酒后入井(坑)

tonnages that will be mined at the Ju Long and Fu Long Deeps to maintain mine feed grade.

Caijiaying Geology

Mineralisation is believed to have been emplaced during a 131-204 million year old volcanic episode that affected the 2.3 billion year old metamorphic basement rocks. The metamorphic basement rocks consist of amphibolites, felsic and calc-silicate gneisses, migmatites and marble. The base metal and gold mineralisation has replaced suitable horizons in the metamorphic rocks, most notably in the calc-silicates and marble. The sequence was then intruded by a set of porphyry sills and dykes, which have cut across the sequence, particularly along previous fault lines.

Caijiaying Exploration

As part of Griffin's commitment to locate and develop additional virgin resources in the Caijiaying area, 2006 saw the establishment of a full-time exploration division based at the Caijiaying mine. This development has allowed a wide range of exploration activities to be undertaken, both near the Caijiaying mine and also further afield.

Zone II

Two zinc targets drilled from surface in 2005 were drilled from the new, 147 metre long underground exploration decline at Zone II ("the Fox decline"). Over 1100 metres of underground diamond drilling has been completed from a drill cuddy at the end of this decline. Both targets trend north – south and have been named the Xi Long ("Western Dragon") lode and Dong Long ("Eastern Dragon") lode. While assay results have not been received to date, both targets have been confirmed with significant zinc, gold and silver intervals for the first five drill holes.

Much of this 2006 drilling was exploratory in nature and has better-defined the extent of mineralisation, which is greater than previously recognised. An ongoing programme including a minimum 4800 metres of further underground drilling and some incline or drive development is planned for 2007 to drill out these deposits at 20 metre x 40 metre spacing.

Area between Zones II & III

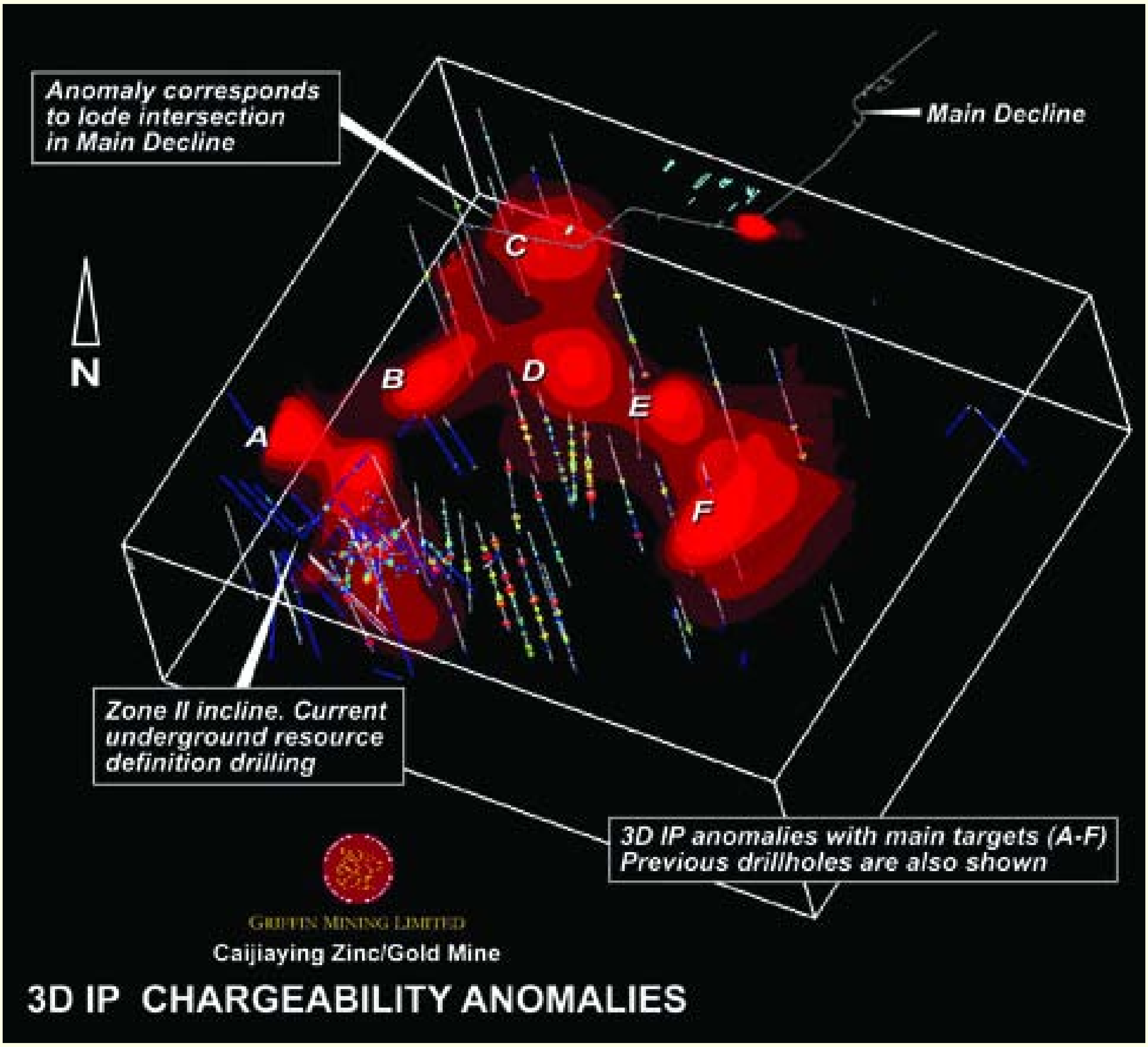
The area between Zones II and III has long been considered prospective for zinc deposits but drilling has proved difficult due to either local access restrictions or deep sandy overburden. To narrow down the search area, a sophisticated geophysical technique known as 3-dimensional Induced Polarization ("3D IP") was employed. Results show six prominent chargeability anomalies which are interpreted to reflect sulphides which have not been tested by previous drilling. These exciting new targets, situated adjacent to the mine at Zone III, are now being diamond drilled from accessible areas.

F45 Fault

In 2005, gold mineralisation was reported in two RC drill holes in epithermal quartz veins in the F45 fault zone, situated one kilometre south of the mine. In 2006, 11 RC drill holes were drilled along this structure for a total of 2223 metres, in order to test for extensions of this mineralisation. With the current full drilling programme, no further work is planned for this target in the immediate future.

Caijiaying Exploration Licence area

Two prominent ground magnetic anomalies detected at reconnaissance-scale in 2004 were revisited and surveyed in more detail in 2006. The most prominent of these anomalies has been estimated to contain 10% magnetite and covers an area of several hundred metres in length, width and depth. It is situated below a sand-covered valley near Hebaogou village, some 2.5 kilometres east of Zone



II. Surface diamond drilling is planned for this intriguing target, which was started in the spring of 2007, to test for any associated base-metals mineralisation.

To the northeast near Ershili Naobao village, several tight magnetic anomalies were detected off the flanks of a faulted porphyry intrusion which returned anomalous rock chip and soil geochemical results, particularly Au, Ag, Cu, Zn and Hg. Further soil sampling, trenching and IP surveys are planned in this area in 2007 to define drill targets for future exploration programmes.

Regional Exploration

Two exploration licences were applied for in 2005 to cover the north eastern extensions of the F45 fault zone. Licences for Sidougou ($36km^2$) and Xuetangying ($83km^2$) are expected to be issued shortly. Whilst these areas were initially selected as gold targets, they are now considered to be viable zinc exploration targets.

Reconnaissance mapping has shown that large parts of these licence areas are covered by volcanic rocks, consequently a portable infrared mineral analyzer ("PIMA") will be used to map alteration to detect any drilling targets in the metamorphic base rocks.

In addition to the work described above, Griffin's exploration division has compiled a regional database of mineral occurrences and has incorporated this data into a powerful Geographic Information System package. This will help in targeting new areas.

The Future

With the successful commissioning of the Caijiaying mine and processing facilities, Griffin has gained a well earned reputation as a mine developer, builder and operator in China. The Company is now uniquely placed to further expand its influence in the mining sector of the world's largest mineral producer. With this enhanced status, Griffin is being offered and continues to evaluate other high class mining projects held by various arms of the PRC's local, provincial and central governments. It is the Company's intention to acquire further economically robust mining projects to expand operations should they become available and should they meet the rigorous mining and economic standards demanded by the Company.

Griffin will continue to initiate and investigate transactions where its staff and consultants have particular expertise, in order to add further value to the Company.

Directors and Senior Executives

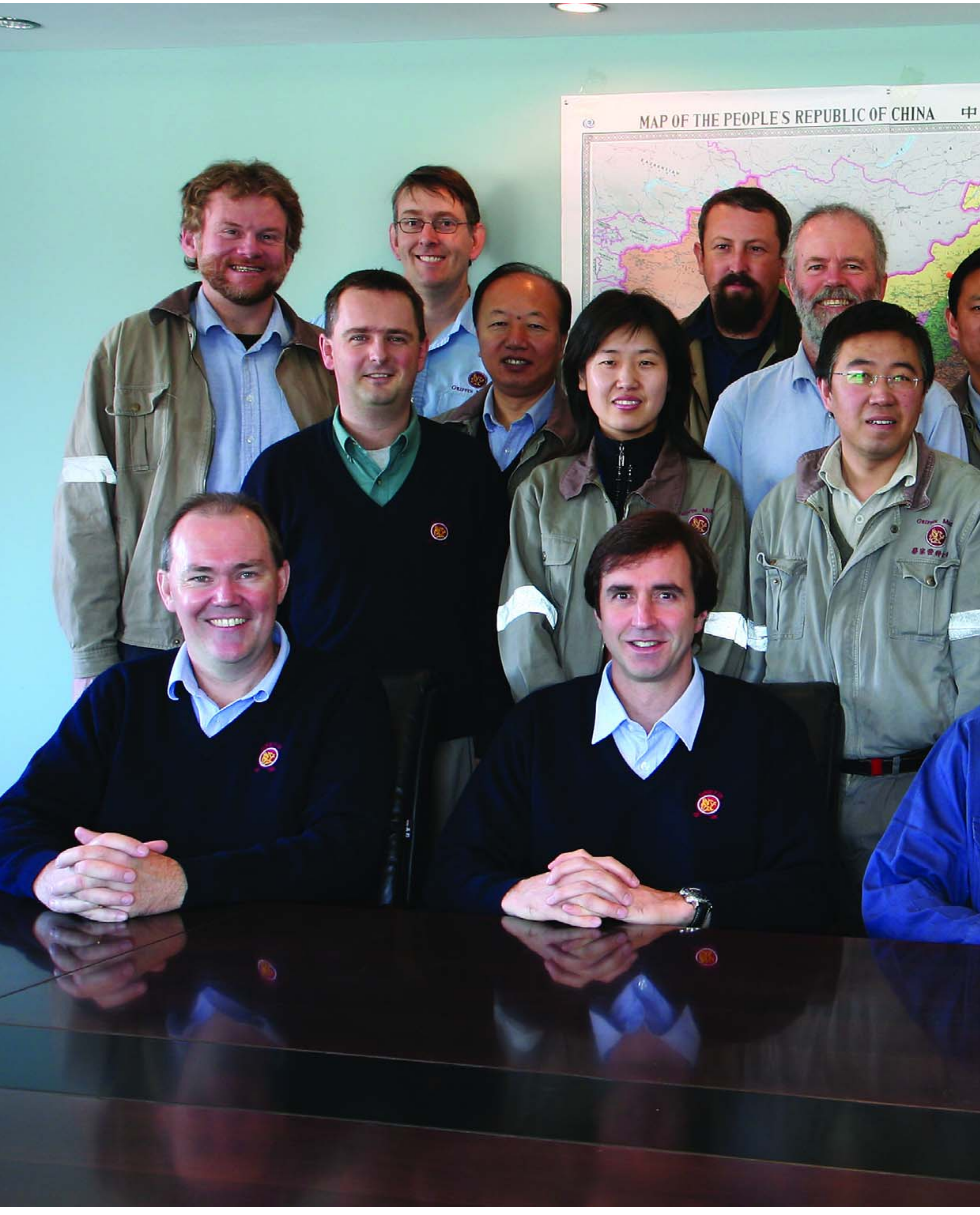
Directors:

Mladen Ninkov, Chairman, Australian, aged 45, 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 the 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 the Chairman and Managing Director of the Dragon Capital Funds management group, a director and Head of International Corporate Finance at ANZ Grindlays Bank 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 has been chairman and director of a number of both public and private mining companies.

Roger Goodwin, Finance Director, British, aged 52, 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, Canadian, aged 60, 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.

William Mulligan, Director, USA, aged 63, 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.


MAP OF THE PEOPLE'S REPUBLIC OF CHINA


华人民共和国地图

Directors and Senior Executives

Senior Executives:

Dominic Claridge, Operations Manager, Australian, aged 43 holds a degree in mining engineering from the University of Sydney (Australia). He has been involved in the mining industry for over 20 years having worked predominately with Australian mining companies, with short interludes in South Africa and Finland. He has worked in a variety of operations encompassing both underground and open cut mining, from small to medium sized mines. More recently he has worked in China as deputy general manager for an underground gold operation and was project manager for a new gold operation in Australia.

Jeff Haitian Sun, General Manager China, Chinese, aged 46, 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.

Timothy Blyth, Operations Manager Caijiaying, Australian, aged 47, holds an Associate Diploma in Geology from the Canberra Institute of Technology and has 24 continuous years experience in the Australian mining industry, with the last 10 years in senior management positions. Having started as an underground geologist, he also has significant experience of open pit mining. Prior to joining Griffin he spent the previous 5 years as Operations Manager and Project Manager for Hill 50 Gold, Harmony and Perilya. Previously he was a Chief Geologist (Geology Manager) for 5 years for Sons of Gwalia and then Hill 50 Gold.

Ruilin Ji, Deputy Manager Operations Caijiaying and Finance Manager China, aged 41, holds a degree in mining engineering from the Hebei Tangshan Engineering and Technology Institute, China, and a Masters in Business and Administration, from the Monash University, Australia. Prior to joining the Griffin Group he was Sino Gold Limited's Senior Finance Manager for China.

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 2006.

Financial results

The Group profit before taxation, amounted to US$29,545,000 (2005 – US$311,000). Withholding taxation of US$75,000 has been charged (2005 - nil). The Group profit after taxation amounted to US$29,470,000 (2005 – US$311,000) and has been credited to reserves.

The profit per share amounted to 16.02 cents (2005 – 0.17 cents). The attributable net asset value per share at 31 December 2006 amounted to 35 cents (2005 - 18 cents).

The Directors declare a dividend of 3 cents per ordinary share in the Company.

Principal activities

The principal activity of the Group is that of mining and exploration. A review of the Group's operations for the year ended 31 December 2006 and the indication of likely future developments are set out on pages 8 to 26.

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 2006 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2006			At 1 January 2006	
	Ordinary shares No.	Options over ordinary shares		Ordinary shares No.	Options over ordinary shares
		Exercisable at 65 pence	Exercisable at 30 pence		Exercisable at 30 pence
Mladen Ninkov	33,001	2,000,000	6,000,000	33,001	6,000,000
Roger Goodwin	311,163	575,000	1,700,000	311,163	1,700,000
Dal Brynelsen	1	200,000	600,000	1	600,000
William Mulligan	300,001	200,000	600,000	300,001	600,000

The options exercisable at 30 pence per share entitled the holder to subscribe for new ordinary shares in the Company on or before the 28 February 2007.

The options exercisable at 65 pence per share entitle the holder to subscribe for new ordinary shares in the Company on or before the 28 February 2009.

All of the Directors' interests detailed are beneficial.

Directors' Report

On 11 January 2007 the Company was notified of the exercise of options granted to the directors and management in March 2004 over 9,266,667 new ordinary shares in the Company at an exercise price of 30p per share to raise £2,780,000 for the Company.

The Company was further notified that on 11 January 2007 9,000,000 ordinary shares issued on the exercise of the Options had been placed with a major institutional investor at a price of £1.11 per share. The Options have been exercised by, and the new ordinary shares issued have been transferred by, the following:

	Number of Options exercised	Number of shares retained
Kimble International Inc	6,000,000	-
Roger Goodwin (Director)	1,700,000	266,667
Dal Brynelsen (Director)	600,000	-
William Mulligan (Director)	600,000	-
Other management	366,667	-
Total	9,266,667	266,667

The Company was notified that Kimble International Inc acquired the options over 6,000,000 new ordinary shares in the Company on the 8 January 2007 from Frick Pty Ltd (a company associated with the Chairman of Griffin, Mr Mladen Ninkov).

On 14 February 2007 the Company agreed to grant further options over 10,000,000 new ordinary shares to directors and key employees of the Company (the "new options"). Each new option entitles the holder to subscribe for new ordinary shares in the Company at an exercise price of 110 pence per new ordinary share on or before 28 February 2010. The new options will vest with each option holder in 3 separate and equal instalments amounting to 1.6% of the enlarged share capital of the Company per annum as follows:

a. The first third of each holder's new options will vest on 31 December 2007;

b. The second third of each holder's new options will vest on 31 December 2008; and

c. The last third of each holder's new options will vest on 31 December 2009.

The new options will not vest if an employee or a director resigns or leaves the Company for cause 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.

Upon exercise of these and existing options granted, the resulting new ordinary shares will represent approximately 7.41 per cent of the Company's enlarged issued share capital. Existing options currently vested represent approximately 2.75 per cent. of the Company's enlarged share capital.

DIRECTORS' REPORT

The new options have been allocated as follows:

	Number of options to subscribe for one new ordinary share in the Company		
	New options granted on 14 February 2007	Total number of outstanding options granted*	Total number of options vested
Directors:			
Mladen Ninkov (Chairman)	6,000,000	8,000,000	2,000,000
Roger Goodwin (Finance Director)	1,200,000	1,775,000	575,000
Dal Brynelsen (Director)	400,000	600,000	200,000
William Mulligan (Director)	400,000	600,000	200,000
Management:			
Key personnel	2,000,000	4,500,000	2,500,000
Total	10,000,000	15,475,000	5,475,000

* after exercise of options on 11 January 2007

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, other than their shareholding, 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

Bermudan 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.

In so far as the directors are aware:

- there is no relevant information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

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

Roger Goodwin
Finance Director and Company Secretary
30 April 2007
London

REPORT OF THE INDEPENDENT AUDITOR

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GRIFFIN MINING LIMITED

We have audited the financial statements of Griffin Mining Limited for the year ended 31 December 2006 which comprise the consolidated income statement, the consolidated balance sheet, the statement of changes in equity, the consolidated cash flow statement, the accounting policies, and notes 1 to 22. These financial statements have been prepared 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 (2) of the Bermudan 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 AUDITOR

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Bermudan 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 International Standards on Auditing (United Kingdom and Ireland).

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 International Standards on Auditing (United Kingdom and Ireland) 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 in accordance with International Financial Reporting Standards of the state of the Group's affairs at 31 December 2006 and of its profit for the year then ended, and have been properly prepared in accordance with the provisions of the Bermudan Companies Act 1981 and the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
30 April 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006
(expressed in thousands US dollars)

	Notes	2006	2005
		$000	$000
Revenue	1	**42,802**	6,120
Cost of sales	1	**(8,516)**	(2,440)
Gross profit		**34,286**	3,680
Net operating expenses	1	**(6,142)**	(3,254)
Profit from operations	2	**28,144**	426
Foreign exchange gains / (losses)		**789**	(411)
Finance income	4	**612**	296
Profit before tax		**29,545**	311
Income tax expense	5	**(75)**	-
Profit after tax attributable to equity share owners for the financial year		**29,470**	311
Basic earnings per share (cents)	6	**16.02**	0.17
Diluted earnings per share (cents)	6	**15.45**	0.17

CONSOLIDATED BALANCE SHEET

As at 31 December 2006
(expressed in thousands US dollars)

	Notes	2006 $000	2005 $000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**32,087**	27,070
Intangible assets – Exploration interests	8	**842**	419
		32,929	27,489
Current assets			
Inventories		**1,104**	1,620
Other current assets	9	**1,064**	947
Available-for-sale financial assets	10	**-**	63
Cash and cash equivalents		**34,081**	6,663
		36,249	9,293
Total assets		**69,178**	36,782
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	**1,841**	1,838
Share premium	14	**39,166**	39,040
Contributing surplus	15	**3,690**	3,690
Share based payments		**2,553**	842
Other reserves	16	**297**	-
Foreign exchange reserve	17	**479**	215
Profit and loss reserve		**16,432**	(12,740)
Total equity		**64,458**	32,885
Non-current liabilities			
Long-term provisions	11	**384**	372
Current liabilities			
Trade and other payables		**4,336**	3,525
Total liabilities		**4,720**	3,897
Total equities and liabilities		**69,178**	36,782
Number of shares in issue		**184,061,064**	183,827,731
Attributable net asset value / total equity per share	18	**$0.35**	$0.18

The accounts on pages 36 to 53 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

30 April 2007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006
(expressed in thousands US dollars)

	Share capital $000	Share premium $000	Contributing surplus $000	Share based payments $000	Other reserves $000	Foreign exchange reserve $000	Profit and loss reserve $000	Total $000
At 31 December 2004	1,773	36,594	3,690	509	-	(143)	(13,087)	29,336
Exchange differences on translating foreign operations	-	-	-	-	-	358	-	358
Net income recognised directly in equity	-	-	-	-	-	358	-	358
Profit for the year	-	-	-	-	-	-	311	311
Total recognised income and expenses in the year	-	-	-	-	-	358	311	669
Issue of share capital	65	2,446	-	-	-	-	-	2,511
Cost of share based payments	-	-	-	333	-	-	-	333
Movement in fair value of financial assets	-	-	-	-	-	-	36	36
At 31 December 2005	1,838	39,040	3,690	842	-	215	(12,740)	32,885
Exchange differences on translating foreign operations	-	-	-	-	-	264	-	264
Net income recognised directly in equity	-	-	-	-	-	264	-	264
Profit for the year	-	-	-	-	-		29,470	29,470
Total recognised income and expenses in the year	-	-	-	-	-	264	29,470	29,734
Transfer	-	-	-	-	297	-	(297)	-
Issue of share capital	3	126	-	-	-	-	-	129
Cost of share based payments	-	-	-	1,711	-	-	-	1,711
Movement in fair value of financial assets	-	-	-	-	-	-	(1)	(1)
At 31 December 2006	1,841	39,166	3,690	2,553	297	479	16,432	64,458

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006
(expressed in thousands US dollars)

	Notes	2006 $000	2005 $000
Net cash flows from operating activities			
Profit before taxation		**29,545**	311
Foreign exchange (gains) / losses		**(789)**	411
Taxation paid		**(75)**	-
Finance income		**(612)**	(296)
Adjustment in respect of share based payments		**1,711**	333
Depreciation, depletion and amortisation	7	**890**	557
Decrease / increase in inventories		**516**	(1,620)
(Increase) in other current assets		**(117)**	(671)
Increase in trade and other payables		**811**	2,640
Net cash inflow from operating activities		**31,880**	1,665
Cash flows from investing activities			
Interest received	4	**612**	296
Receipts on sale of investments		**63**	-
Payments to acquire intangible fixed assets	8	**(414)**	(376)
Payments to acquire tangible fixed assets – mineral interests	7	**(2,829)**	(6,949)
Payments to acquire tangible fixed assets – plant and equipment	7	**(2,504)**	(3,409)
Payments to acquire tangible fixed assets – other	7	**(9)**	(9)
Net cash (outflow) from investing activities		**(5,081)**	(10,447)
Cash flows from financing activities			
Issue of ordinary share capital	12/14	**129**	2,511
		129	2,511
Increase/(decrease) in cash and cash equivalents		**26,928**	(6,271)
Cash and cash equivalents at beginning of the year		**6,663**	12,985
Effects of exchange rate changes		**490**	(51)
Cash and cash equivalents at the end of the year		**34,081**	6,663

Cash and cash equivalents comprise bank deposits.

Included within the net cash inflows of $26,928,000 (2005 outflow $6,271,000) are foreign exchange gains / losses of $789,000 (2005 losses $411,000) which have been treated as realised.

Accounting Policies

Basis of accounting

The accounts have been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies adopted are detailed below:

Accounting convention

The accounts have been prepared under the historical cost convention, except for financial assets and share based payments which are measured at fair value.

Accounting Policies

From 1 January 2005 the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (ASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the ASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group financial statements.

Consolidation basis

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings drawn up to 31 December each year. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Under the terms of the joint venture contract establishing the Hebei Hua' Ao Mining Industry 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 Industry Company Limited is recognised in these financial statements as Griffin Mining Limited is entitled to 100% of the cash flows for the first 3 years production commencing July 2005.

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

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group and comprises amounts received, net of VAT and production royalties, from sales of metal concentrates to third party customers. Sales are made on a cash on delivery / collection basis and are recognised on collection or delivery of the concentrate from the Group's processing facilities.

Accounting Policies

Non current assets

Intangible assets - exploration cost

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 mineral interests 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.

Property, plant and equipment

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.

Property, plant and equipment are shown at cost less depreciation and provisions for impairment in value (see note 7).

Depreciation

All costs capitalised (mineral interest, mill and mine equipment) within an area of interest, are amortised 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.

Impairment

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.

Impairment assessments are based upon a range of estimates and assumptions:

Estimate / assumption	Basis
Future production	Proven and probable reserves and resource estimates together with processing capacity
Commodity prices	Forward market and longer term price estimates
Exchange rates	Current market exchange rates
Discount rates	Cost of capital risk

Mine closure costs

Mining operations are generally required to restore mine and processing sites at the end of their lives to a condition acceptable to the relevant authorities and consistent with the Group's environmental policies. Whilst the Group strives to maintain and where possible enhance the environment of the Group's processing sites, provision is made for site restoration costs in the accounts in accordance with local requirements.

Accounting Policies

Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Consumable stores and spares, at purchase costs on a first in first out basis
- Concentrate stockpiles at cost of direct materials, power, labour, and a proportion of site overhead
- Ore stockpiles at cost of direct material, power, labour contractor charges and a proportion of site overhead

Financial assets

Financial assets, other than hedging instruments, are divided into the following categories: loans and receivables; financial assets at fair value through the profit or loss; and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs, unless they are classified as at fair value through profit or loss. Financial assets classified as at fair value through profit or loss are initially recognised at fair value.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date.

Interest and other cash flows resulting from holding financial assets are recognised in the income statement when receivable, regardless of how the related carrying amount of financial assets is measured.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired. Marketable securities listed or traded on a recognised stock exchange are valued at the bid market price on such exchange or market.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when appropriate.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

ACCOUNTING POLICIES

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities have been translated at rates in effect at the balance sheet date. Any realised or unrealised exchange adjustments have been charged or credited to income.

On consolidation the accounts of overseas subsidiary undertakings are translated into the presentation currency of the Group 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 classified within equity and is taken directly to the foreign exchange reserve. All other translation differences are taken to the profit and loss account.

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "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.
- "Share based payments" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Other reserves" comprises a statutory retained earnings reserve under PRC law for future investment by Hebei Hua' Ao.
- "Foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Profit and loss reserve" represents retained profits and losses.

EQUITY SETTLED SHARE BASED PAYMENTS

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2005 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, production upgrades).

Accounting Policies

All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to "Share based payments" in the balance sheet.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital.

For the financial year ended 31 December 2006 the application of the accounting standard has resulted in a net decrease in the profit for the year of $1,711,000.

Significant judgements and estimates

In formulating accounting policies the directors are required to apply their judgement, and where necessary engage professional advisors, with regard to the following significant areas:

- Expenditure capitalised as intangible fixed assets (note 8)
- Expenditure capitalised as property, plant & equipment (note 7)
- Impairment review assumptions (note 8)
- Provisions for mine closure costs (note 11)
- Share based payments (note 13)

The directors continually monitor the basis on which their judgements are formulated. Where required they will make amendments to these judgements. Where judgements and estimates are amended between accounting periods, full disclosure of the financial implications are given within the relevant notes to the Group accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENTAL REPORTING

The Group has one business segment, the Caijiaying zinc gold project in the Peoples Republic of China, which is its primary segment for the purposes of financial reporting. All sales and costs of sales in 2006 and 2005 were derived from the Caijiaying zinc gold project. There were no sales prior to 30 June 2005. All operating costs in respect of the Caijiaying zinc gold project prior to 30 June 2005 have been capitalised in accordance with the Group's accounting policies.

	2006	2005
	$000	$000
REVENUES		
China	**42,802**	6,120
COST OF SALES		
China	**8,516**	2,440
NET OPERATING EXPENSES		
China	**(3,434)**	(1,574)
Australia	**(30)**	(30)
United Kingdom	**(2,678)**	(1,650)
	(6,142)	(3,254)

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

	2006	2005
TOTAL ASSETS		
China	**50,207**	30,511
Australia	**382**	251
United Kingdom	**18,589**	6,020
	69,178	36,782
CAPITAL EXPENDITURE		
China	**5,747**	10,734
Australia	**-**	-
United Kingdom	**9**	9
	5,756	10,743

2. PROFIT FROM OPERATIONS

Profit from operations is stated after charging

	2006	2005
	$000	$000
Depreciation depletion and amortisation	**(890)**	(557)
Staff costs	**(2,071)**	(1,140)
Fair values of options granted to directors and management	**(1,711)**	(333)

	No.	No.
Average number of persons employed by the Group in the year	**200**	137

Notes to the Financial Statements

3. Directors' and key personnel remuneration

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

	Fees	Salary	Share based payments	**Total 2006**	Total 2005
	$000	$000	$000	**$000**	$000
Mladen Ninkov	-	-	-	**-**	-
Dal Brynelsen	50	-	67	**117**	58
Roger Goodwin	-	281	193	**474**	293
William Mulligan	50	-	67	**117**	58
Key personnel	-	570	710	**1,280**	360

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $747,750 (2005 $604,000), 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. Mladen Ninkov is a director and employee of Keynes Capital.

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

a. The first third of each holder's options vested on grant thereof;

b. The second third of each holder's options vested upon the commissioning of the plant at Caijiaying; and

c. The last third of each holder's options vested upon the announcement of the upgrade in the throughput of the Caijiaying plant to 500,000 tonnes per year.

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
Key personnel	600,000
Total	9,500,000

On 15 March 2006 the Directors agreed to grant further options over 5,475,000 new ordinary shares to key employees and the directors of the Company (the "New Options"). Each New Option entitles the holder to subscribe for new ordinary shares in the Company at an exercise price of 65 pence per new ordinary share on or before 28 February 2009. The New Options vested with each option holder in 3 separate and equal instalments as follows:

a. The first third of each holder's New Options vested when granted;

b. The second third of each holder's New Options vested on 30 June 2006; and

c. The last third of each holder's New Options vested on 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS

3. DIRECTORS' AND KEY PERSONNEL REMUNERATION (CONTINUED)

These Options have been allocated as follows:

	New options granted	Total number of options granted	Options exercised	Total number of options vested at 31 December 2006
	No.	No.	No.	No.
Directors:				
Mladen Ninkov	2,000,000	8,000,000	-	8,000,000
Roger Goodwin	575,000	2,275,000	-	2,275,000
Dal Brynelsen	200,000	800,000	-	800,000
William Mulligan	200,000	800,000	-	800,000
Key personnel	2,500,000	3,100,000	(233,333)	2,866,667
Total	5,475,000	14,975,000	(233,333)	14,741,667

4. FINANCE INCOME

	2006	2005
	$000	$000
Bank and short term interest	**612**	296

5. INCOME TAX EXPENSE

	2006	2005
	$000	$000
Taxation on profit on ordinary activities		
UK corporation tax	**-**	-
Overseas taxation	**75**	-
Taxation charge in income statement	**75**	-

Factors affecting total current corporate tax charge for the year

	2006	2005
	$000	$000
Profit on ordinary activities multiplied by the UK standard rate of corporation tax 30% (2005: 30%) as previously reported	**8,866**	93
Expenses not deductible for tax purposes	**514**	104
Capital allowances in excess of depreciation	**(10)**	-
(Losses) brought forward / losses carried forward	**-**	(197)
Effects of overseas rates of taxation	**(9,295)**	-
	75	-

The Company ceased to be resident in the United Kingdom for taxation purposes on 14 November 2006 and at the balance sheet date was no longer within the charge to United Kingdom corporation tax. Taxation and capital losses carried at 13 November 2006 were extinguished at the point of migration.

The overseas taxation shown above is withholding tax applied on outbound inter company interest payments from China.

The Group benefits from a taxation holiday in China until 2008 and does not pay taxation on its trading profits until 2008.

Notes to the Financial Statements

6. Earnings per share

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

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

	2006			2005		
	Earnings $000	**Weighted average number of shares**	**Per share amount (cents)**	Earnings $000	Weighted average number of shares	Per share amount (cents)
Basic earnings per share						
Earnings attributable to ordinary shareholders	**29,470**	**183,931,840**	**16.02**	311	180,639,032	0.17
Dilutive effect of securities						
Options		**6,820,134**			3,677,894	
Diluted earnings per share	**29,470**	**190,751,974**	**15.45**	311	184,316,926	0.17

7. Property, plant and equipment

	Mineral interests $'000	**Mill and mine equipment $'000**	**Office furniture and equipment $'000**	**Total $'000**
At 1 January 2005 net of accumulated depreciation	11,770	5,109	15	16,894
Foreign exchange adjustments	190	176	-	366
Additions during the year	6,949	3,409	9	10,367
Transfers	(410)	410	-	-
Depreciation charge for the year	(122)	(429)	(6)	(557)
At 31 December 2005	18,377	8,675	18	27,070
Foreign exchange adjustments	236	329	-	565
Additions during the year	2,829	2,504	9	5,342
Depreciation charge for the year	(222)	(660)	(8)	(890)
At 31 December 2006	21,220	10,848	19	32,087
At 1 January 2005				
Cost	11,770	5,109	40	16,919
Accumulated depreciation	-	-	(25)	(25)
Net carrying amount	11,770	5,109	15	16,894
At 31 December 2005				
Cost	18,501	9,110	37	27,648
Accumulated depreciation	(124)	(435)	(19)	(578)
Net carrying amount	18,377	8,675	18	27,070
At 31 December 2006				
Cost	**21,574**	**11,970**	**46**	**33,590**
Accumulated depreciation	**(354)**	**(1,122)**	**(27)**	**(1,503)**
Net carrying amount	**21,220**	**10,848**	**19**	**32,087**

Notes to the Financial Statements

7. Property, plant and equipment (continued)

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 office furniture and equipment disclosed above relates solely to the fixed assets of the Company.

8. Intangible assets

Exploration interests
China – Zinc / gold

	$000
At 1 January 2005	39
Foreign exchange adjustments	4
Additions during the year	376
At 31 December 2005	419
Foreign exchange adjustments	9
Additions during the year	414
At 31 December 2006	842

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.

9. Other current assets

	2006	2005
	$000	$000
Other receivables	**565**	107
Prepayments	**499**	840
	1,064	947

10. Available-for-sale financial assets

	2006	2005
	$000	$000
Quoted (cost 2006 $374,000 - 2005 $878,000)	**-**	63

Quoted securities are valued at the bid market price and are classified as available for sale.

Notes to the Financial Statements

11. Long-term provisions

Provisions for mine closure costs	2006	2005
	$000	$000
At 1 January	372	-
Provisions made during the financial year and transferred to fixed assets	-	367
Foreign exchange adjustments	12	5
At 31 December	384	372

Provision for mine closure costs are estimated by reference to local regulatory requirements. Subject to adverse changes in commodity prices, mine closure is not expected in the foreseeable future. Planned annual production rates in the near term equate to less than 1% of the total estimated resource at Caijiaying at a 1% grade cut off.

12. Share capital

	2006		2005	
	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	183,827,731	1,838	177,327,731	1,773
Issued during the year	233,333	3	6,500,000	65
At 31 December	184,061,064	1,841	183,827,731	1,838

On 22 June 2006 33,333 new ordinary shares in the Company were allotted at 30 UK pence ($0.52) per ordinary share on the exercise of options.

On 26 July 2006 200,000 new ordinary shares in the Company were allotted at 30 UK pence ($0.55) per ordinary share on the exercise of options.

13. Share options and warrants

	At 1 January 2006 Number	Exercised /Granted Number	At 31 December 2006 Number
Options exercisable at 30 pence per share at anytime up to 28 February 2007	3,166,666	(116,666)	3,050,000
Options exercisable at 30 pence per share from commencement of production to 28 February 2007	3,166,667	(116,667)	3,050,000
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
Options exercisable at 65 pence per share to 28 February 2009	-	5,475,000	5,475,000
	9,500,000	5,241,667	14,741,667

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE OPTIONS AND WARRANTS (CONTINUED)

The following table shows the number and weighted average exercise price of all the unexercised share options and warrants at the year end:

	2006 Number	**2006** Weighted average exercise price	2005 Number	2005 Weighted average exercise price
Outstanding at 1 January	**9,500,000**	**30.0**	17,000,000	26.9
Granted during the year	**5,475,000**	**65.0**	-	-
Exercised during the year	**(233,333)**	**30.0**	(6,500,000)	21.5
Lapsed during the year	-		(1,000,000)	32.5
Outstanding at 31 December	**14,741,667**	**43.0**	9,500,000	30

The estimated value of the options exercisable at 30p up to 28 February 2007, which vested in 3 tranches of 3,166,667 each, were 10.40p, 10.91p and 11.65p . The estimated value of the options exercisable at 65p up to 28 February 2009, which vested in 3 tranches of 1,825,000 each, were 14.81p, 14.93p and 15.10p. All the options exercisable at 65p vested in 2006.

Inputs into the Binomial valuation model were as follows:

	Options expiring 28 February 2007	Options expiring 28 February 2009
Share price	29.75p	65.75p
Exercise price	30p	65p
Expected volatility	55%	30%
Risk free rate	4.64%	4.31%
Dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price with reference to the correlation with the zinc price and zinc price volatility over the same period. The Binomial model used assumes that the options will be exercised early when the share price exceeds the exercise price by a multiple of two.

The Group recognised a total expense of $1,711,000 (2005: $333,000) during the year ended 31 December 2006 relating to equity settled share option scheme transactions.

14. SHARE PREMIUM

	2006 **$000**	2005 $000
At 1 January	**39,040**	36,594
Premium on shares issued in year	**126**	2,446
At 31 December	**39,166**	39,040

15. CONTRIBUTING SURPLUS

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

16. Other Reserves

	2006	2005
	$000	$000
At 1 January	-	-
Transferred from profit and loss in year	297	-
At 31 December	297	-

Other reserves comprise a statutory retained earnings reserve under PRC law for future investment by Hebei Hua' Ao.

17. Foreign exchange reserve

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.

18. Attributable net asset value / total equity per share

The attributable net asset value / total equity per share has been calculated from the consolidated net assets / total equity of the Group at 31 December 2006 of $64,458,000 ($32,885,000 at 31 December 2005) divided by the number of ordinary shares in issue at 31 December 2006 of 184,061,064 (183,827,731 at 31 December 2005).

19. Risk management

The Group is exposed to a variety of financial risks which result from its operating and investing activities. The Group's risk management is coordinated by its senior management and executive directors and focuses on actively securing the Group's short-to-medium term cash flows.

Foreign Currency Risk

The majority of the Group's operational and financial cash flows are denominated in Renminbi and United States Dollars with sterling bank deposits held to cover future sterling expenditure estimates.

Currently the Group does not carry out any significant operations in currencies outside the above.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the government of the PRC.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits with floating interest rates. The Group currently does not have an interest rate hedging policy.

Commodity risk

The Group is exposed to the risk of changes in commodity pices and in particular that for zinc. The Group currently sells its zinc concentrate production by way of open auctions in China. The Group currently does not hedge its zinc production.

Notes to the Financial Statements

20. Financial instruments

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.

In the normal course of its operations the Group is exposed to commodity price, 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.

Commodity prices are monitored on a regular basis to ensure the Group receives fair value for its products.

21. Subsidiary companies

At 31 December 2006, Griffin Mining Limited had interests in the share capital of the following principal subsidiary companies.

Name	Class of Share held	Proportion of shares held	Nature of business	Country of incorporation
China Zinc Pty Ltd	Ordinary	100%	Holding company	Australia
Hebei Hua' Ao Mining Industry Company Ltd*		100% (reducing to 60% after 3 years from commercial production)**	Zinc mining and development	China
Panda Resources Ltd	Ordinary	100%	Holding company	England
Hebei Sino Anglo Mining Development Company Ltd*		90%	Mineral 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 Industry 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 Industry 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. A minority interest will be disclosed from the time the third party becomes interested in the cash flow.

22. Related party transactions

At 31 December 2006 Hebei Hua' Ao Mining Industry Company Limited had advanced Rmb 3,000,000 ($384,000) to the 3rd Geological Brigade of the Hebei Province, a partner in the local Chinese entity (the Caijiaying Lead Zinc Preparatory Committee), that holds a 40% interest in Hebei Hua' Ao. At 31 December 2006 Hebei Hua' Ao had advanced Rmb 603,240 ($77,000) to the Caijiaying Lead Zinc Preparatory Committee. Both these loans are non-interest bearing and repayable from their future share of the profits of Hebei Hua' Ao, commencing in 2008.

CORPORATE INFORMATION

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Directors:	Mladen Ninkov (Chairman) Roger Goodwin (Finance Director) Dal Brynelsen William Mulligan
Company Secretary:	Roger Goodwin
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