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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.

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CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you, the shareholders of Griffin Mining Limited ("Griffin" or the "Company"), the 2007 Annual Report and Accounts. It has been yet another extraordinary year in the life of your company.

I am delighted to report that the Company made a profit before tax of \$26.8 million, a remarkable performance considering the zinc price fell 46% in 2007, from \$4,100 in January to \$2,200 in December. Yet Griffin was generally able to reproduce its 2006 net profit level and, as such, the Company has been able to maintain its dividend policy of declaring a \$0.03 per share dividend for the 2007 financial year.

2007 witnessed exceptional progress in many areas of the Company's operations and in its preparation for the future. These include:

1. Production of ore from Zone III at Caijiaying continued to increase. Mill throughput has now increased over 150% since commissioning with operations currently processing over 500,000 tonnes per annum and expected to reach 750,000 per annum following the installation of the new primary ball mill in late summer 2008. The mining operations are also expanding to cater for this new production schedule;
2. Significant effort has been expended in designing, constructing and installing the new infrastructure needed to deal with the planned

increased production schedules. A new backfill plant has been completed to enable more efficient extraction of ore, new floatation cells have been installed to handle the increased volume of zinc and precious metals concentrates and a new crushing circuit and ball mill will enable greater throughput to be generated by the Caijiaying mill. In addition, a new accommodation block and administrative offices have been constructed to cater for the additional staff required as the mine continues to expand;

3. A new precious metals concentrate containing gold, silver and lead was commissioned in December 2007. This will become ever more important with the increasing production of precious metals as the mine accesses higher grade material and will allow lead to be separated from the zinc concentrate for the production of a higher quality concentrate with a subsequently higher sale price;
4. The discovery of a new mineable orebody at Zone II has far reaching consequences and added exceptional value for shareholders. Firstly, it is only 1.5 kilometres from the Caijiaying processing facilities, allowing easy haulage at minimum cost. Secondly, it provides an alternate source of ore to ease the scheduling of mining and haulage timetables at Zone III. Thirdly, and most importantly, it confirms the long held view that Zone II and III are, in



effect, one orebody. That prospect opens up the possibility of an additional 1.5 kilometres of mineralization. To prove this hypothesis, a new decline is being driven off the Zone III access directly to the new Zone II orebody, with the necessary underground drilling being undertaken off that drive. This is an exciting prospect for all involved; and

5. The continued accumulation of cash by the Company such that Griffin now has a cash balance exceeding \$205 million with no debt.

It should be noted that the Company continues to expend an inordinate amount of time on new acquisitions. These need to be able to meet the financial, political, structural, metallurgical and geological parameters required to provide the shareholders with the returns they have come to expect and deserve. Needless to say, such acquisitions are difficult to find and even more difficult to consummate. It is enough to add that the Company will continue to progress the enormous potential still untapped at Caijiaying whilst continuing to evaluate and undertake acquisitions which meet these set parameters.

An organization of this size could not hope to be successful without a team of highly skilled and dedicated individuals. With the growth in the size

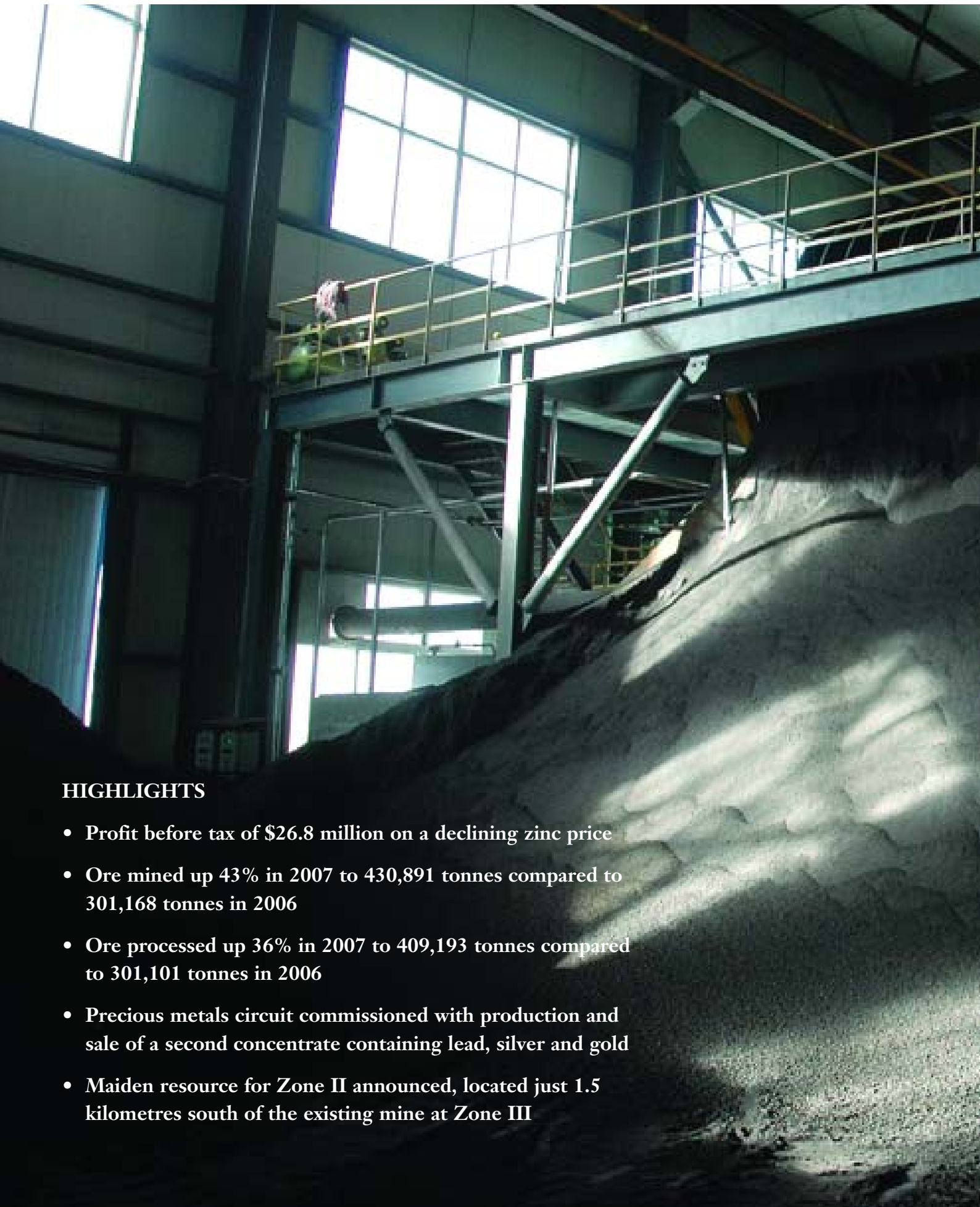


**CHAIRMAN OF GRIFFIN MINING LIMITED,
MLADEN NINKOV**

of the Company, it is now many years since I could name these individuals specifically. It is enough to say that the line of these exceptional people runs from the directors through to all our on-site personnel. Our sincere thanks go out to them.

Finally, to you the shareholders and owners of the Company, I look forward to being able to deliver even greater and more exciting news during 2008.

Mladen Ninkov
Chairman
30 April 2008



HIGHLIGHTS

- Profit before tax of \$26.8 million on a declining zinc price
- Ore mined up 43% in 2007 to 430,891 tonnes compared to 301,168 tonnes in 2006
- Ore processed up 36% in 2007 to 409,193 tonnes compared to 301,101 tonnes in 2006
- Precious metals circuit commissioned with production and sale of a second concentrate containing lead, silver and gold
- Maiden resource for Zone II announced, located just 1.5 kilometres south of the existing mine at Zone III





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').

The Group recorded a profit before tax for the year of \$26,762,000 (2006 \$29,545,000). The financial results for the year were impacted by the decision to suspend sales, but not production, of zinc concentrate in the fourth quarter as a result of unacceptably low prices offered for zinc concentrate in China caused by proposed changes to tariffs and rebates on the import and export of zinc and zinc concentrates to and from China. With production continuing at record levels, stocks of zinc concentrate had been accumulated by the end of the financial year at which point sales recommenced when better prices were offered. The Group should realise the benefit of this decision in the first half of 2008.

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 Sino

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 surrounding area.

In 2005, Griffin successfully commissioned the mine and processing facilities at Caijiaying, on time and within budget, with an initial design production rate of 200,000 tonnes of ore per annum. Production rates have steadily increased since commissioning with 409,193 tonnes of ore being processed in 2007 to produce 21,781 tonnes of zinc metal in concentrate.

In December 2007, production of a separate precious metals concentrate containing gold, silver and lead commenced from an integrated circuit forming part of the main processing facilities at Caijiaying. Previously, gold, silver and lead were lost to the smelters in the zinc concentrate.

Considerable planning and capital expenditure has been undertaken during the year to further increase production. This work is ongoing with the installation of, inter alia; a new backfill plant, more floatation cells, a new crusher and a third ball mill as well as significant enhancement to site infrastructure. This should enable processing capacity to be increased from approximately 500,000 tonnes of ore per annum at the present time to 750,000 tonnes of ore per annum in 2009.

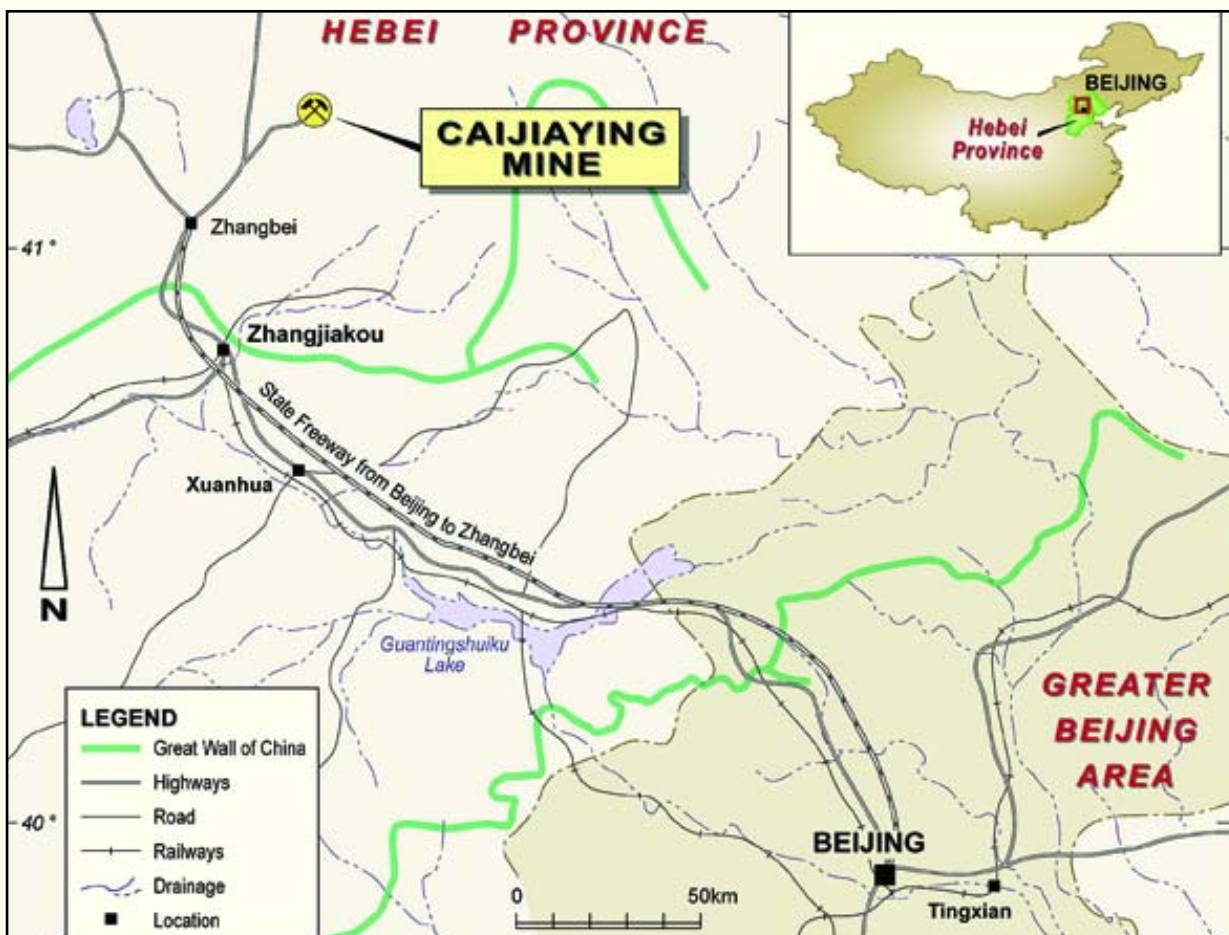


On-going exploration in the area surrounding the mine at Caijiaying and within Hebei Hua' Ao's and Hebei Sino Anglo's tenement boundary continues to confirm the area to be highly prospective, indicating significant potential for further economic base and precious metals mineralisation. Considerable progress was made in the past year in defining a resource at Zone II at Caijiaying some 1.5 kilometres to the south of the mine at Zone III with a maiden Mineral Resource estimate to JORC reporting standards of 5.49 million tonnes of 3.2% zinc, 0.6% lead, 0.3 grams per tonne gold and 24 grams per tonne silver. Further resources are

expected to be defined at Zone II, in particular, as underground drilling moves northwards towards Zone III. This should provide additional ore for the processing facilities at Caijiaying.

CAIJIAYING AREA

Caijiaying is located on the south-east edge of the Mongolian Plateau, approximately 250 kilometres north-west of Beijing in Hebei Province. The site is easily accessible, particularly since the extension of the freeway from Beijing through to Zhangbei,



CAIJIAYING MINE LOCATION



by freeway and sealed road from Beijing to site. The site has significant water supplies and two independent connections to the electricity grid with a third planned. The site is 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.

Mineralisation is believed to be related to a Jurassic igneous event that affected the 2.3 billion year old metamorphic basement rocks. Base metal and gold mineralisation associated with Jurassic intrusives have replaced favourable horizons in the metamorphic rocks, most notably calc-silicates and marble. Porphyry sills and dykes intruding along faults have then cut across the sequence.

LEGAL STRUCTURE

Griffin's initial interest in Caijiaying was obtained through the acquisition in 1997/98 of a 100% interest in an Australian incorporated company China Zinc Pty Limited, and its local Chinese subsidiary company, Hebei Hua' Ao. The Group has subsequently been restructured to transfer China Zinc Pty Limited's interest to an intermediate parent company incorporated in Hong Kong, China Zinc Limited ("China Zinc").

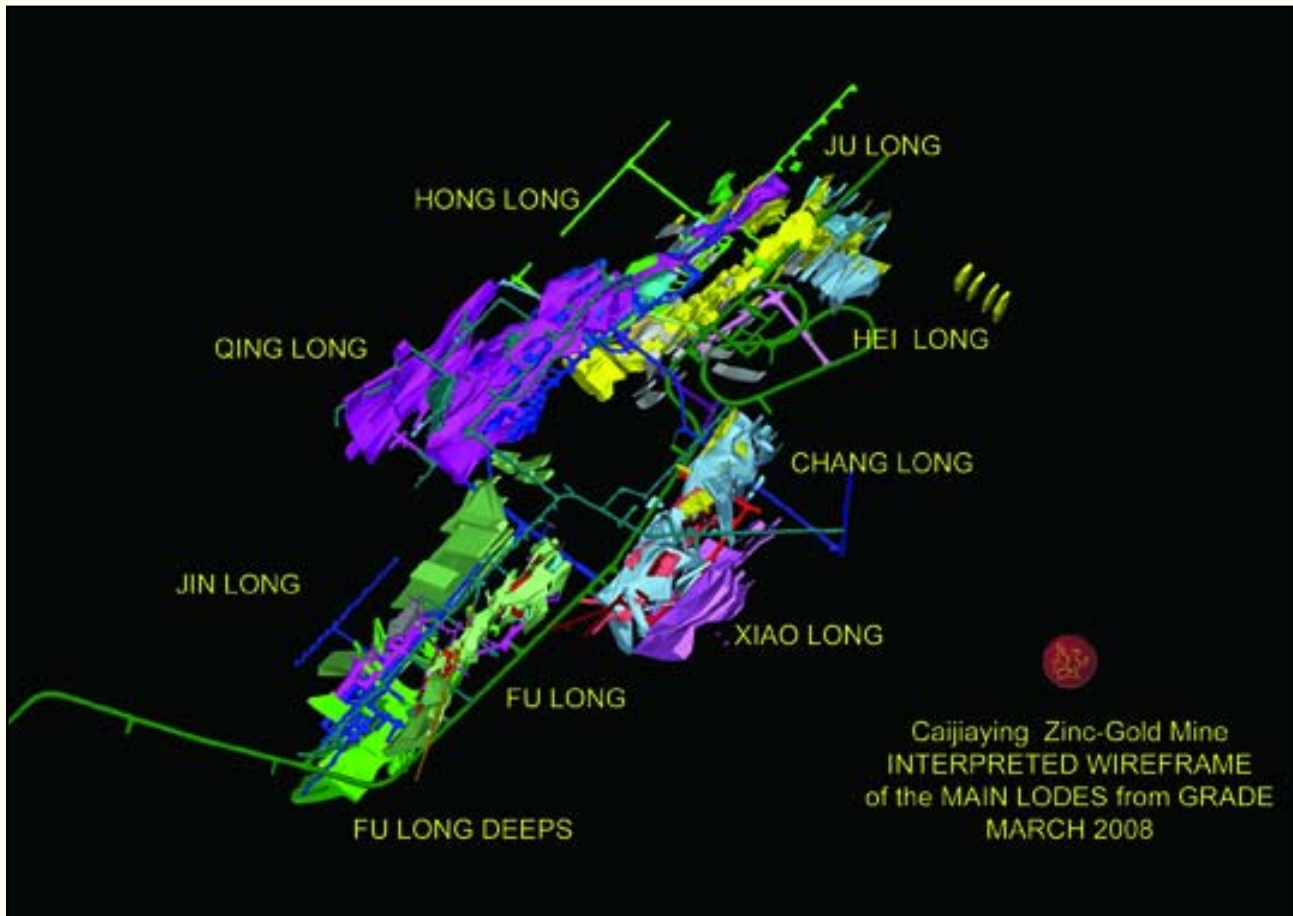
Hebei Hua' Ao is a contractual co-operative joint venture entity established in 1994 in which Griffin, through China Zinc, holds a 60% equity interest

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. Since the beginning of commercial production commencing in mid 2005, 100% of the net cash flows from Caijiaying have accrued to Griffin through China Zinc. That arrangement will cease to continue in July 2008 and the parties will share in the profits from that date according to their respective joint venture interests.

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.

Subsequently in 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 Zone III area currently being mined at Caijiaying.

In January 2004, a second contractual joint venture company, Hebei Sino 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 Sino 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 Sino Anglo.

CAIJIAYING OPERATIONAL DEVELOPMENTS 2007/08

The Caijiaying mine operated throughout 2007 without any significant accident or environmental incident and retains an excellent safety and

environmental record. This was achieved whilst increasing both the mining and processing rates to record levels, with:

- ore mined up 43% in 2007 to 430,891 tonnes compared to 301,168 tonnes in 2006.
- ore processed up 36% in 2007 to 409,193 tonnes compared to 301,101 tonnes in 2006.

It should be noted that these increases also occurred whilst the processing facilities at Caijiaying were being upgraded for the production of a precious metals concentrate and for further increases in throughput.



Despite a conscious decision to reduce the zinc cut off grade with the resultant drop in the head grade of the ore processed, plant recoveries have continued to improve and zinc metal in concentrate production increased to 21,781 tonnes in 2007 from 20,138 tonnes in 2006.

In the autumn of 2007, changes were proposed to the Chinese rebates on the export of zinc, and increases to the tariffs on the import of zinc concentrates that had the effect of reducing the demand for local zinc concentrate in China. As a result, Hebei Hua' Ao was offered artificially low prices for its zinc concentrate in China. The view was taken that this situation was unlikely to be sustainable and Hebei Hua' Ao suspended sales of zinc concentrate in the final quarter of 2007. As a result, 17,720 tonnes of zinc metal in concentrate were sold in 2007 compared with 20,239 in 2006, with 4,080 tonnes of zinc metal in concentrate stockpiled at 31 December 2007. Sales of zinc concentrate re-commenced in late December 2007 when zinc concentrate prices in China recovered and, since the year end, the zinc concentrate stockpiled at Caijiaying has been sold.

With the commissioning of a precious metals circuit in December 2007 to produce a concentrate, containing gold, silver and lead, 119 tonnes of this precious metals concentrate were produced in 2007 and 90 tonnes sold containing 12.8 tonnes lead, 6,470 ounces silver and 14.8 ounces gold. Whilst current gold production is minimal, this is expected

to increase as the mine reaches the deeper gold bearing ore zones.

The commissioning of the precious metals circuit has not just added an additional revenue stream, but has provided the additional benefit of removing lead as an impurity in the zinc concentrate. This has led to a better quality zinc concentrate being produced, commanding a better price.

During 2007, significant progress was made in mine development and in upgrading the processing facilities and site infrastructure to enable ore throughput and production of metals to be further increased. This work will continue into 2008.

The installation of the precious metals circuit required the re-configuration of the processing facilities, which was achieved with limited interruption to processing. This involved the installation of new ceramic filters, floatation cells and other equipment. It also necessitated an extension of the buildings housing the mill and the construction of additional storage areas.

A backfill plant, utilising waste tailings from the mill, has been constructed to not only maximise the extractable amount of ore but also to minimise the amount of waste sent to the tailings dams. Although the installation of the backfill facilities will reduce waste sent to the tailings dams, and the existing tailings dams continue to be lifted to



increase capacity, a further tailings dam will be required in the foreseeable future.

With the expansion of mining operations and the subsequent increased tonnage of ore hauled, a 3 bay workshop was constructed to assist the local haulage contractor in servicing its fleet thereby improving servicing and repair turn around times. In view of the further expansion to operations planned, the decision has been made to purchase underground haulage equipment, including a 20 tonne truck and matching loader, to supplement the contractor's fleet to ensure efficiency of ore supply to the mill is continually maintained.

During 2007, the compressed air, pumping and ventilation circuits and ancillary infrastructure were upgraded to enable underground drilling to continue unabated and ensure good ventilation as the mine expands, particularly to lower levels.

Construction of a new, 3 stage, crushing circuit, has commenced which will increase crushing capacity to allow for the planned increase in processing capacity to 750,000 tonnes of ore per annum in 2009. To facilitate this increase in throughput, a second primary ball mill has been ordered for installation in the summer of 2008 to work in tandem with the current primary ball mill and the currently unused and smaller secondary ball mill.



CAIJIAYING PROCESSING PLANT WITH NEW FLOTATION CELLS







In view of the need to maintain and attract good quality personnel, especially on site, at this time of shortages in suitably skilled staff in the mining industry, the accommodation and ancillary facilities were expanded and enhanced during the year. This has now led to ensuite accommodation for staff in addition to recreational facilities which include indoor basketball, badminton, table tennis, billiards, satellite television, bar facilities and a fully stocked gym.

MINE DEVELOPMENT

Underground mine development has continued to expand in order to provide increased throughput to the expanding processing facilities. The main 'Northern Decline' continues to be extended to the lower levels. Following extensive sterilisation drilling, to delineate an optimal decline route, a second 'Southern Decline' commenced late in the year to enable more stopes to be developed and avoid pinch points in mine haulage.

With the number of ore zones being developed at Caijiaying in 2007, some 7,200 metres (4,000 metres in 2006) of underground drives, rises and cross cuts were developed.

As planned, implementation of up-hole benching was introduced, with over 10,070 metres of long hole drilling undertaken. Although that mining method was new to China, it was successfully implemented and is enabling the mine's production rates to be increased. This mining method will

become more important as time moves on and should eclipse shrink stoping as the preferred mining method, as the mine continues to increase its production rate into 2008. Several drills have been ordered by the mining department to facilitate this expansion into up-hole benching.

During 2007 over 34,000 metres of underground infill and exploration diamond drilling was completed within the area of current mining activities at Zone III. This drilling significantly improved understanding of the known resources, enabling longer term mine planning to be undertaken with confidence.

At Zone II, approximately 1.5 kilometres to the south of Zone III, some 6,300 metres of underground drilling has been completed from a 147 metre long underground exploration decline ('the Fox decline'). An initial JORC resource estimate has been generated from the results of this drilling. The drilling has identified good mineralised zones consistent with Zone III. Consequently work has started on upgrading and extending the Fox decline to provide access to the ore bodies for bulk metallurgical testing and to continue exploration work. More importantly work has started on the development of a drive connecting Zone III and the bottom of the extended Fox decline at Zone II. This will provide a suitable drilling platform in a cost effective manner for the exploration of the area between Zones III and II and eventually provide haulage and services access when mining commences from this area.



RESOURCE ESTIMATE AND RECONCILIATION - ZONE III

During 2007, approximately 34,000 metres of underground diamond drilling was completed. This drilling was focused on grade control and resource development rather than deep extensional exploration drilling.

Tabled below is the updated JORC compliant Mineral Resource Estimate for Zone III at Caijiaying.

Micromine 2002 Mineral Resource Estimate (Non Grade Control Drilling)

Category	Cut -off	Tonnes Millions	Metal Grade			Contained Metal		
			Zinc %	Gold grammes per tonne	Silver grams per tonne	Zinc million tonnes	Gold million ounces	Silver million ounces
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			Contained Metal		
			Zinc %	Gold grammes per tonne	Silver grams per tonne	Zinc million tonnes	Gold million ounces	Silver million ounces
Measured	1%	1.20	6.7	0.5	36	0.10	0.02	1.40
Indicated	1%	3.14	5.7	0.6	31	0.18	0.06	3.17
Inferred	1%	0.89	4.5	0.6	23	0.04	0.02	0.65
Total	1%	5.23	5.7	0.6	31	0.32	0.10	5.22

The information in this report that relates to the Mineral Resource Estimate for the 31 December 2007 grade control drilled areas is based on information compiled by Mr C Fawcett BSc (Hons), G Dip Eng, MAusIMM, of FinOre Pty Ltd. The mining depletion was carried out by Mr Timothy Blyth, Ass Dip (Geology), MAusIMM of Hebei Hua Ao Mining Industry Company Ltd. The information relating to the 2002 non grade control drilled area was compiled by Mr D Pertel of Micromine Consulting Ltd. Mr Fawcett and Mr Blyth are Members of The Australasian Institute of Mining and Metallurgy and Mr Pertel is a Member of the Australian Institute of Geoscientists. Mr Fawcett, Mr Pertel and Mr Blyth 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 Competent Persons as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition).



The table on the previous page summarises the Mineral Resource Estimate as at 31 December 2007 for:

- the grade control drilled mine area.
- 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.

As the mine continued to increase production, all diamond drill activity was focused on better defining areas of known mineralisation so that 2007/2008 production schedules could be prepared.

During 2007, drilling confirmed the following:

- High gold mineralisation below the Qing Long and Hong Long orebodies.
- Significant gold mineralisation within the Ju Long orebody, which was also found to extend to the north. Down plunge widths and grades were also found to be consistent, proving that this orebody could be relied upon for bulk tonnages in the future.
- The Fu Long orebody was found to split into three individual lodges at depth. A fourth lode, the Wo Long, had previously been discovered as part of the Fu Long Deeps programme. This lode continued to display strong zinc and gold values.

- Better understanding of the lithological controls on the main Qing Long lode, with drilling confirming the positioning of the porphyry and dolerite dykes that control this orebody.
- The Xiao Long orebody was found to extend to the south, adding further mineable tonnes that can be mined without additional development.

RESOURCE ESTIMATE - ZONE II

Zone II is believed to represent a southerly continuation of mineralisation present in Zone III. During 2007, 6,300 metres of underground drilling was completed from two short drill coddies in the exploration decline in Zone II ('the Fox decline'). This work defined two zones, which were named the Xi Long ('Western Dragon') and Dong Long ('Eastern Dragon'). The most significant mineralisation was found in Xi Long C lode with the best intersection being 47.54 metres at 7.68% zinc, 0.61% lead and 28 grams per tonne silver (UGFOX-031A 134.01 – 181.55m).

The underground and surface drilling was of a sufficient density as to provide the first Mineral Resource Estimate for Zone II. This estimate was based on ordinary Kriging and a cutoff of greater than or equal to 1% zinc.



Mineral Resource Estimates for Zone II

Material	Tonnes	Zn%	Pb%	Au grams per tonne	Ag grams per tonne
INDICATED					
Oxide	230,000	1.9	0.7	0.3	20.0
Transitional	330,000	1.9	0.8	0.2	22.7
Fresh	3,430,000	3.3	0.5	0.3	25.7
Total	3,990,000	3.1	0.5	0.3	25.1
INFERRED					
Oxide	130,000	2.4	0.5	0.2	21.2
Transitional	430,000	2.9	0.5	0.3	16.7
Fresh	940,000	3.8	0.8	0.4	25.5
Total	1,500,000	3.4	0.7	0.4	22.6
TOTAL					
Total	5,490,000	3.2	0.6	0.3	24.4

Note: Rounding errors may occur

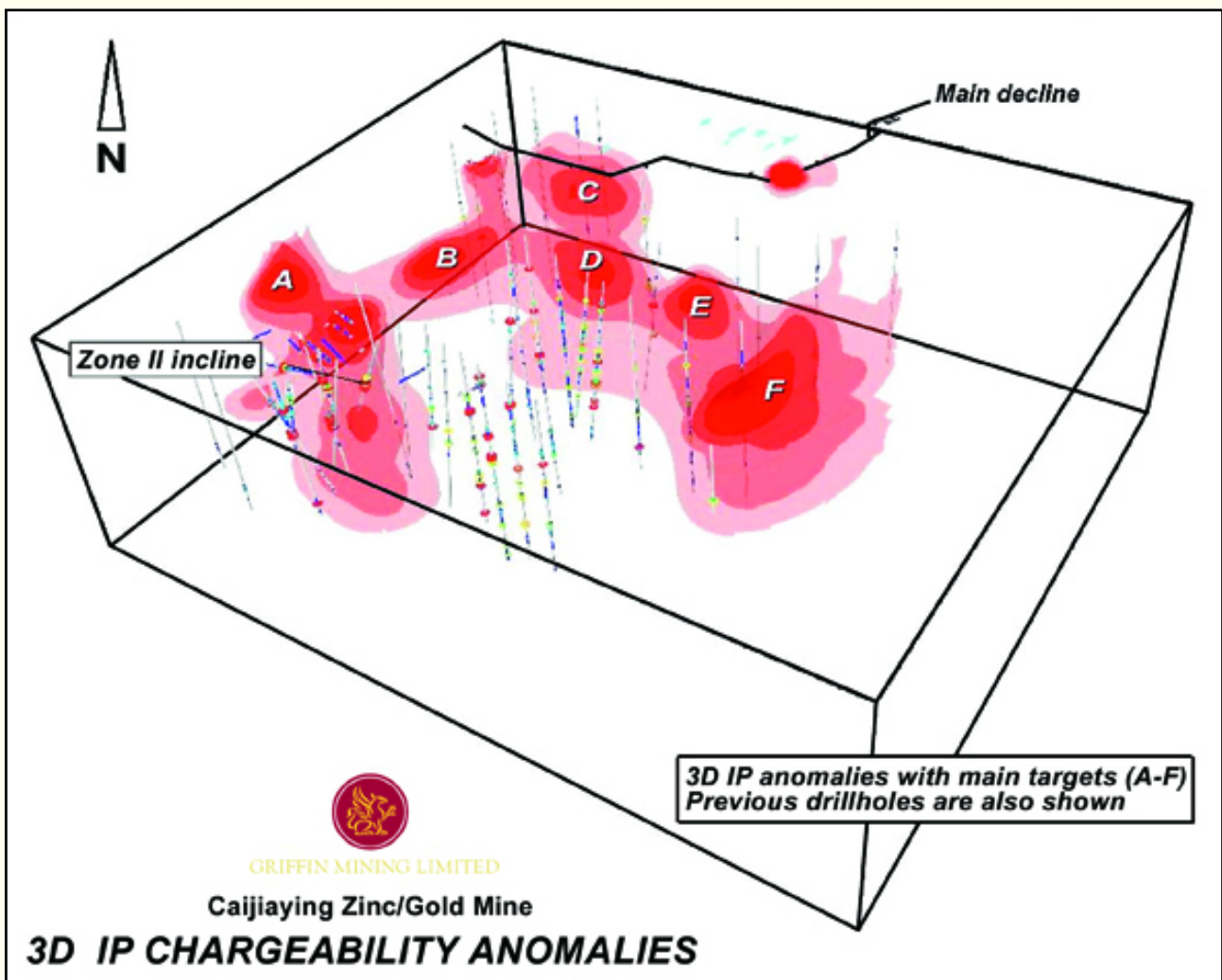
The information in this report that relates to the Mineral Resource estimates for Zone II is based on information compiled by Mr G. Fabey of CSA Australia Pty Ltd (CSA). Mr Fabey is a Chartered professional and Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Fabey has 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 Fabey consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.



EXPLORATION - AREA BETWEEN ZONES II AND III

The 1,500m long area between Zones II and III has long been considered prospective for additional zinc deposits but drilling has proved difficult due to either local access restrictions or deep sandy overburden. In 2006, a 3-Dimensional Induced Polarization ('3D IP') survey was undertaken to help define drill targets. The results defined six prominent chargeability anomalies of which five were drilled in 2007. All contained zinc mineralisation with the most significant results from Anomalies D and E.

Anomaly D was considered to be a possible continuation of mineralisation found in Zone II and III. Results (shown opposite) indicate similar grades and widths to those found along strike at Zone III. This area is a priority for drilling in 2008. To speed drilling and to avoid having to drill through the overlying sand, an incline will be developed that will link the Zone III incline with the Zone II decline. Underground drilling will then be used to further define the mineralisation present between Zone II and III.





Anomaly D Surface Diamond Drill Hole Results

Drill Hole No.	From	To (m)	Width (m)	Results (m)	
DDCJY-006	-60/090	163.00	173.84	10.84	3.15% Zn
		200.50	203.55	3.05	7.42% Zn, 1.65g/t Au
		217.02	218.80	1.78	4.50% Zn
		231.75	235.64	3.89	4.62% Zn
		237.73	241.00	3.27	4.02% Zn
DDCJY-009	-60/090	80.31	84.06	3.75	5.38% Zn, 7.88% Pb
		115.00	125.00	10.00	6.06% Zn, 0.71% Pb
		207.62	211.00	3.38	12.34% Zn
DDCJY-014	-60/090	82.30	84.35	2.05	29.59% Zn, 2.14% Pb, 168g/t Ag
		89.90	93.75	3.85	4.57% Zn, 1.27% Pb, 50g/t Ag
DDCJY-015	-60/090	77.44	93.30	15.86	3.31% Zn, 5.14% Pb, 70g/t Ag
		106.50	111.35	4.85	1.76% Zn, 1.83% Pb, 44g/t Ag
		171.45	177.70	6.25	4.59% Zn, 0.39% Pb, 0.74g/t Au, 33g/t Ag
		187.00	193.20	6.20	2.89% Zn, 31g/t Ag
		198.10	201.07	2.97	10.43% Zn, 15g/t Ag

Anomaly E was tested by drill hole DDCJY-005 and intersected two zinc-rich zones one of 2.81 metres of 3.15% zinc (53.69 to 55.50m) and the other 5.90 metres of 4.53% zinc (134.20 to 140.10 m). Additional work is warranted on all IP

anomalies and a review is currently being undertaken to prioritise the targets for drilling in 2008.

Surface drilling was also undertaken 200m to the Northeast of Zone II in what is called the Northeast Target. Results are listed below.

Northeast Target Surface Diamond Drill Hole Results

Drill Hole No.	From	To (m)	Width (m)	Results (m)	
DDCJY-011	-60/090	80.68	90.69	10.01	7.88% Zn, 39g/t Ag
		158.36	159.49	1.13	24.25% Zn, 138g/t Ag
		199.44	202.56	3.12	3.01% Zn
DDCJY-016	-60/109	128.00	132.40	4.40	3.17% Zn, 1.24g/t Au, 41g/t Ag
DDCJY-021	-60/289	160.80	176.50	15.70	5.88% Zn, 0.23% Pb, 0.51g/t Au, 59g/t Ag
		180.80	191.00	10.20	4.40% Zn
		222.70	229.40	6.70	5.80% Zn
DDCJY-026	-60/109	91.50	97.90	6.40	7.35% Zn
		103.00	116.60	13.60	5.92% Zn



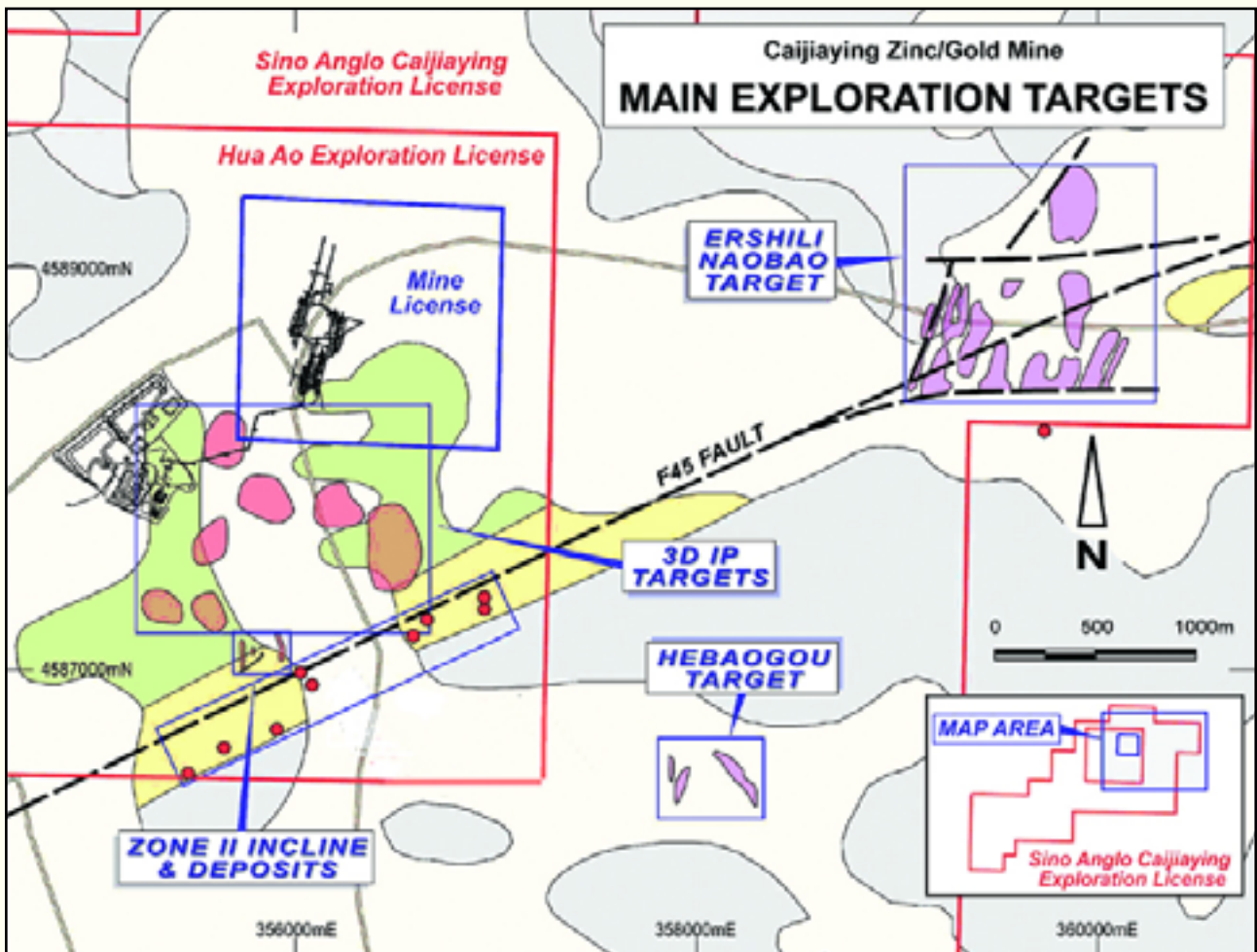
These results are very encouraging and indicate that Zone II has additional parallel basemetal lodes similar to those present at Zone III.

HEBEI SINO ANGLO EXPLORATION LICENCE AREA

Prominent ground magnetic anomalies located 2.5kilometres east of Zone II at Hebaogou and 3 kilometres east of the mine near Ershili Naobao village. Drilling at Ershili Naobao, soil sampling, trenching and IP surveys were undertaken and have identified zinc anomalies which will be followed up in 2008.

Applied research is being undertaken by Dr Zhaoshan Chang of the ARC Centre of Excellence in Ore Deposits at the University of Tasmania as part of a research programme sponsored by Griffin. The purpose of this study is to understand the origin and controls of the mineralisation at Caijiaying and to apply this knowledge to the discovery of additional orebodies in the area.

During 2007, analysis of Proterozoic and Jurassic rock using PIMA identified a broad illite alteration halo surrounding the mineralised zone providing a possible vector to mineralisation. During 2008,





samples from the surrounding Hebei Sino Anglo Caijiaying Exploration Licence will be analysed for illite as a means of defining additional alteration hallos that surround mineralisation.

REGIONAL EXPLORATION

The Sidougou (36km²) and Xuetingying (83km²) exploration licences applied for in 2005 and expected to be issued in 2007 were not granted due to the areas coming under a National Strategic Minerals Area. These areas will continue to be applied for in 2008.

A regional database of mineral occurrences has been incorporated into the Geographic Information System which will help in targeting new areas.

THE FUTURE

Looking forward, 2008 will be an important year in the development of Caijiaying with the installation of a second primary ball mill and crusher to take processing throughput to a rate of 750,000 tonnes of ore per annum in 2009.

The development of Zone II and the areas between Zones III and II have the potential to significantly expand operations at Caijiaying providing more ore for the processing facilities.

With the benefit of the funds raised from the placing of new shares in Griffin in 2007 and from cash flow generated from Caijiaying, Griffin is well placed to take advantage of the opportunities now being presented in the current uncertain equity and debt capital markets. On 22 April 2008, the Company announced an agreed takeover of Yukon Zinc corporation which controls 100% of the high grade wolverine project in the Yukon District of Canada. Whilst there is no certainty that this transaction will be successfully completed, it provides a worthwhile example of the type of acquisition the company is prepared to undertake. In essence one which will provide extraordinary returns within acceptable risk parameters for the shareholders of Griffin.







DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS:

Mladen Ninkov, Chairman, Australian, aged 46, 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 53, 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 61, 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 64, 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.

**SENIOR EXECUTIVES:**

Dominic Claridge, Group Operations Manager, Australian, aged 44, 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 47, 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 48, 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.

William Zhang, Finance Manager China, aged 30, is an Australian resident and citizen of China. He holds a Bachelor of Commerce degree from University of Melbourne, and is an associate member of the Certified Public Accountants of Australia. He has a mining, accounting and finance background having worked on a number of coal mining projects both in China and Australia, including; Yanzhou Coal (a coal mining company listed in NYSE, SEHK, SSE) and Fiserv Solutions (a financial service firm listed in NASDAQ).







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 2007.

FINANCIAL RESULTS

The Group profit before taxation, amounted to US\$26,762,000 (2006 – US\$29,545,000). There is no taxation charge (withholding taxation of US\$75,000 was charged in 2006). A maiden dividend of \$5,826,000 was paid in 2007 (2006 nil). The Group profit after taxation and dividends paid amounted to US\$20,936,000 (2006 – US\$29,470,000) and has been credited to reserves.

The earnings per share amounted to 12.08 cents (2006 – 16.02 cents). The attributable net asset value per share at 31 December 2007 amounted to 95 cents (2006 – 35 cents).

The Directors declare a dividend of 3 cents per ordinary share in the Company payable on 6 June 2008.

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 2007 and the indication of likely future developments are set out on pages 8 to 23.

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 2007 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2007			At 1 January 2007		
	Ordinary shares No.	Options over ordinary shares		Ordinary shares No.	Options over ordinary shares	
		Exercisable at 110 pence	Exercisable at 65 pence		Exercisable at 65 pence	Exercisable at 30 pence
Mladen Ninkov	33,001	6,000,000	2,000,000	33,001	2,000,000	6,000,000
Dal Brynelsen	1	400,000	200,000	1	200,000	600,000
Roger Goodwin	577,830	1,200,000	575,000	311,163	575,000	1,700,000
William Mulligan	300,001	400,000	200,000	300,001	200,000	600,000

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 and have all vested.

The options exercisable at 110 pence per share entitle the holder to subscribe for new ordinary shares in the Company on or before 28 February 2010. The options vest with each option holder in 3 separate and equal instalments as follows:

- The first third of each holder's options vested on 31 December 2007;
- The second third of each holder's options will vest on 31 December 2008; and
- The last third of each holder's options will vest on 31 December 2009.



DIRECTORS' REPORT

The 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 Options will vest immediately upon a takeover offer being made or a change in substantial control of the Company taking place prior to the Options expiring.

All of the Directors' interests detailed are beneficial.

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.

POST BALANCE SHEET EVENTS

On 19 April 2008 Griffin signed an agreement with Yukon Zinc Corporation ("Yukon Zinc") for the acquisition of all the issued common stock of Yukon Zinc. The agreement provides for a plan of arrangement pursuant to section 288(1) of the British Columbia Business Corporations Act, in which the Yukon Zinc shareholders will exchange their Yukon Zinc shares for ordinary shares of Griffin, on the basis of one Griffin share for each nine Yukon Zinc shares held. The plan of arrangement is subject to, inter alia, the approval of two thirds of the Yukon Zinc shareholders attending and voting at a special general meeting.

Yukon Zinc has issued and outstanding 455,606,909 common shares for which Griffin will issue and exchange 50,622,990 (subject to roundings) new ordinary shares amounting to 16.2% of the enlarged share capital on an undiluted basis of 312,132,539 ordinary shares. In addition Yukon Zinc has granted stock options exercisable for 23,578,000 common shares and warrants exercisable for 76,511,618 common shares. Under the terms of the agreement, Griffin will grant options / warrants exercisable over a total of 11,121,069 new ordinary shares in exchange for the outstanding Yukon Zinc options and warrants, amounting to 3.2% of the enlarged share capital on a fully diluted basis of 338,728,608 ordinary shares.

The final structure of the transaction will be determined on the basis of tax, securities and corporate law advice in order to ensure the most efficient structure for each of the parties and their respective security holders. Yukon Zinc has agreed to pay a break fee to Griffin, under certain circumstances, of C\$2.5 million. Yukon Zinc has also provided Griffin with certain other customary rights, including a right to match competing offers.

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

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 as amended. 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 2008
London



REPORT OF THE INDEPENDENT AUDITOR

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 2007 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 23. 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 of the Bermuda Companies Act 1981 as amended. 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 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 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 AUDIT 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 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the provisions of the Bermudan Companies Act 1981 as amended.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
30 April 2008

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2007
(expressed in thousands US dollars)

	Notes	2007	2006
		\$000	\$000
Revenue	1	37,989	42,802
Cost of sales	1	(7,768)	(8,516)
Gross profit		30,221	34,286
Net operating expenses	1	(10,078)	(6,142)
Profit from operations	2	20,143	28,144
Foreign exchange gains		1,012	789
Finance income	4	5,607	612
Profit before tax		26,762	29,545
Income tax expense	5	-	(75)
Profit after tax attributable to equity share owners for the financial year		26,762	29,470
Basic earnings per share (cents) from continuing operations	6	12.08	16.02
Diluted earnings per share (cents) from continuing operations	6	11.97	15.45



CONSOLIDATED BALANCE SHEET

As at 31 December 2007
(expressed in thousands US dollars)

	Notes	2007 \$000	2006 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	7	44,381	32,087
Intangible assets – Exploration interests	8	751	842
		45,132	32,929
Current assets			
Inventories	9	4,639	1,104
Other current assets	10	4,155	1,064
Cash and cash equivalents		199,949	34,081
		208,743	36,249
Total assets		253,875	69,178
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	2,615	1,841
Share premium		196,637	39,166
Contributing surplus		3,690	3,690
Share based payments		4,426	2,553
Other reserves		579	297
Foreign exchange reserve		3,109	479
Profit and loss reserve		37,106	16,432
Total equity		248,162	64,458
Non-current liabilities			
Long-term provisions	14	-	384
Current liabilities			
Trade and other payables	15	5,047	4,336
Short term bank overdrafts	16	666	-
Total liabilities		5,713	4,720
Total equities and liabilities		253,875	69,178
Number of shares in issue		261,509,549	184,061,064
Attributable net asset value / total equity per share	17	\$0.95	\$0.35

The accounts on pages 34 to 53 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

30 April 2008

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2007
(expressed in thousands US dollars)

	Share capital	Share premium	Contributing surplus	Share based payments	Other reserves	Foreign exchange reserve	Profit and loss reserve	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
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
Regulatory transfer for future investment	-	-	-	-	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
Exchange differences on translating foreign operations	-	-	-	-	20	2,630	-	2,650
Net income recognised directly to equity	-	-	-	-	20	2,630	-	2,650
Profit for the year	-	-	-	-	-	-	26,762	26,762
Total recognised income and expenses in the year	-	-	-	-	20	2,630	26,762	29,412
Dividend paid	-	-	-	-	-	-	(5,826)	(5,826)
Regulatory transfer for future investment	-	-	-	-	262	-	(262)	-
Exercise of options	-	1,042	-	(1,042)	-	-	-	-
Issue of share capital	774	156,429	-	-	-	-	-	157,203
Cost of share based payments	-	-	-	2,915	-	-	-	2,915
At 31 December 2007	2,615	196,637	3,690	4,426	579	3,109	37,106	248,162



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007
(expressed in thousands US dollars)

	Notes	2007 \$000	2006 \$000
Net cash flows from operating activities			
Profit before taxation		26,762	29,545
Foreign exchange (gains)		(1,012)	(789)
Taxation paid		-	(75)
Finance income		(5,607)	(612)
Adjustment in respect of share based payments		2,915	1,711
Depreciation, depletion and amortisation	7	1,351	890
(Increase) / decrease in inventories		(3,535)	516
(Increase) in other current assets		(3,091)	(117)
Increase in trade and other payables		711	811
Net cash inflow from operating activities		18,494	31,880
Cash flows from investing activities			
Interest received	4	5,607	612
Receipts on sale of investments		-	63
Payments to acquire intangible fixed assets – exploration interests	8	(126)	(414)
Payments to acquire plant and equipment – mineral interests	7	(9,056)	(2,829)
Payments to acquire plant and equipment – plant and equipment	7	(1,854)	(2,504)
Payments to acquire plant and equipment – other	7	-	(9)
Dividends paid		(5,826)	-
Net cash (outflow) from investing activities		(11,255)	(5,081)
Cash flows from financing activities			
Issue of ordinary share capital		157,211	129
Expenses paid in connection with share issue		(7)	-
		157,204	129
Increase in cash and cash equivalents		164,443	26,928
Cash and cash equivalents at beginning of the year		34,081	6,663
Effects of exchange rate changes		759	490
Cash and cash equivalents at the end of the year		199,283	34,081
Cash and cash equivalents comprise:			
Bank deposits		199,949	34,081
Short term bank overdrafts		(666)	-
Total		199,283	34,081

Included within the net cash inflows of \$164,443,000 (2006 \$26,928,000) are foreign exchange gains / losses of \$1,012,000 (2006 losses \$789,000) 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 which are measured at fair value.

ACCOUNTING POLICIES

A new International Financial Reporting Standard, IFRS 7, 'Financial Instruments: Disclosures', has become mandatory for accounting periods beginning on 1 January 2007 or later. This Standard, which replaces rules previously set out in IAS 32, 'Financial Instruments: Presentation and Disclosures', has been applied by the Group in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. The first time application of IFRS 7 has not resulted in any prior period adjustments to cash flows, net income or balance sheet items.

ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS's") AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The Group has not applied the following pronouncements: Those of which are expected to be most relevant to the Group are IFRS 8 and IAS 27 (revised).

- IAS 1 Presentation of financial statements (revised) – effective 1 January 2009
- IAS 23 Borrowing Costs (revised 2007) – effective 1 January 2009
- IAS 27 (revised) Consolidated and separate financial statements – effective 1 January 2009.
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation – effective 1 January 2009
- IFRS 2 (Amendment) Share based payment – Vesting conditions and cancellations – effective 1 January 2009
- IFRS 3 (Amendment) Business combinations – effective 1 January 2009
- IFRS 8 Operating Segments – effective 1 January 2009. The segmental information reported under the standard is that which the chief operating decision maker uses internally for evaluating the performance of operating segments and allocating resources to those segments.
- IFRIC 11 (IFRS 2) Group and Treasury share transactions – effective 1 March 2007
- IFRIC 12 – Service concession arrangements – effective 1 January 2008
- IFRIC 13 Customer Loyalty Programmes – effective 1 July 2008
- IFRIC 14 (IAS 19) The limit on a defined benefit asset, minimum funding requirements and their interaction – effective 1 January 2008

The Group is evaluating the impact of the above pronouncements. The effect of the revision to IAS 27 will depend on the extent of relevant future transactions including the reduction in the Group's interest in Hebei Hua Ao. Otherwise, the changes are not expected to be material to the Group's earnings or to shareholders' funds.



ACCOUNTING POLICIES

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.

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 property, plant and equipment to be amortised over the expected productive life of the asset. The Group's intangible assets are subject to periodic review by the Directors for impairment. 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 the impairment of value (see note 7).



ACCOUNTING POLICIES

NON CURRENT ASSETS (CONTINUED)

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 income statement 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.

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, can be divided into the following categories:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments



ACCOUNTING POLICIES

FINANCIAL ASSETS (CONTINUED)

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the income statement or charged directly against equity.

The Group generally recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non current assets based on their maturity date. Loans and receivables are classified as either 'trade and other receivables' or 'other financial assets' in the balance sheet. On initial recognition loans and receivables are recognised at fair value net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the income statements. The Group's other receivables fall into this category of financial instruments.

The Group has no financial assets at fair value through profit or loss or held-to-maturity investments.

CASH FLOW HEDGE ACCOUNTING

International Accounting Standard 39 requires a specific accounting treatment for derivatives that are designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. All other derivative financial instruments are accounted for at fair value through profit or loss. The Group has not entered into any derivatives that may be designated as hedging instruments.

FINANCIAL LIABILITIES

The Group's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method. On initial recognition loans and receivables are recognised at fair value net of transaction costs.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

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.



ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSACTIONS (CONTINUED)

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 income statement.

The balance of the foreign currency translation reserve relating to an operation that is disposed of is transferred to the income statement at the time of the disposal.

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.
- “Foreign exchange reserve” represents the differences arising from translation of investments in overseas subsidiaries.
- “Other reserve” represents a statutory retained earnings reserve under PRC law for future investment by Hebei Hua’ Ao.
- “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).

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 2007 the application of the accounting standard has resulted in a net decrease in the profit for the year of \$2,915,000 (2006 \$1,711,000).



ACCOUNTING POLICIES

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 7 and 8)
- Provisions for mine closure costs (note 14)
- Share based payments (note 12)
- Classification of share based payments (note 12)

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

DIVIDENDS

Dividend distributions payable to equity shareholders are included in “other short term financial liabilities” when the dividends are approved in a directors meeting prior to the balance sheet date.



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 2007 and 2006 were derived from the Caijiaying zinc gold project.

	2007	2006
	\$000	\$000
REVENUES		
China	<u>37,989</u>	<u>42,802</u>
COST OF SALES		
China	<u>(7,768)</u>	<u>(8,516)</u>
NET OPERATING EXPENSES		
China	(4,735)	(3,434)
Australia	15	(30)
European Union	<u>(5,358)</u>	<u>(2,678)</u>
	<u>(10,078)</u>	<u>(6,142)</u>

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

TOTAL ASSETS		
China	54,841	50,207
Australia	79	382
European Union	<u>198,955</u>	<u>18,589</u>
	<u>253,875</u>	<u>69,178</u>
CAPITAL EXPENDITURE		
China	11,036	5,747
Australia	-	-
European Union	<u>-</u>	<u>9</u>
	<u>11,036</u>	<u>5,756</u>

2. PROFIT FROM OPERATIONS

Profit from operations is stated after charging

	2007	2006
	\$000	\$000
Depreciation, depletion and amortisation	(1,351)	(890)
Staff costs	(2,301)	(2,071)
Fair values of options granted to directors and management	<u>(2,915)</u>	<u>(1,711)</u>
	No.	No.
Average number of persons employed by the Group in the year	<u>200</u>	<u>200</u>



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	Fees	Salary	Share based payments	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mladen Ninkov	45	-	1,744	1,789	-	-	678	678
Dal Brynelsen	66	-	116	182	50	-	67	117
Roger Goodwin	45	365	349	759	-	281	193	474
William Mulligan	66	-	116	182	50	-	67	117
	222	365	2,325	2,912	100	281	1,005	1,386
Key personnel	-	801	588	1,389	-	570	710	1,280
	222	1,166	2,913	4,301	100	851	1,715	2,666

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of \$932,000 (2006 \$748,000), 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 Investments Pty Limited.

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 vest with each option holder in 3 separate and equal instalments per annum as follows:

- The first third of each holder's New Options vested on 31 December 2007;
- The second third of each holder's New Options will vest on 31 December 2008; and
- 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.

The new options have been allocated as follows:

	New options granted	Total number of options granted	Options exercised	Total number of options vested at 31 December 2007
	No.	No.	No.	No.
Directors:				
Mladen Ninkov	6,000,000	14,000,000	(6,000,000)	4,000,000
Roger Goodwin	1,200,000	3,475,000	(1,700,000)	975,000
Dal Brynelsen	400,000	1,200,000	(600,000)	333,333
William Mulligan	400,000	1,200,000	(600,000)	333,333
Management				
Key Personnel	2,000,000	4,866,667	(366,667)	2,933,334
Total	10,000,000	24,741,667	(9,266,667)	8,575,000



NOTES TO THE FINANCIAL STATEMENTS

4. FINANCE INCOME

	2007	2006
	\$000	\$000
Interest income on bank deposits	<u>5,607</u>	<u>612</u>

5. INCOME TAX EXPENSE

	2007	2006
	\$000	\$000
Taxation on profit on ordinary activities		
Overseas withholding taxation	-	75
Taxation charge	<u>-</u>	<u>75</u>

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.

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:

	2007			2006		
	Earnings	Weighted average number of shares	Per share amount (cents)	Earnings	Weighted average number of shares	Per share amount (cents)
	\$000			\$000		
Basic earnings per share						
Earnings attributable to ordinary shareholders	26,762	221,441,986	12.08	29,470	183,931,840	16.02
Dilutive effect of securities						
Options		2,153,244			6,820,134	
Diluted earnings per share	<u>26,762</u>	<u>223,595,230</u>	<u>11.97</u>	<u>29,470</u>	<u>190,751,974</u>	<u>15.45</u>



NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

	Mineral interests \$000	Mill and mine equipment \$000	Office furniture and equipment \$000	Total \$000
At 1 January 2006 net of accumulated depreciation	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	<u>21,220</u>	<u>10,848</u>	<u>19</u>	<u>32,087</u>
Foreign exchange adjustments	2,500	457	-	2,957
Additions during the year	9,056	1,854	-	10,910
Transfers from exploration interests	162	-	-	162
Transfers from long term provisions re mine closure costs on payment of rehabilitation bonds	(384)	-	-	(384)
Depreciation charge for the year	(733)	(608)	(10)	(1,351)
At 31 December 2007	<u><u>31,821</u></u>	<u><u>12,551</u></u>	<u><u>9</u></u>	<u><u>44,381</u></u>
	\$000	\$000	\$000	\$000
At 1 January 2006				
Cost	18,501	9,110	37	27,648
Accumulated depreciation	(124)	(435)	(19)	(578)
Net carrying amount	<u>18,377</u>	<u>8,675</u>	<u>18</u>	<u>27,070</u>
At 31 December 2006				
Cost	21,574	11,970	46	33,590
Accumulated depreciation	(354)	(1,122)	(27)	(1,503)
Net carrying amount	<u>21,220</u>	<u>10,848</u>	<u>19</u>	<u>32,087</u>
At 31 December 2007				
Cost	32,937	14,336	46	47,319
Accumulated depreciation	(1,116)	(1,785)	(37)	(2,938)
Net carrying amount	<u>31,821</u>	<u>12,551</u>	<u>9</u>	<u>44,381</u>

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 and together with the end of life restoration costs.

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



NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

Exploration interests	
China – Zinc / gold	\$000
At 1 January 2006	419
Foreign exchange adjustments	9
Additions during the year	414
At 31 December 2006	842
Foreign exchange adjustments	(55)
Additions during the year	126
Transfers to mineral interests	(162)
At 31 December 2007	751

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. At 31 December 2007 no amounts had been provided or charged to the income statement in respect of the above exploration costs.

9. INVENTORIES

	2007	2006
	\$000	\$000
Underground ore stocks	1,006	288
Surface ore stocks	223	397
Concentrate ore stocks	2,869	-
Spare parts and consumables	541	419
	4,639	1,104

All inventories are expected to be sold, used or consumed within one year of the balance sheet date. Inventories costing \$7,768,000 were charged to the income statement in 2007 (2006 \$ 8,516,000).

10. OTHER CURRENT ASSETS

	2007	2006
	\$000	\$000
Other receivables	1,695	565
Prepayments	2,460	499
	4,155	1,064

Other receivables comprise advances to; related parties, recoverable from future share of profits (note 21); and personnel, recoverable from salaries. All current assets are short term. The carrying values of all receivables are considered to be a reasonable approximation of fair value.



NOTES TO THE FINANCIAL STATEMENTS

11. SHARE CAPITAL

	2007		2006	
	Number	\$000	Number	\$000
AUTHORISED:				
Ordinary shares of US\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US\$0.01 each				
At 1 January	184,061,064	1,841	183,827,731	1,838
Issued during the year	<u>77,448,485</u>	<u>774</u>	<u>233,333</u>	<u>3</u>
At 31 December	<u>261,509,549</u>	<u>2,615</u>	<u>184,061,064</u>	<u>1,841</u>

On 11 January 2007 9,266,667 new ordinary shares in the Company were allotted at 30 UK pence (\$0.59) per ordinary share on the exercise of options.

On 1 August 2007 68,181,818 new ordinary shares in the Company were allotted at 110 UK pence (\$2.22) per ordinary share for cash raising £75million (\$151,770,000) for the Company.

Transaction costs of \$8,000 were incurred in respect of the issue of shares on 1 August 2007 and charged to share premium.

12. SHARE OPTIONS AND WARRANTS

	At 1 January 2007 Number	Granted/ (Exercised) Number	At 31 December 2007 Number
Options exercisable at 30 pence per share at anytime up to 28 February 2007	3,050,000	(3,050,000)	-
Options exercisable at 30 pence per share from commencement of production to 28 February 2007	3,050,000	(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
Options exercisable at 110 pence per share to 28 February 2010	-	10,000,000	10,000,000
	<u>14,741,667</u>	<u>733,333</u>	<u>15,475,000</u>

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

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	14,741,667	43.0	9,500,000	30.0
Granted during the year	10,000,000	110.0	5,475,000	65.0
Exercised during the year	(9,266,667)	30.0	(233,333)	30.0
Lapsed during the year	-	-	-	-
Outstanding at 31 December	<u>15,475,000</u>	<u>94.1</u>	<u>14,741,667</u>	<u>43.0</u>

The weighted average share price of the options exercised at the date of exercise was 107.5p

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.

The estimated value of the options exercisable at 110p up to 28 February 2010, which vested in 3 tranches of 3,333,333 each, were 25.19p, 25.87p and 26.52p.



NOTES TO THE FINANCIAL STATEMENTS

12. SHARE OPTIONS AND WARRANTS (CONTINUED)

Inputs into the Binomial valuation model were as follows:

	Options expiring 28 February 2010	Options expiring 28 February 2009	Options expiring 28 February 2007
Share price	105.8p	65.75p	29.75p
Exercise price	110.0p	65.0p	30.0p
Expected volatility	33%	30%	55%
Risk free rate	5.1%	4.31%	4.64%
Dividend yield	0%	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 \$2,915,000 (2006: \$1,711,000) during the year ended 31 December 2007 relating to equity settled share option scheme transactions.

13. DIVIDENDS

On 6 June 2007 a maiden dividend of 3 cents per ordinary share in the Company was paid.

14. LONG-TERM PROVISIONS

PROVISIONS FOR MINE CLOSURE COSTS	2007 \$000	2006 \$000
At 1 January	384	372
Transfer to mineral interests on payment of rehabilitation bond	(384)	-
Foreign exchange adjustments	-	12
At 31 December	<u>-</u>	<u>384</u>

During 2007 the Group paid a bond under PRC regulations to be used to cover end of mine life restoration costs.

15. TRADE AND OTHER PAYABLES

	2007 \$000	2006 \$000
Trade creditors	2,995	602
Taxation payable	605	2,036
Accruals	1,447	1,698
	<u>5,047</u>	<u>4,336</u>

All amounts are short term. The carrying values of all trade and other payables are considered to be a reasonable approximation of fair value.

16. SHORT TERM BANK OVERDRAFTS

Short term bank overdrafts comprise an 8.52% fixed rate bank loan of Rmb5,000,000 (\$666,000) repayable on 10 March 2008, which was secured by way of a floating charge over Hebei Hua' Ao's concentrate stocks.

17. 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 2007 of \$248,162,000 (\$64,458,000 at 31 December 2006) divided by the number of ordinary shares in issue at 31 December 2007 of 261,509,549 (184,061,064 at 31 December 2006).



NOTES TO THE FINANCIAL STATEMENTS

18. 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.

Sterling bank deposits are translated into United States Dollars at the closing rate are as follows:

	2007 \$000	2006 \$000
Short term bank deposits	<u>60,134</u>	<u>4,052</u>

The following table illustrates the sensitivity of the net results for the year and equity in regards to the Group's sterling deposits and the sterling US Dollar exchange rate. It assumes a + / - 9.6% change in the sterling exchange rate for the year ended 31 December 2007. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2007. The sensitivity analysis is based upon the Group's sterling deposits at each balance sheet date.

If sterling had strengthened against the US Dollar by 9.6% (2006 9.6%) this would have the following impact:

	2007 \$000	2006 \$000
Net result for the year and on equity	<u>6,386</u>	<u>430</u>

If sterling had weakened against the US Dollar by 9.6% (2006 9.6%) this would have the following impact:

	2007 \$000	2006 \$000
Net result for the year and on equity	<u>(5,267)</u>	<u>(355)</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be indicative of the Group's exposure to currency risk.

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.

The following table illustrates the sensitivity of the net results for the year and equity to a reasonably possible change in interest rates of + 20% and - 30% (2006 +/- 20%), with effect from the beginning of the year. These changes are considered to be reasonable based on observation of current market conditions within which the Group operates. The sensitivity analysis is based upon the Group's deposits at each balance sheet date.

	2007		2006	
	Plus 20% \$000	Minus 30% \$000	Plus 20% \$000	Minus 20% \$000
Net result for the year	<u>2,009</u>	<u>(3,013)</u>	<u>195</u>	<u>(195)</u>



NOTES TO THE FINANCIAL STATEMENTS

18. RISK MANAGEMENT (CONTINUED)

Commodity risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group does not have trade receivables and does not hold collateral as security.

Credit risk from balances with banks and financial institutions is managed by the Board. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Griffin Board on a regular basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments.

19. FINANCIAL INSTRUMENTS

The Group does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. With the exception of a fixed rate and fixed term Renminbi short term bank loan, 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.

20. SUBSIDIARY COMPANIES

At 31 December 2007, 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%	Service company	Australia
China Zinc Limited	Ordinary	100%	Holding company	Hong Kong
Hebei Hua' Ao Mining Industry Company Ltd*		100% (reducing to 60% after 3 years from commercial production)**	Base and precious metals 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



NOTES TO THE FINANCIAL STATEMENTS

20. SUBSIDIARY COMPANIES (CONTINUED)

* China Zinc Ltd, China Zinc Pty Ltd and Panda Resources Ltd are directly owned by the Company. China Zinc 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 (commenced in the second half of 2005) be paid to the foreign party (China Zinc). Thereafter the foreign party (China Zinc) will receive 60% of the cash flows, in accordance with its share in the equity interest in the joint venture.

China Zinc Limited was formed on 25th October 2007 following which China Zinc Pty Limited's equity interest in Hebei Hua' Ao was transferred to China Zinc Limited at book value.

21. RELATED PARTY TRANSACTIONS

At 31 December 2007 Hebei Hua' Ao Mining Industry Company Limited had advanced Rmb3,009,000 (\$400,000) (31 December 2006 Rmb 3,009,000 (\$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 2007 Hebei Hua' Ao had advanced Rmb9,003,000 (\$1,200,000) (31 December 2006 Rmb 603,000 (\$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.

22. COMMITMENTS

At 31 December 2007 the Group had capital commitments of \$2,858,000.

23. POST BALANCE SHEET EVENTS

On 19 April 2008 Griffin signed an agreement with Yukon Zinc Corporation ("Yukon Zinc") for the acquisition of all the issued common stock of Yukon Zinc. The agreement provides for a plan of arrangement pursuant to section 288(1) of the British Columbia Business Corporations Act, in which the Yukon Zinc shareholders will exchange their Yukon Zinc shares for ordinary shares of Griffin, on the basis of one Griffin share for each nine Yukon Zinc shares held. The plan of arrangement is subject to, inter alia, the approval of two thirds of the Yukon Zinc shareholders attending and voting at a special general meeting.

Yukon Zinc has issued and outstanding 455,606,909 common shares for which Griffin will issue and exchange 50,622,990 (subject to roundings) new ordinary shares amounting to 16.2% of the enlarged share capital on an undiluted basis of 312,132,539 ordinary shares. In addition Yukon Zinc has granted stock options exercisable for 23,578,000 common shares and warrants exercisable for 76,511,618 common shares. Under the terms of the agreement, Griffin will grant options / warrants exercisable over a total of 11,121,069 new ordinary shares in exchange for the outstanding Yukon Zinc options and warrants, amounting to 3.2% of the enlarged share capital on a fully diluted basis of 338,728,608 ordinary shares.

The final structure of the transaction will be determined on the basis of tax, securities and corporate law advice in order to ensure the most efficient structure for each of the parties and their respective security holders. Yukon Zinc has agreed to pay a break fee to Griffin, under certain circumstances, of C\$2.5 million. Yukon Zinc has also provided Griffin with certain other customary rights, including a right to match competing offers.







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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