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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).

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Caijiaying Mine Site Winter 2009 During Upgrade Construction

Chairman's Statement

2008 will go down as one of the most catastrophic years for all involved in the mining, financial and industrial markets. Almost every institution, company and individual was affected, some irrevocably, and your company, Griffin Mining Limited ("Griffin" or the "Company") was no exception. Even in this difficult environment, the Company was still able to produce a profit before tax of almost $7 million, a truly remarkable result considering the zinc price fell 46% in 2007 and a further 50% in 2008. This is a testament to the quality of the Caijiaying mine, its people and the management of the Company.

2008 was unique, not in that it produced the beginning of a severe and prolonged recession. It is the task of any competent management to foresee such likelihood. Rather it was the complete breakdown of the financial system, including the banking, equity and debt markets, that produced a scenario that none of us had ever seen before and brought the world to the edge of financial calamity. The ensuing ricochet effects caused the current recessionary environment and, for mining companies, the unfortunate end to booming commodity prices. In a fixed cost business such as mining, the resulting dramatic fall in revenues caused by declining commodity prices was reflected directly in a corresponding fall in the profitability of the Company.

Fortunately for Griffin, prudent management has ensured that a significant cash balance has been maintained in the Company, no debt exists on the balance sheet and the Caijiaying mine is managed as one of the world's lowest cost zinc producers. With the continuing depressed commodity prices, the Company took the opportunity to temporarily suspend operations at Caijiaying to undertake long overdue heavy maintenance and complete construction associated with the expansion of production facilities. The economic cost of suspending operations was relatively small compared to suspending operations at a time of high commodity prices. By the beginning of June, full operations should have resumed at Caijiaying.

The current environment does, however, provide some unique acquisition opportunities which the Company would like to pursue. As most shareholders are aware, in a booming commodity market, mining companies and mining assets are given astronomical valuations. Even the small number of assets the Company thought met the financial, political, structural, metallurgical and geological parameters set by the Company, were financially out of reach. The current economic crisis has savagely slashed these companies' valuations and, in some cases, left them in a precarious financial predicament with little or no cash and no hope of raising further funding to survive. It is these companies that management has been evaluating and attempting to acquire.

The Company made a number of acquisition attempts during the year. On the plus side, in May 2008, the Company bought back its own shares from Citadel Investment Group, realising a gain of over $30 million. From the same seller Griffin was able to acquire, for £2.5 million, over 39% of Spitfire Oil Limited, a company listed on the AIM of the London Stock Exchange. This company is attempting to economically extract fuel oils and other by-products from the huge Salmon Gums lignite deposit in Western Australia. This is a long term, high risk venture. But the economic rewards, should Spitfire Oil Limited be successful, will be enormous and Company transforming.

Less successfully, in April 2008, the Company negotiated an agreed merger with Yukon Zinc Corporation, which was subsequently frustrated by a higher takeover bid by Northwest Non Ferrous International Investment Company Limited and Jinduicheng Molybdenum Group Limited. Nevertheless, the Company was still able to walk away from the transaction with a C$2.5 million break-up fee. Finally, and probably most disappointingly, in March 2009, the Company made an unsolicited bid for a Canadian company, Ivernia Inc, the owner of the suspended Magellan Lead Mine in Western Australia. That company's management took the unfathomable decision to deliver effective control, through massive dilution of its share capital, to a related party without shareholder approval. That made the acquisition of Ivernia uneconomic and unpalatable for Griffin.

None of this has dampened the Company's enthusiasm to make further acquistions in this recessionary environment where the Company's cash has inordinate value, particularly before commodity prices start to rise again and the valuation of mining assets become so high as to make any acquisition of these assets prohibitively difficult and uneconomic. Even without any further acquisition, the Company's future looks assured. The industrialization of China and its spectacular growth rate, although temporaily slowed, should return and re-ignite the "super cycle" in commodity prices. The Company's balance sheet is very strong with a large cash balance and no debt. The Company is beginning to increase throughput at Caijaying towards 750,000 tonnes per annum and Caijiaying continues to be a low cost mine with the potential to become a world class mining region, particularly with further exploration between Zones II and III at Caijiaying.

Logically, all these activities require smart, efficient and tireless human capital. The Company has always prioritized obtaining, maintaining and keeping the best possible staff because, at the end of the day, people make things happen. To the Company's directors, senior management, contractors and Chinese employees go all of our thanks and gratitude. We also welcome Investec as our new Nominated Advisor and Broker. We hope our relationship will be long and mutually beneficial.

Lastly to you, our shareholders and owners, we pledge to continue to add real value and work even harder to bring the rewards your loyalty has earned over the course of this difficult year.

Mladen Ninkov
Chairman
30 April 2009

Main Zone III Decline Caijiaying Mine Site

Operational Review 2008/09

OVERVIEW

Griffin Mining Limited (the "Company") and its subsidiaries (together the "Group") recorded a profit before tax for the year of $6,959,000 (2007: $26,762,000).

All mining companies faced serious challenges during 2008, however, the Group was positioned better than the vast majority of its fellow industry participants in maintaining a low cost, long life mine and retaining substantial cash balances. The Group has benefited from receiving 100% of the profits of the Caijiaying Zinc-Gold Mine ("the Mine") over the three years to July 2008 and obtaining a net gain of over $30 million, recognized through reserves and not in the profit for the year, by repurchasing $121.5 million of its own shares for cancellation in May 2008 from Citadel Equity Fund Ltd ("Citadel") having issued those same shares for $151.7 million in August 2007.

With the Group's primary income generated by the Mine, profitability was severely impacted by the fall in the price of zinc. During 2008, the zinc price quoted on the London Metals Exchange fell from $2,500 per tonne to $1,100 per tonne. Due to this price decline and the Group remaining unhedged to both metals and currency, a decision was taken to suspend operations in the first quarter of 2009 to allow much needed maintenance and capital work to be undertaken with relatively little economic loss being incurred by the Group.

Griffin benefited from interest receipts of $4,670,000 during 2008 (2007: $5,607,000), however, this income has decreased during 2009 with declining interest rates world-wide. Griffin also benefited from a C$2.5 million break free on the Company's aborted acquisition of Yukon Zinc Corporation.

Foreign exchange losses of $3,221,000 were recorded in 2008 (2007: gains of $1,012,000) primarily on sterling deposits held to cover sterling commitments. The losses follow the fall in the value of sterling in the year.

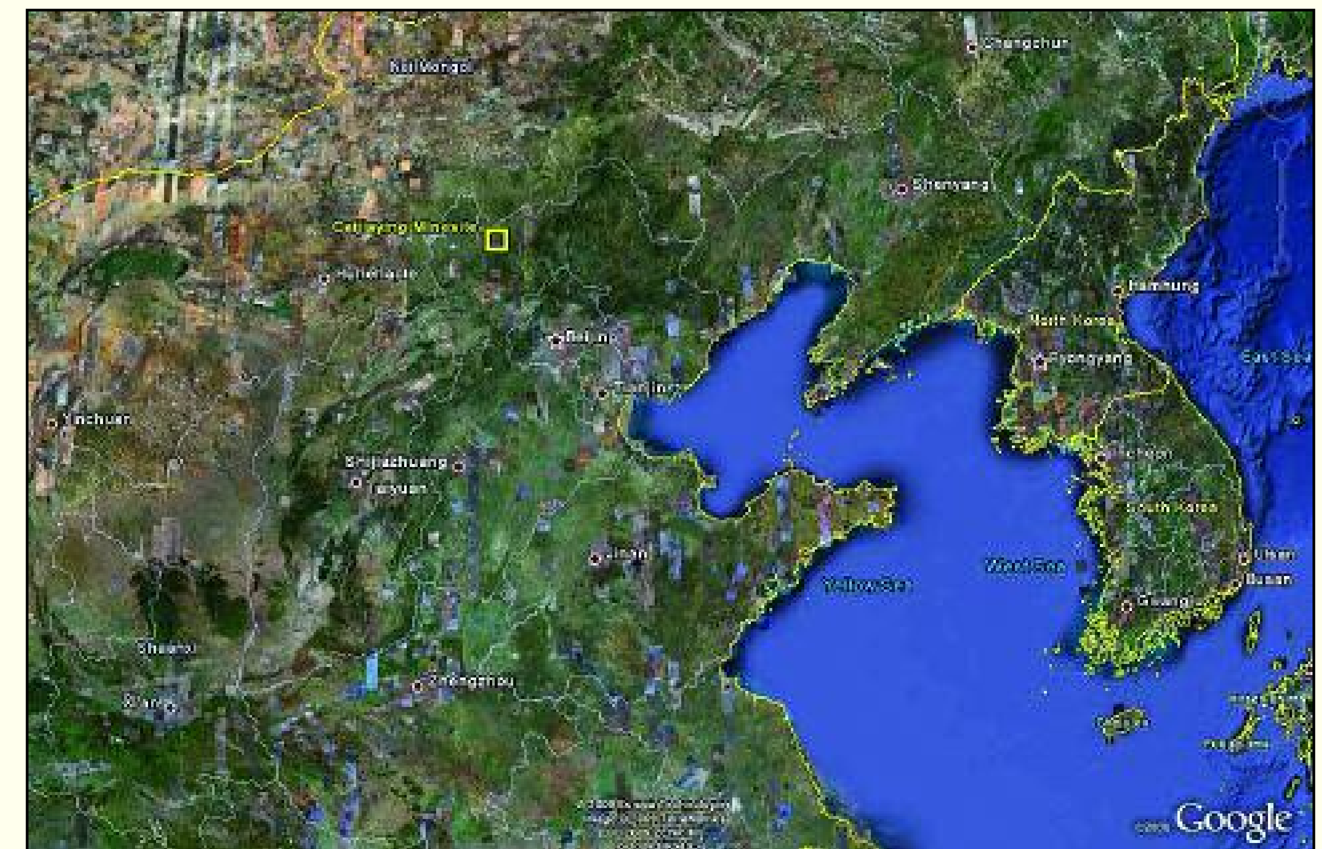
On 27 November 2008, Griffin acquired 16,666,667 ordinary shares at £0.15 per share for a total cost of £2,500,000 ($4,542,000) in Spitfire Oil Limited ("Spitfire"). This represents 39.2% of the issued share capital of Spitfire. Spitfire's principal asset is the Salmon Gums Lignite deposits in Western Australia from which Spitfire is intending to produce fuel oil, distillates and other by-products. This relatively modest investment provides Griffin with an entrée into a long term, large scale project that spreads the Company's political and commodity risk.

HISTORY OF CAIJIAYING

The Mine is located at Caijiaying, which is approximately 250 kilometres north-west of Beijing in the Hebei Province. The site is easily accessible by two separate freeway systems from Beijing and secondary sealed roads. The site has significant water supplies, two independent connections to the electricity grid, full connectivity to fixed and mobile telecommunications and broadband access for internet services. Climatic conditions are not severe with warm summers and cold, dry winters.

The assets of the Mine are held by Hebei Hua Ao Mining Industry Company Limited ("Hebei Hua' Ao"), a contractual co-operative joint venture entity established in 1994, in which Griffin, through its wholly owned Hong Kong subsidiary, China Zinc Limited ("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) a 40% interest.

In January 2004, a second contractual joint venture company, Hebei Sino Anglo Mining Development Company Limited ("Hebei Anglo"), was formed to hold the mineral rights to the area surrounding the original Hebei Hua' Ao licence area and any other



Caijiaying Mine Location: Courtesy of Google Maps

areas of interest in Hebei Province. Griffin, through its wholly owned UK subsidiary company, Panda Resources Limited, has a 90% interest in Hebei Anglo. The other Chinese shareholders in Hebei Anglo hold 10% and reflect those shareholders in Hebei Hua-Ao.

Griffin, through Hebei Hua' Ao and Hebei Anglo, has a controlling interest in mining and exploration licences over 67 square kilometres at Caijiaying. Application has been made for further exploration licences in the 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 been steadily increased since commissioning with 491,848 tonnes of ore processed in 2008 and processing rates equivalent to 600,000 tonnes of ore per annum recently achieved.

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 work has been undertaken since commissioning to increase production with the installation of, inter alia, a new back-fill plant, new floatation circuits, new accommodation and administration building extensions and other site infrastructure. The construction of a new crushing circuit has not yet been completed and a second primary ball mill purchased but not yet installed. When completed, this should enable processing capacity to be increased to 750,000 tonnes of ore per annum.

MINE OPERATIONS

Production capacity continued to increase at the Mine which allowed tonnes of ore processed to increase from 409,193 tonnes in 2007 to 491,848 tonnes in 2008. It also allowed the production of a second concentrate to be produced containing lead, silver and gold.

The upgrade of the processing plant did encounter delays and difficulties due to a number of reasons. In the first instance poor design work was produced by the local Chinese Engineering Institute and below standard construction work followed by certain Chinese contractors. Construction was then further significantly disrupted by the Olympic and Paraplegic Olympic games held in Beijing in the summer of 2008, which severely interrupted supplies of equipment. As a result, the upgrade remains ongoing with sufficient progress on the upgrade of the processing plant being made such that processing rates equivalent to 600,000 tonnes of ore per annum have already been achieved.

Profitability was also impacted by a fall in the head grade of zinc during the year, a normal occurrence given the numerous lodes carrying various grades of zinc mineralization and the scheduling of mining of these different lode systems. To date, mining operations have been directed at the upper levels of the mine. Development of the lower levels of the mine were delayed by permitting issues and, in particular, delays in obtaining an environmental permit required for the expansion of mining operations. The Company has been advised that these issues have now been resolved and work should begin on developing the lower levels shortly.

Zinc metal in concentrate produced was increased from 21,781 tonnes in 2007 to 22,922 tonnes in 2008, gold produced increased from 15 ounces in 2007 to 2,421 ounces in 2008, silver produced increased from 6,470 ounces in 2007 to 171,888 ounces in 2008 and lead produced increased from 13 tonnes in 2007 to 1,127 tonnes in 2008. Whilst recovery rates for zinc have held in excess of 95% through 2008, recovery rates for lead, gold and silver have not yet met expectations and further work is being undertaken in an attempt to improve recovery rates. With the development of the lower levels of the mine, grades, particularly for gold, are expected to improve as drilling results indicate higher gold grades at lower levels.

The Mine continues to rank in the lowest quartile of zinc producer costs. The commissioning of the second processing circuit to produce a gold, silver and lead concentrate in December 2007 and the commissioning of a backfill plant to fill underground voids caused costs to increase. Administrative costs have also increased in China with local managers being appointed by the Chinese joint venture partners to certain administrative positions following the start of the Chinese profit sharing in July 2008. With the difficult state of the mining industry, all costs are being reviewed to ascertain where costs can be reduced including, renegotiating terms with all contractors.

Underground mine development has continued throughout 2008 in order to provide increased throughput to the processing facilities. The main "Northern Decline" has been to be extended to the lower levels although development of the lower levels were delayed by permitting issues. During 2008, 433,274 tonnes of ore were mined (2007: 430,891 tonnes). Mining was hindered during the year by difficulties in sourcing supplies, most notably explosives, during the Olympic and Paraplegic Olympic Games in Beijing and delays in accessing the lower mine levels. The inability to access the lower levels has resulted in having to revert to shrink stoping to extract ore as opposed to up-hole benching. Greater use of up-hole benching, which allows for increased extraction rates albeit with greater dilution, will be made to extract ore from the lower levels which are expected to be more amenable to such mining methods.

In 2008, 7,392 meters (2007: 7,200 meters) of underground drives, rises and cross cuts were developed. During 2008, within the area of current mining activities at Zone III, over 35,570 metres (2007: 34,000 metres) of underground infill and exploration diamond drilling was completed.

Following the discovery of mineralisation and the preparation of an initial resource estimate in 2007 at Zone II (approximately 1.5 kilometres to the south of Zone III), a further 120 meters of underground drives were constructed from the "Fox" exploration decline at Zone II. This development was undertaken to enable further exploration drilling in the future.

In 2008 work was started on the development of a drive connecting Zone III and the extended Fox decline at Zone II. This will give services and haulage access to the Zone II resources for future development. It will also provide a suitable drilling platform and allow cost effective underground exploration drilling of the area between Zones III and II.

The Caijiaying mine operated throughout 2008 without any significant accident or environmental incident, retaining an excellent safety and environmental record.

Caijiaying Mine Site - Plant Upgrade Construction

RESOURCES

RESOURCE ESTIMATE AND RECONCILIATION ZONE III

During 2008, approximately 34,000 metres of diamond drilling was completed. The programme breakdown was 9,000 metres of infill and 25,000 metres of extensional drilling. Several exploratory probe holes were also drilled to the west of the Qing Long lode. Extensional drilling targeted higher grade zones within the 2002 Inferred Mineral Resource in close proximity to existing development. Significant tonnages of mineralisation were defined within the Qing Long, Ju Long, Fu Long, Chang Long and Xiao Long lodes. An updated Mineral Resource estimate is underway with results expected in the third quarter of 2009.

Tabulated below is the updated Mineral Resource estimate to JORC reporting standards 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 grammes 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 grammes per tonne	Zinc million tonnes	Gold million ounces	Silver million ounces
Measured	1%	1.18	6.7	0.4	35	0.08	0.02	1.34
Indicated	1%	2.83	5.6	0.6	33	0.16	0.05	2.97
Inferred	1%	0.89	4.5	0.6	23	0.04	0.02	0.64
Total	**1%**	**4.9**	**5.7**	**0.6**	**31**	**0.28**	**0.09**	**4.94**

The information in this report that relates to the Mineral Resource Estimate for the 31 December 2008 grade control drilled areas is based on information compiled by Mr L Marshall BSc. MAIG. The mining depletion of the FinOre 2006 Mineral Resource estimate was carried out by Mr L Marshall. Mr. Marshall is a full time employee of Griffin Mining Ltd. The information relating to the FinOre 2006 Mineral Resource and the Micromine2002 Mineral Resource estimates were compiled by Mr C Fawcett BSc (Hons),G Dip Eng, MAusIMM of FinOre and Mr D Pertel MSc. MAIG. of Micromine Consulting Ltd. Mr Marshall, Mr Fawcett and Mr Pertel have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition).

The table summarises the Mineral Resource as at 31 December 2008 for:

- The grade control drilled area defined by the FinOre 2006 Mineral Resource estimate
- The non grade control drilled area defined by the Micromine 2002 Mineral Resource estimate

There was no change to the depleted Micromine 2002 Mineral Resource estimate as no mining took place from within the depleted resource reported in 2007.

The depleted FinOre 2006 Mineral Resource was estimated by reporting the block model with yearly surveyed void pickups removed up to the 2008 calendar year inclusive. The result was compared with the production figures for 2008. Production reported 431,000 mined tonnes, where the resource depletion reported 319,000 mined tonnes. The difference is attributed to the mining of an estimated 112,000 tonnes of mineralisation from outside the FinOre 2006 Mineral Resource block model.

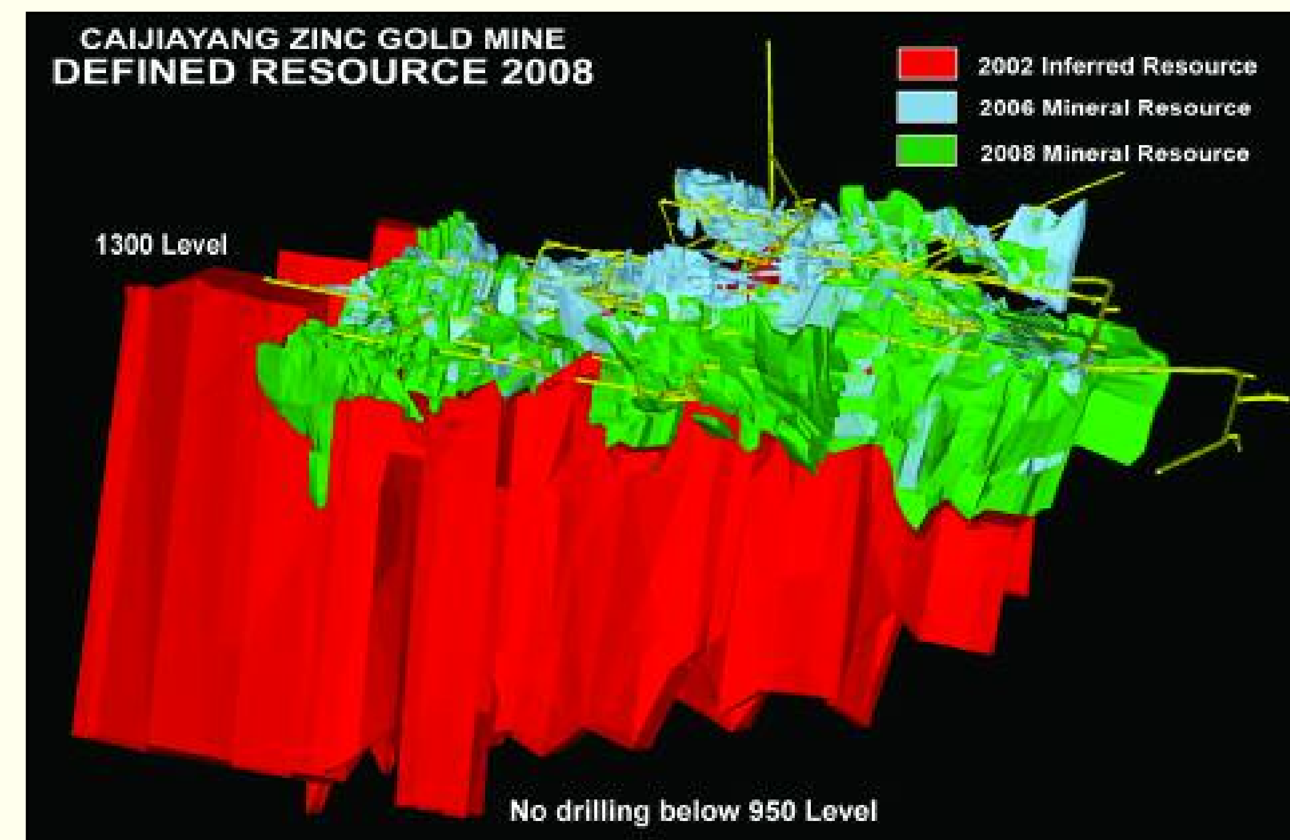
Mineral Resource Estimates for Zone II

Material	Tonnes	Zn %	Pb %	Au grammes per tonne	Ag grammes 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
Sub-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
Sub-total	**1,500,000**	**3.4**	**0.7**	**0.3**	**22.6**
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. Fahey of CSA Australia Pty Ltd (CSA). Mr Fahey is a Chartered professional and Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Fahey 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 Fahey consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The figure below is the FinOre 2006 Mineral Resource and the 2008 Mineral Resources (grade control drilling) and the 2002 Inferred Mineral Resource (historic surface drilling only).



EXPLORATION

Caijiaying Area

Mineralisation at Caijiaying 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.

On-going exploration in the area surrounding the mine at Caijiaying and within Hebei Hua' Ao's and Hebei Anglo's tenement boundary continues to confirm the area to be highly prospective, indicating significant potential for further base metal and gold deposits.

Hebei Hua' Ao Licence Area

The 1.5 kilometre 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. Zone III contains the current Mine and at Zone II, approximately 1.5 kilometres to the south of Zone III, drilling in previous years

Front End Loader Placing Ore into Jaw Crusher on Caijiaying Mine Site ROM Pad

Superimposed Diagrammatic View of Underground Mine Workings at Caijiaying: Courtesy of Google Maps

defined an initial JORC resource estimate of 5.49 million tonnes of 3.2% zinc, 0.6% lead, 0.3 grams per tonne gold and 24 grams per tonne silver.

Activities in 2008 concentrated on linking access between Zone II and Zone III by extending the Fox decline from Zone II northwards towards Zone III and developing a drive southwards from Zone III towards Zone II. The aim of this work was firstly, to provide a more practical drilling platform than drilling from the surface through soft aeolian sand as further significant resources are expected to be defined at between Zone II and Zone III as this should provide additional ore for the processing facilities at Caijiaying, and secondly, to facilitate haulage and services access when mining commences from this area.

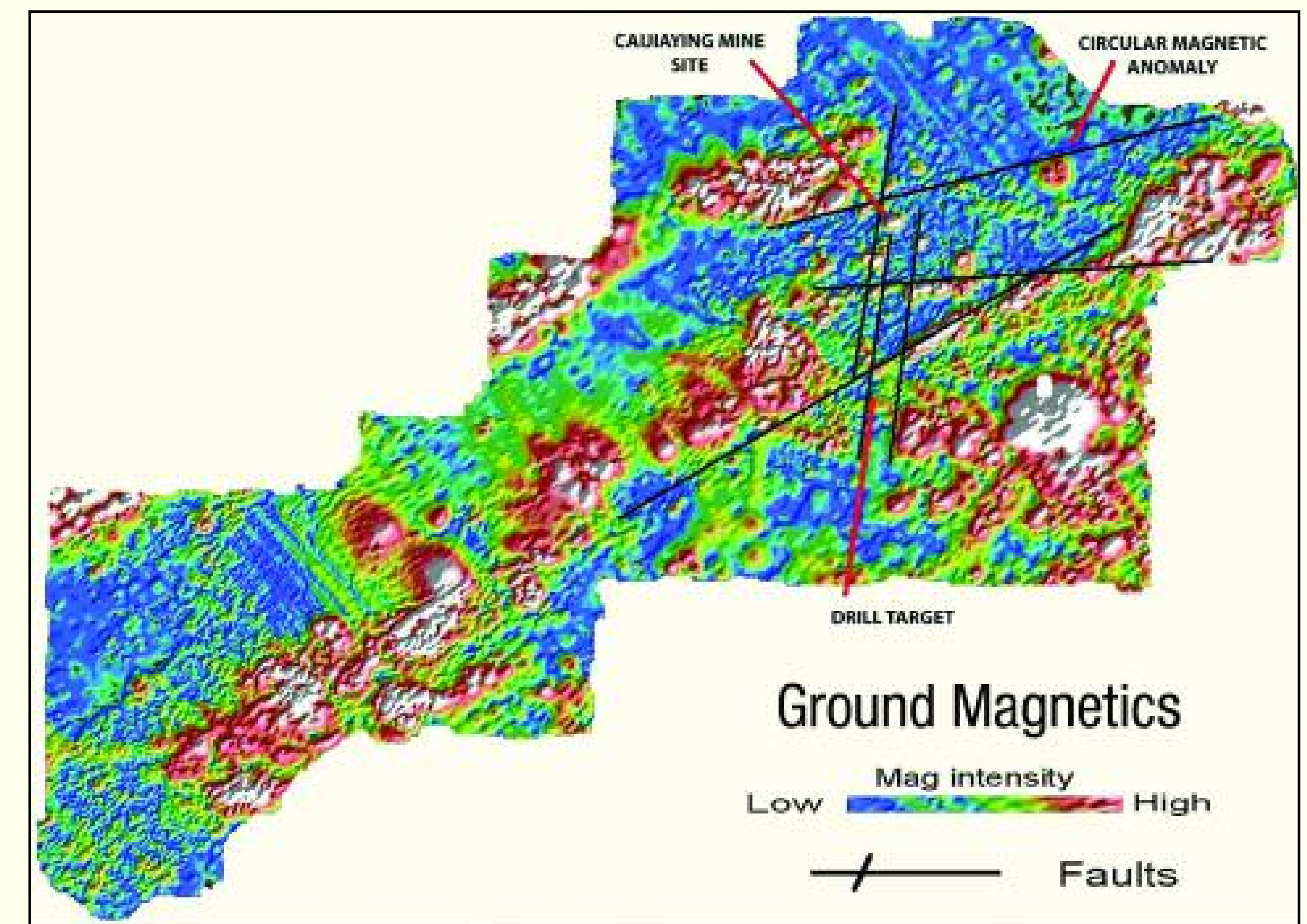
During 2008, the Fox decline was extended an additional 110 metres. The underground exploration programme planned for 2008 had to be postponed, despite considerable effort, as the recruitment of suitably qualified and experienced geological and drilling personnel proved impossible to find because of the world-wide mining boom which existed at that time. It is expected the programme will commence in the current year. An increase in ore resources is expected as underground drilling moves northwards towards Zone III.

Hebei Anglo Licence Area

A detailed review of the ground magnetic data in the Hebei Anglo licence area revealed an anomalous circular magnetic anomaly to the east of Zone II, termed the Xiaobazi Prospect. During 2008, a field programme was undertaken comprising geological mapping and the collection of 422 soil and 98 rock samples. Assaying revealed the presence of gold, copper, zinc, molybdenum and lead geochemical anomalies.

A short drilling programme was undertaken to test a concept that mineralisation extended across the F45 fault. Success would have extended the strike length of mineralisation another few kilometres. The programme had to be abandoned due to poor drilling conditions resulting from very broken ground. The concept remains untested.

Newly developed geochemical techniques are currently being evaluated to determine if they can be used to discover mineralisation beneath aeolian sands. This sand blankets a large part of the tenement block thereby hindering exploration. The ability to "see through" this cover would be a major advance in exploration of the Caijiaying region and for all areas covered by similar sands.



Magnetic Image of Caijiaying Tenement Field

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.

CORPORATE DEVELOPMENTS

Share buy backs

In May 2008, Griffin purchased from Citadel, and cancelled, 79,851,818 shares at £0.765 per share (68,181,818 of which were issued to Citadel at £1.10 per share in July 2007 to raise $151.7m) for a total sum payable of £61.1 million ($121.5m), realising a net gain to the Company of in excess of $30m recognized through reserves. The directors of Griffin, having consulted with its then nominated adviser, considered that, at the time, the terms of the transaction were fair and reasonable insofar as its shareholders were concerned.

In October 2008, a further 68,000 shares were purchased in the market for cancellation at an average price of £0.146 per share and, in January 2009, a further 34,567 shares were bought back in for cancellation in the market at an average price of £0.15 per share.

Yukon Zinc Corporation

In keeping with Griffin's stated intention of acquiring further projects that meet the Company's financial objectives, considerable time and effort was expended in the past year reviewing potential acquisition opportunities. In April 2008, the Company reached an agreement with the board of directors of Yukon Zinc Corporation ("Yukon Zinc") for the acquisition of all of the issued common stock of Yukon Zinc. With significant cash and no debt, Griffin was in a position to fund and provide expertise to bring Yukon Zinc's 100% owned Wolverine zinc-copper-lead-silver-gold underground mine, which is located in an area with a similar climate to that at Caijiaying, into production. On 29 April 2008, Yukon Zinc informed the Company that the board of directors of Yukon Zinc intended to accept a cash offer from Northwest Non Ferrous International Investment Company Limited and Jinduicheng Molybdenum Group Limited for the acquisition of all the issued common stock of Yukon Zinc for a cash price of C$0.22 per share. The Company notified Yukon Zinc that it did not intend to increase its offer for the shares of Yukon Zinc. Consequently Griffin received its negotiated break fee of C$2.5 million.

Drill Rig at Salmon Gums

Spitfire Oil Limited

On 27 November 2008, Griffin purchased 16,666,667 ordinary shares in Spitfire Oil Ltd ("Spitfire"), representing a 39.2% interest in the issued share capital of Spitfire, at £0.15 per share for a total cash consideration of £2,500,000 ($4,542,000) from Citadel. This purchase enabled Griffin to acquire a strategic stake in a project that meets Griffin's investment criteria whilst spreading both political and commodity risk. The opportunity to acquire this strategic stake at such a favourable price, being at a 75% discount to the initial public offering price, was considered and approved by Griffin's independent directors. All of Griffin's directors have experience in the oil and gas sector.

Mr Mladen Ninkov and Mr Roger Goodwin, being directors of both Griffin and Spitfire, provide Griffin with significant influence over Spitfire, requiring Griffin to treat Spitfire as an associated company and thereby recognise its share of Spitfire's financial results.

For a period until 27 May 2008, Citadel held a 30.2% interest in the issued share capital of Griffin, accordingly the transaction was considered a related party transaction under the AIM Rules. In this regard, the directors of Griffin (with the exception of Mladen Ninkov and Roger Goodwin), having consulted with its then nominated adviser, considered that the terms of the transaction were fair and reasonable insofar as its shareholders are concerned.

Spitfire was incorporated on 2 May 2007 and, on 11 July 2007, acquired the entire issued capital of Spitfire Oil Pty Ltd (formerly Hurricane Fuels Pty Ltd) by way of a share swap. On 18 July 2007, Spitfire's shares were admitted to trading on AIM under the symbol "SRO". At the same time, Spitfire placed 16,666,667 new Ordinary Shares with Citadel at £0.60 per share to raise £10,000,000 (before expenses).

Spitfire's principal activity is the pursuance of the production of fuel oil, distillate and other by-products from the Salmon Gums Lignite deposits in Western Australia. At 31 December 2008, Spitfire held 36,800 hectares of exploration tenements and had applied for two Mining Leases, totalling 9,854 hectares, containing the bulk of the lignite resource. These tenements are near Salmon Gums, some 100km north of Esperance, in the south-east of Western Australia. The tenements contain a large lignite (brown coal) deposit with a JORC Inferred Resource (>10m thick seam) of 500 million tonnes of lignite. The lignite has a high Kerogen (hydrocarbon) content which, based on Spitfire's testwork on a limited number of samples, indicates that oil may be recoverable from the deposit at an average yield of approximately 69 litres per tonne of lignite (in situ) or 0.43 barrel per tonne. This implies a potential recoverable fuel oil resource of approximately 200 million barrels (or 33 billion litres) throughout the deposit. Salmon Gums is located next to a main road, railway and pipeline connecting Kalgoorlie and the port of Esperance.

Spitfire is developing its proprietary L2V™ process to extract oil and other products from the lignite at Salmon Gums. The L2V™ process is a form of Pyrolysis, a variation of the coal coking process which has been used for over 100 years and which is known to extract oils and gases from coals. The technology being developed by Spitfire will be compact with an environmental footprint that is much smaller than that of the much more complex but conventional Fisher-Tropsch process. Low carbon emissions are a necessity in the current world climate. Production of a barrel of useable fuel from the L2V™ process is expected to generate a quarter of the emissions from that generated by the conventional gasification plus Fisher-Tropsch process. In the context of the proposed Australian carbon Emissions Trading Scheme, at a price of A$25 per tonne of CO_2, the L2V™ process would incur a cost of about A$4.10 per barrel of produced oil whilst the more conventional process would incur a cost in excess of A$16.6 per barrel.

Since November 2007 Spitfire has been undertaking field delineation and exploration drilling with 420 holes drilled to date totalling 12,624 metres. The resource delineation program consisted of infill drilling, special on-lake drilling, logging and coring with the aim of bringing the previously defined Inferred Resource to Indicated status. The exploration drilling program consisted of additional air-core drilling in the area surrounding the resource. In addition, 12 tons of lignite bulk samples were collected for use in various laboratory test work.

All drilling data and analyses are being entered into a database to generate a new lignite resource estimate with the view of producing an independent updated JORC Indicated Resource estimate by July 2009.

Whilst the main focus of the drilling in the field program has been on exploration and resource delineation, a number of important other activities have also taken place during 2008 including:

- a helicopter electromagnetic survey;
- a hydro-geological investigation, including flow tests from 5 wellbores;
- an aerial LIDAR survey to provide up-to-date photogrammetry over the license area;
- an aerial multi-spectral survey providing detailed environmental and botanical data; and
- further testing of the L2V™ Process Technology.

In June 2007, Spitfire's wholly owned subsidiary, Spitfire Oil Pty Ltd, entered into a A$4.4 million multi-year research contract with Curtin University of Technology's Centre for Advanced Energy Science and Engineering ("CAESE") to pursue the optimisation of the L2V™ process. The program of test work had fallen behind schedule, principally due to the original head of the centre moving to another tertiary institution. As a result, Spitfire has bolstered its technical expertise with the employment of a new Scientific Officer, Mr Barry Tindall, who is a coal-to-liquids specialist with over 10 years experience with Sasol of South Africa, including the design and commissioning of coal to liquids technology.

Subsequently, Professor Chun-Zhu Li joined the Curtin faculty as head of CAESE where he will lead the research. Professor Li came from Monash University where he spent years studying Victoria Brown Coal and had carried out extensive research in various areas of energy science and engineering including coal and biomass pyrolysis. Since these appointments good progress has been made on further proving of the L2V™ Process Technology, in particular:

- a new, specifically designed, laboratory has been completed at Curtin University;
- detailed lignite characterisation, small scale pyrolysis and small-scale materials handling and lignite drying tests have been performed;
- larger scale handling and drying tests were contracted to Tsing Hua University in Beijing;
- optimum "off the shelf" industrial lignite drying technology has been identified;
- Spitfire's prototype rotary kiln laboratory reactor has been constructed, commissioned and from which oil production has started;
- analysis of the produced oil commenced; and
- a new, fluidised bed, laboratory reactor has been conceived and procurement started.

Following consultation with the relevant Commonwealth and State environmental agencies in Australia it has been determined that development of Salmon Gums project will be assessed for its environmental impact by way of an Environmental Review and Management Plan which includes an eight week period for public comment. Extensive baseline flora, fauna, salt lake ecology, waste rock characterisation and groundwater studies were completed during 2008.

Consultations with the local communities have been ongoing for some time. During 2008 the communities from the nearby port of Esperance and local town of Salmon Gums were canvassed and public meetings were held at both locations. These attracted significant interest from local residents and landholders. The area's community, businesses and local government have been generally supportive of the Spitfire's plans.

Contact has also been made with various Australian State and Federal Government bodies for support for Spitfire's activities. With the resource being West Australian based and the L2V™ Process offering an attractive alternative source of energy, Spitfire has been favourably received.

In 2008 Spitfire moved its principal office and management from Melbourne to Perth, the capital of Western Australia, where its project is located. This move brings Spitfire's administration closer to Griffin's. In June 2008, Mr Thyl Kint was appointed Chief Executive Officer of Spitfire, replacing Mr Andrew Woskett who resigned from the board of directors. Mr Kint is an energy industry professional with over 25 years worldwide oil and gas experience including, most recently, the position of Project Director for the very large Stybarrow and Pyrenees oil and gas projects in Australia operated by BHP Billiton Petroleum. Following these changes, Spitfire is in a much stronger position to undertake the tasks ahead and realise the objectives of achieving viable oil production from the Salmon Gums lignite deposits.

With dwindling world resources and the expectation of significant increases in the price of oil in the future, this alternative energy project is highly attractive. Should the results from the L2VTM tests be successful and the development of a commercial plant be achievable, Griffin has the potential to reap significant financial rewards upon the Salmon Gums project coming into commercial operation.

Although Spitfire's primary objective remains the commercialisation of its L2V lignite-to-liquids technology over the large resource at the Salmon Gums, management have considered other possible synergistic business opportunities and continue to evaluate and pursue other energy related opportunities.

Ivernia Takeover

On 24 March 2009, Griffin announced its intention to make a cash offer ("the Offer"), through a wholly owned subsidiary, to acquire all of the issued and outstanding common shares of Ivernia Inc ("Ivernia"). Ivernia holds a 100% interest in the Magellan lead mine in Western Australia, closed by the Western Australian State Government for the past two years following an environmental incident involving the shipment of lead carbonate concentrate to the Port of Esperance.

On 3 April 2009, Griffin announced it had withdrawn its proposed takeover of Ivernia as a result of actions taken by the board of Ivernia which resulted in the current and future control of Ivernia being delivered to a related and other parties with latent massive dilution of up to 111% of its share capital without the approval of Ivernia's shareholders or allowing the shareholders to be given the opportunity to consider a number of alternative proposals put forward by Griffin. In such a situation, the total consideration which would have had to be paid for the newly diluted share capital of Ivernia by Griffin was not considered either justified or certain and, as such, not in the best interest of Griffin shareholders.

The Future

In relation to the Company's current Mine, operations are expected to re-commence on 1 June 2009. With indications that commodity prices will begin to increase in the foreseeable future, the financial future of the Company is well placed. Zinc, in particular, suffered from the recent bull market of 2004 – 2006 and the trading of zinc metal and its derivatives by hedge funds. A subsequent correction and a change in market conditions following the credit crisis has caused zinc prices to fall to unsustainable levels with a significant proportion of zinc mines recently operating at a loss. This has resulted in a number of mine closures including the Galmoy Mine in Ireland, the Lennard Shelf in Australia as well as a considerable number of mines in China. Whilst refined zinc output is expected to grow only modestly in the near future, tightness of concentrate supply is already resulting in lower treatment charges and a strengthening of zinc prices.

Griffin's management team, consisting of finance, mining, metallurgy, geological and health and safety professionals, have reviewed over 600 mining companies and their key projects during the year. Of these, approximately 50 were selected for semi-detailed evaluation and 20 for further involved detailed analysis. The companies selected held predominantly advanced projects in a range of commodities and locations. In addition, Griffin has been approached by a number of companies with a view to jointly developing a number of significant projects. This process remains ongoing.

Flotation Cells in the Caijiaying Plant

Directors & Senior Executives

Mladen Ninkov, Chairman, Australian, aged 47, 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 54, 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.

DIRECTORS: (Left to Right): Back Row: Dal Brynelsen (Non-Executive), Roger Goodwin (Finance Director)
Front Row: William Mulligan (Non Executive), Mladen Ninkov (Chairman)

Dal Brynelsen, Director, Canadian, aged 62, 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 65, 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, Operations Manager, Australian, aged 45, 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 48, 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 49, 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 31, 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).

Moving Concentrate at New Storage Shed at Caijiaying Mine Site

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 2008.

Financial results

The Group profit before taxation, amounted to US$6,959,000 (2007: US$26,762,000). Taxation of US$637,000 has been provided (2007: nil). A dividend of US$8,008,000 was paid in 2008 (2007: US$5,826,000). After deduction of dividends paid, US$1,686,000 has been debited to reserves (2007: credit - US$20,936,000).

The earnings per share amounted to 2.87 cents (2007: 12.08 cents). The attributable net asset value per share at 31 December 2008 amounted to 72 cents (2007: 95 cents).

In view of the fall in commodity prices resulting in the decline in profitability, current suspension of operations at Caijiaying, and the consequent need to preserve cash, the directors do not recommend the payment of a dividend.

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 2008 and the indication of likely future developments are set out on pages 8 to 25.

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 2008 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2008				At 1 January 2008		
	Ordinary shares No.	Options over ordinary shares exercisable at			Ordinary shares No.	Options over ordinary shares exercisable at	
		20 pence	110 pence	65 pence		110 pence	65 pence
Mladen Ninkov	33,001	3,000,000	6,000,000	2,000,000	33,001	6,000,000	2,000,000
Dal Brynelsen	1	200,000	400,000	200,000	1	400,000	200,000
Roger Goodwin	577,830	600,000	1,200,000	575,000	577,830	1,200,000	575,000
William Mulligan	300,001	200,000	400,000	200,000	300,001	400,000	200,000

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. Since the 31 December 2008, all the options exercisable at 65 pence per share have lapsed.

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:

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

The options exercisable at 20 pence per share entitle the holder to subscribe for new ordinary shares in the Company on or before 31st October 2013. The options vest with each option holder in 3 separate and equal instalments as follows:

a. The first third of each holder's options vested on 28th October 2008;
b. The second third of each holder's options will vest on 31 December 2009; and
c. The last third of each holder's options will vest on 31 December 2010.

The options exercisable at 110 pence and 20 pence 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.

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 shareholdings, 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.

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.

Directors' Report

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 2009
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 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the accounting policies, and notes 1 to 26. 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 as adopted by the EU 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 as adopted by the EU of the state of the Group's affairs at 31 December 2008 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 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008
(expressed in thousands US dollars)

	Notes	2008	2007
		$000	$000
Revenue	1	**32,061**	37,989
Cost of sales	1	**(18,438)**	(7,768)
Gross profit		**13,623**	30,221
Net operating expenses	1	**(10,517)**	(10,078)
Profit from operations	2	**3,106**	20,143
Share of losses of associated company	4	**(39)**	-
Foreign exchange (losses) / gains		**(3,221)**	1,012
Finance income	5	**4,670**	5,607
Other income	6	**2,533**	-
Interest payable		**(90)**	-
Profit before tax		**6,959**	26,762
Income tax expense	7	**(637)**	-
Profit after tax attributable to equity share owners for the financial year		**6,322**	26,762
Basic earnings per share (cents) from continuing operations	8	**2.87**	12.08
Diluted earnings per share (cents) from continuing operations	8	**2.83**	11.97

CONSOLIDATED BALANCE SHEET

As at 31 December 2008
(expressed in thousands US dollars)

	Notes	2008 $000	2007 $000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**56,885**	44,381
Intangible assets – exploration interests	10	**1,313**	751
Investment in associated company	11	**4,503**	-
		62,701	45,132
Current assets			
Inventories	12	**3,227**	4,639
Other current assets	13	**5,564**	4,155
Cash and cash equivalents		**67,193**	199,949
		75,984	208,743
Total assets		**138,685**	253,875
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	**1,816**	2,615
Share premium		**75,950**	196,637
Contributing surplus		**3,690**	3,690
Share based payments		**5,826**	4,426
Other reserves		**711**	579
Foreign exchange reserve		**7,142**	3,109
Profit and loss reserve		**35,345**	37,106
Total equity		**130,480**	248,162
Non-current liabilities			
Long-term provisions	17	**98**	-
Current liabilities			
Trade and other payables	18	**8,107**	5,047
Short term bank overdrafts	19	-	666
Total liabilities		**8,107**	5,713
Total equities and liabilities		**138,685**	253,875
Number of shares in issue		**181,589,731**	261,509,549
Attributable net asset value / total equity per share	20	**$0.72**	$0.95

The accounts on pages 36 to 57 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

30 April 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008
(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 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 in 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 share 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
Exchange differences on translating foreign operations	-	-	-	-	57	4,033	-	4,090
Net income recognised directly to equity	-	-	-	-	57	4,033	-	4,090
Profit for the year	-	-	-	-	-		6,322	6,322
Total recognised income and expenses in the year	-	-	-	-	57	4,033	6,322	10,412
Dividend paid	-	-	-	-	-	-	(8,008)	(8,008)
Regulatory transfer for future investment	-	-	-	-	75	-	(75)	-
Purchase of shares for cancellation	(799)	(120,687)	-	-	-	-	-	(121,486)
Cost of share based payments	-	-	-	1,400	-	-	-	1,400
At 31 December 2008	1,816	75,950	3,690	5,826	711	7,142	35,345	130,480

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008
(expressed in thousands US dollars)

	Notes	**2008 $000**	2007 $000
Net cash flows from operating activities			
Profit before taxation		**6,959**	26,762
Share of associated company losses		**39**	-
Foreign exchange losses / (gains)		**3,221**	(1,012)
Taxation paid		**(637)**	-
Finance income		**(4,670)**	(5,607)
Adjustment in respect of share based payments		**1,400**	2,915
Depreciation, depletion and amortisation	9	**2,844**	1,351
Provisions		**98**	-
Decrease / (increase) in inventories		**1,412**	(3,535)
(Increase) in other current assets		**(1,101)**	(3,091)
Increase in trade and other payables		**3,059**	711
Net cash inflow from operating activities		**12,624**	18,494
Cash flows from investing activities			
Interest received	5	**4,670**	5,607
Payments to acquire intangible fixed assets – exploration interests	10	**(388)**	(126)
Payments to acquire plant and equipment – mineral interests	9	**(9,393)**	(9,056)
Payments to acquire plant and equipment – plant and equipment	9	**(1,681)**	(1,854)
Payments to acquire interest in associated company		**(4,542)**	**-**
Net cash (outflow) from investing activities		**(11,334)**	(5,429)
Cash flows from financing activities			
Issue of ordinary share capital		-	157,211
Expenses paid in connection with share issue		-	(7)
Purchase of share for cancellation		**(121,486)**	-
		(121,486)	157,204
Dividends Paid		**(8,008)**	(5,826)
(Decrease)/Increase in cash and cash equivalents		**(128,204)**	164,443
Cash and cash equivalents at beginning of the year		**199,283**	34,081
Effects of exchange rate changes		**(3,886)**	759
Cash and cash equivalents at the end of the year		**67,193**	199,283
Cash and cash equivalents comprise:			
Bank deposits		**67,193**	199,949
Short term bank overdrafts		-	(666)
Total		**67,193**	199,283

Included within net cash flows of $128,204,000 (2007: $164,443,000) are foreign exchange losses of $3,221,000 (2007 gains: $1,012,000) 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 Reporting Standards Board and as adopted by the European Union.

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.

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 2007) – effective 1 January 2009
- IAS 23 Borrowing Costs (revised 2007) - effective 1 January 2009
- IAS 27 Consolidated and separate financial statements (revised 2007) – effective 1 July 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.
- Amendment to IFRS 2 Share based payment – Vesting conditions and cancellations – effective 1 January 2009
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate - effective 1 January 2009.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items - effective 1 July 2009.
- IFRS 3 Business combinations (revised 2008) – effective 1 January 2009
- IFRS 8 Operating Segments – effective 1 January 2009.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation – effective 1 October 2008

The Group is evaluating the impact of the above pronouncements. The effect of the revision to IAS 27 will depends 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 provided all the funds required to develop the Caijiaying mine and was entitled to 100% of the net cash flows of the subsidiary for the first three years after commencement of commercial production. With effect from 24 July 2008 the Company's share of the cash flows and profits reverted to the underlying equity interest of 60%.

No minority interest in Hebei Hua' Ao Mining Industry Company Limited is recognised in these financial statements as Hebei Hua' Ao Mining Industry Company Limited has operated at a loss since July 2008.

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.

Associates

Entities whose economic activities are independent of the Group are accounted for using the equity method.

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to purchase method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associate's equity are recognised in the consolidated equity of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Accounting Policies

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 at least annually 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 Income Statement.

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 9).

Residual values

Material residual value estimates are updated as required, but at least annually whether or not the asset is revalued.

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

Accounting Policies

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

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 profit or loss 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 or when objective evidence is received that a specific counterparty will default, 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.

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 profit or loss. 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.

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".

ACCOUNTING POLICIES

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 and associates, operate in China, the United Kingdom, and Australia.

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

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

On consolidation the accounts of overseas subsidiary undertakings are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and profit and loss account items are translated at the average rate for the year. The exchange difference arising on the retranslation of opening net assets is classified within equity and is taken directly to the foreign exchange reserve. All other translation differences are taken to the profit and loss account.

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 2008 the application of the accounting standard has resulted in a net decrease in the profit for the year of $1,400,000 (2007: $2,915,000).

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 9)
- Expenditure capitalised as property, plant & equipment (note 9)
- Impairment review assumptions (note 9, 10 and 11)
- Provisions for mine closure costs (note 17)
- Share based payments (note 15)
- Classification of share based payments (note 15)
- Determination that investments in associates are not subsidiaries (note 11)
- Treatment of minority interests (notes 13, 23 and 26)

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.

TAXATION

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity

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 2008 and 2007 were derived from the Caijiaying zinc gold project.

	2008	2007
	$000	$000
REVENUES		
China	**32,061**	37,989
COST OF SALES		
China	**(18,438)**	(7,768)
NET OPERATING EXPENSES		
China	**(6,379)**	(4,735)
Australia	**(76)**	15
European Union	**(4,062)**	(5,358)
	(10,517)	(10,078)

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

TOTAL ASSETS		
China	**69,041**	54,841
Australia	**4,662**	79
European Union	**64,982**	198,955
	138,685	253,875
CAPITAL EXPENDITURE		
China	**11,462**	11,036
	11,462	11,036

2. PROFIT FROM OPERATIONS

Profit from operations is stated after charging

	2008	2007
	$000	$000
Depreciation, depletion and amortisation	**(2,844)**	(1,351)
Staff costs	**(3,966)**	(2,301)
Fair values of options granted to directors and management	**(1,400)**	(2,915)

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

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**	**Bonuses**	**Share based payments**	**Total 2008**	Fees	Salary	Share based payments	Total 2007
	$000	**$000**	**$000**	**$000**	**$000**	$000	$000	$000	$000
Mladen Ninkov	**58**	**-**	**-**	**840**	**898**	45	-	1,744	1,789
Dal Brynelsen	**65**	**-**	**100**	**56**	**221**	66	-	116	182
Roger Goodwin	**58**	**359**	**51**	**168**	**636**	45	365	349	759
William Mulligan	**65**	**-**	**15**	**56**	**136**	66	-	116	182
	246	**359**	**166**	**1,120**	**1,891**	222	365	2,325	2,912
Key personnel	**-**	**775**	**-**	**280**	**1,055**	-	801	588	1,389
	246	**1,134**	**166**	**1,400**	**2,946**	222	1,166	2,913	4,301

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $1,013,000 (2007 $932,000), 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. In addition Keynes Capital received a fee of $327,000 charged solely to Griffin Mining Ltd. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

On 27 October 2008 the Company agreed to grant further options over 5,000,000 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 20 pence per new ordinary share on or before 31 October 2013. The New Options vest with each option holder in 3 separate and equal instalments per annum as follows:

a. The first third of each holder's New Options vested on 28 October 2008;

b. The second third of each holder's New Options will vest on 31 December 2009; and

c. The last third of each holder's New Options will vest on 31 December 2010.

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 now held	Total number of Options vested
Directors:			
Mladen Ninkov	3,000,000	11,000,000	7,000,000
Roger Goodwin	600,000	2,375,000	1,575,000
Dal Brynelsen	200,000	800,000	533,333
William Mulligan	200,000	800,000	533,333
Management			
Key Personnel	1,000,000	4,800,000	2,933,334
Total	5,000,000	19,775,000	12,575,000

NOTES TO THE FINANCIAL STATEMENTS

4. SHARE OF LOSSES OF ASSOCIATED COMPANY

	2008 $000	2007 $000
Share of losses of Spitfire Oil Ltd	**39**	-

Griffin acquired 16,666,667 ordinary shares in Spitfire Oil Ltd ("Spitfire"), representing a 39.2% interest in the issued share capital of Spitfire, at 15p per share for a total cash consideration of £2,500,000 on 27 November 2008.

5. FINANCE INCOME

	2008 $000	2007 $000
Interest income on bank deposits	**4,670**	5,607

6. OTHER INCOME

	2008 $000	2007 $000
Break fee received on aborted acquisition of Yukon Zinc, net of expenses	**2,495**	-
Other	**38**	-
	2,533	-

7. INCOME TAX EXPENSE

	2008 $000	2007 $000
Profit for the year before tax	**6,959**	26,762
Tax rate	**12.5%**	0.0%
Expected tax expense	**870**	-
Adjustment for tax exempt items:		
- Income and expenses outside the PRC not subject to tax	**97**	-
- Share of associated company losses	**(5)**	-
Adjustments for timing differences		
- PRC rebates on purchasing Chinese equipment	**(333)**	-
- In respect of accounting differences	**8**	-
Taxation charge	**637**	-

The Company is not resident in the United Kingdom for taxation purposes.

Hebei Hua' Ao paid income tax in the PRC at a rate of 12.5% in 2008 based upon the profits calculated under Chinese generally accepted accounting principals (Chinese "GAAP"). Hebei Hua' Ao currently benefits from a reduced tax rate for past investment with the applicable PRC tax rate rising in future years in steps to 25%.

Hebei Hua' Ao benefited from a Tax holiday until 2008.

NOTES TO THE FINANCIAL STATEMENTS

8. 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:

	2008			2007		
	Earnings $000	Weighted average number of shares	Per share amount (cents)	Earnings $000	Weighted average number of shares	Per share amount (cents)
Basic earnings per share						
Earnings attributable to ordinary shareholders	**6,322**	**220,587,242**	**2.87**	26,762	221,441,986	12.08
Dilutive effect of securities						
Options		**3,090,342**			2,153,244	
Diluted earnings per share	**6,322**	**223,677,584**	**2.83**	26,762	223,595,230	11.97

9. PROPERTY, PLANT AND EQUIPMENT

	Mineral interests $000	Mill and mine equipment $000	Office furniture and equipment $000	Total $000
At 1 January 2007 net of accumulated depreciation	21,220	10,848	19	32,087
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	31,821	12,551	9	44,381
Foreign exchange adjustments	3,287	1,295	-	4,582
Additions during the year	9,393	1,681	-	11,074
Transfers of rehabilitation bonds to other assets	(308)	-	-	(308)
Depreciation charge for the year	(2,011)	(828)	(5)	(2,844)
At 31 December 2008	42,182	14,699	4	56,885

	$000	$000	$000	$000
At 1 January 2007				
Cost	21,574	11,970	46	33,590
Accumulated depreciation	(354)	(1,122)	(27)	(1,503)
Net carrying amount	21,220	10,848	19	32,087
At 31 December 2007				
Cost	32,937	14,336	46	47,319
Accumulated depreciation	(1,116)	(1,785)	(37)	(2,938)
Net carrying amount	31,821	12,551	9	44,381
At 31 December 2008				
Cost	45,521	17,517	46	63,084
Accumulated depreciation	(3,339)	(2,818)	(42)	(6,199)
Net carrying amount	42,182	14,699	4	56,885

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Mineral interests comprise the Group's interest in the Caijiaying ore bodies including fair values on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and construction of the Caijiaying mine including expenditure for the initial establishment of access to mineral reserves, commissioning expenditure, and direct overhead expenses prior to commencement of commercial production and together with the end of life restoration costs.

In undertaking impairment tests and considering the value of the mineral interests, mill and other equipment at Caijiaying, the directors have recognised the need for a revised mining licence to inter alia extract ore from below the 1300 level and ensure the long term viability of the mine. Whilst an application for such licence has been made, a revised licence has at the date of these accounts not been granted. The directors are not aware of any good reason or cause why the revised licence would not be granted. Having considered the geology, resource estimations, and ore block models at the mine area above the 1300 level, the directors consider that sufficient ore remains above the 1300 level, to justify the carrying value of mineral interests, and related equipment at Caijiaying.

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

10. Intangible assets

China – Zinc / gold exploration interests	$000
At 1 January 2007	842
Foreign exchange adjustments	(55)
Additions during the year	126
Transfer to mineral interests	(162)
At 31 December 2007	751
Foreign exchange adjustments	174
Additions during the year	388
At 31 December 2008	1,313

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 income statement. 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 2008 no amounts had been provided or charged to the income statement in respect of the above exploration costs.

11. Investement in associated company

	2008 $000	2007 $000
At 1 January 2008	-	-
Additions in year	4,542	-
Share of losses of Spitfire Oil Limited	(39)	-
At 31 December 2008	4,503	-

Griffin acquired 16,666,667 ordinary shares in Spitfire Oil Ltd ("Spitfire"), representing a 39.2% interest in the issued share capital of Spitfire, at 15p per share for a total cash consideration of £2,500,000 ($4,542,000) on 27 November 2008. The directors consider that the fair value on acquisition of the underlying investment of Spitfire Oil Ltd equates to the fair value paid by the Company. No goodwill or value has been attributed on the acquisition of Griffin's interest in Spitfire Oil Ltd to its licences, proprietary or other rights, in view of the early stage nature of Spitfire Oil Ltd's development.

Mladen Ninkov and Roger Goodwin are directors of Spitfire Oil Ltd giving Griffin significant influence over the financial and operating policy decisions of Spitfire.

Spitfire's principal activity is the pursuance of the production of fuel oil and distillate from the Salmon Gums Lignite deposits in Western Australia.

Notes to the Financial Statements

Summarised financial information on Spitfire Oil Limited
(expressed in thousands Australian dollars)

	Six months to 31 December 2008 Unaudited Aus$000	13 months to 30 June 2008 Audited Aus$000
Loss before income tax	(686)	(2,828)

	31 December 2008 Unaudited Aus$000	30 June 2008 Audited Aus$000
ASSETS		
Current assets	11,908	14,331
Non-current assets	6,504	3,457
Total assets	18,412	17,788
LIABILITIES		
Current and total liabilities	(374)	(1,172)
NET ASSETS	18,038	16,616
EQUITY		
Issued capital	20,854	20,854
Reserves	827	(1,409)
Accumulated losses	(3,643)	(2,829)
	18,038	16,616

Spitfire Oil Ltd reported no contingent liabilities at 31 December 2008 (30 June 2008 nil).

The directors have considered the carrying value of the Company's investment in Spitfire Oil Limited by reference to current market conditions, underlying assets and to projected discounted cash flow projections of Spitfire Oil Limited's principal venture.

12. Inventories

	2008 $000	2007 $000
Underground ore stocks	628	1,006
Surface ore stocks	1,627	223
Concentrate ore stocks	63	2,869
Spare parts and consumables	909	541
	3,227	4,639

All inventories are expected to be sold, used or consumed within one year of the balance sheet date. Inventories costing $3,973,000 (2007: $7,768,000) were charged to the income statement in 2008.

13. Other current assets

	2008 $000	2007 $000
Other receivables	3,537	1,695
Prepayments	2,027	2,460
	5,564	4,155

Other receivables include advances of $3,080,000 to related parties, recoverable from future share of profits (note 24). The minority share of the losses of Hebei Hua' Ao Mining Industry for 2008 amounting to $663,000 (2007: nil) have been fully provided against.

Notes to the Financial Statements

14. Share capital

	2008 Number	2008 $000	2007 Number	2007 $000
AUTHORISED:				
Ordinary shares of US$0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US$0.01 each				
At 1 January	**261,509,549**	**2,615**	184,061,064	1,841
Issued during the year	-	-	77,448,485	774
Bought back in for cancellation	**(79,919,818)**	**(799)**	-	-
At 31 December	**181,589,731**	**1,816**	261,509,549	2,615

On 27 May 2008 79,851,818 ordinary shares were bought in for cancellation from Citadel Equity Fund Ltd at £0.765 ($1.52) per share.

On 28 October 2008 68,000 ordinary shares were bought in for cancellation from the market at 14.7 UK pence ($0.26) per share.

15. Share options and warrants

	At 1 January 2008 Number	Granted Number	At 31 December 2008 Number
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**
Options exercisable at 20 pence per share to 28 February 2013	**-**	**5,000,000**	**5,000,000**
	15,475,000	**5,000,000**	**20,475,000**

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

	2008 Number	2008 Weighted average exercise price	2007 Number	2007 Weighted average exercise price
Outstanding at 1 January	**15,475,000**	**94.1**	14,741,667	43.0
Granted during the year	**5,000,000**	**20.0**	10,000,000	110.0
Exercised during the year	**-**	**-**	(9,266,667)	30.0
Outstanding at 31 December	**20,475,000**	**76.0**	15,475,000	94.1

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, but lapsed on 28 February 2009.

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. Two thirds of these options had vested at 31 December 2008.

The estimated value of the options exercisable at 20p up to 31 October 2013, which vested in 3 tranches of 1,666,666 each, were 4.0p, 4.2p and 4.42p. One third of these options had vested at 31 December 2008.

Notes to the Financial Statements

15. Share options and warrants (continued)

Inputs into the Binomial valuation model were as follows:

	Options expiring 28 February 2013	Options expiring 28 February 2010	Options expiring 28 February 2009
Share price	14.0p	105.8p	65.75p
Exercise price	20.0p	110.0p	65.0p
Expected volatility	60%	33%	30%
Risk free rate	3.97%	5.1%	4.31%
Dividend yield	4%	0%	0%

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

The Group recognised a total expense of $1,400,000 (2007: $2,915,000) during the year ended 31 December 2008 relating to equity settled share option scheme transactions.

16. Dividends

On 6 June 2008 a final dividend of 3 cents per ordinary share in the Company was paid.

17. Long-term provisions

PROVISIONS FOR MINE CLOSURE COSTS	2008 $000	2007 $000
At 1 January	**-**	384
Transfer to mineral interests on payment of rehabilitation bond	**-**	(384)
Transfer	**98**	-
At 31 December	**98**	-

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

18. Trade and Other Payables

	2008 $000	2007 $000
Trade payables	**7,649**	2,995
Taxation payable	**-**	605
Accruals	**458**	1,447
	8,107	5,047

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

19. Short Term Bank Overdrafts

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

20. 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 2008 of $130,480,000 ($248,162,000 at 31 December 2007) divided by the number of ordinary shares in issue at 31 December 2007 of 181,589,731 (261,509,549 at 31 December 2007).

NOTES TO THE FINANCIAL STATEMENTS

21. 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. Associates operational and financial cash flows are denominated in Australian dollars.

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:

	2008 $000	2007 $000
Short term bank deposits	**10,556**	60,134

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 + / - 36% change in the sterling exchange rate for the year ended 31 December 2008. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2008. 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 36% (2007: 9.6%) this would have had the following impact:

	2008 $000	2007 $000
Net result for the year and on equity	**5,938**	6,386

If sterling had weakened against the US Dollar by 36% (2007 9.6%) this would have the following impact:

	2008 $000	2007 $000
Net result for the year and on equity	**(2,794)**	(5,267)

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.

Foreign currency denominated financial assets and liabilities, translated into US Dollars at the closing rate, are as follows:

	2008			2007		
	GBP $000	**Rmb $000**	**AusD $000**	GBP $000	Rmb $000	AusD $000
Financial assets	**10,692**	**7,621**	**160**	60,895	5,093	65
Financial liabilities	**(158)**	**(7,855)**	**(95)**	(318)	(4,674)	(55)
Short term exposure	**10,534**	**(234)**	**65**	60,577	419	10

NOTES TO THE FINANCIAL STATEMENTS

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 + 300% and - 100% (2007 +/- 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.

	2008		2007	
	Plus 300% $000	**Minus 100% $000**	Plus 20% $000	Minus 20% $000
Net result for the year	**556**	**(185)**	2,009	(3,013)

Fixed and non interest bearing financial assets and liabilities are as follows:

	2008			2007		
	Floating interest rate $000	**Non interest bearing $000**	**Total $000**	Floating interest rate $000	Non interest bearing $000	Total $000
Financial Assets						
Cash at bank	**67,193**	**-**	**67,193**	199,949	-	199,949
Other receivables	**-**	**3,537**	**3,537**	-	1,695	1,695
Total Financial Assets	**67,193**	**3,537**	**70,730**	199,949	1,695	201,644
Trade payables	**-**	**-**	**-**	-	-	-
Other payables	**-**	**8,107**	**8,107**	-	4,442	4,442
Total Financial Liabilities	**-**	**8,107**	**8,107**	-	4,442	4,442
Net Financial (Liabilities)/Assets	**67,193**	**(4,570)**	**62,623**	199,949	(2,747)	197,202

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.

22. 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.

23. Subsidiary companies

At 31 December 2008, 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*		60%**	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

* 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, being with effect from 24 July 2008, the foreign party (China Zinc) receives 60% of the cash flows, in accordance with its share in the equity interest in the joint venture. The minority share of the losses of Hebei Hua' Ao Mining Industry Company Ltd for 2008 amounting to $633,000 (2007 nil) have been fully provided against.

24. Related party transactions

At 31 December 2008 Hebei Hua' Ao Mining Industry Company Limited had advanced Rmb3,009,000 ($440,000) (31 December 2007 Rmb 3,009,000 ($400,000)) 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 2008 Hebei Hua' Ao had advanced Rmb18,003,000 ($2,640,000) (31 December 2007 Rmb 9,003,000 ($1,200,000)) 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.

25. Commitments

At 31 December 2008 the Group had capital commitments of $3,350,000 (31st December 2007 $2,858,000).

26. Contingent Liabilities

As described in note 23, the joint venture contract establishing the Hebei Hua' Ao Mining Industry Company Ltd provides that 100% of the cash flows and profits generated by the joint venture in the first three years from commencement of commercial production be paid to the foreign party (China Zinc). Thereafter, being with effect from 24 July 2008, the cash flows are shared 60% by the foreign party and 40% by the Chinese party, in accordance with their share in the equity interest in the joint venture. The registered capital (equity) of Hebei Hua' Ao was provided in full by China Zinc. Since 24 July 2008 Hebei Hua' Ao has incurred losses and in view of the uncertainties in recovering the Chinese partners' share of these losses, full provision has been made against the minority share of losses from 24 July to 31 December 2008. In view of the unusual nature of the joint venture contract and uncertainty as to its interpretation, with all the registered capital of Hebei Hua' Ao being provided by China Zinc, no provision has been made for the minority interest in the net assets of Hebei Hua' Ao. At 31 December 2008, the net assets of Hebei Hua' Ao amounted to $10.7m. After allowing for the minority share of losses since 24 July 2008, the minority share of the net assets at 31 December 2008 on a termination of Hebei Hua' Ao could amount to $3.6m.

Administration Buildings at Caijiaying Mine Site

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