Contents

Griffin Mining Limited is a mining and investment company whose principal asset is the Caijiaying zinc-gold mine. Further information on the Company is available on the Company's web site: www.griffinmining.com.

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

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Caijiaying Mine Site Spring 2010

CHAIRMAN'S STATEMENT

It is with some satisfaction and pride that I present to you, the owners and shareholders of Griffin Mining Limited ("Griffin" or the "Company") the Annual Report and Accounts of the Company for the 2009 calendar year. It has been a significant year in your Company's history.

Following the unforeseeable catastrophe of the Global Financial Crisis in the final quarter of 2008 and the subsequent collapse in commodity prices, the Company decided to shut down mining operations at Caijiaying, place staff on temporary leave and undertake long term maintenance and extensive geological work whilst the economic opportunity cost of doing so was minimal. Further, a concerted effort was made at this time to ensure the economic performance of the mine was enhanced once production restarted by seeking to cut any extraneous costs. Whilst these measures are not apparent in the 2009 results, which were impacted by the suspension of mining, costs have been declining per tonne of metal produced since the restart of operations.

Operations recommenced after a five month shutdown in the first week of June 2009. This led to an immediate return to profitability with profit before tax in the second half of 2009 being $8.6 million compared to a loss of $6.1 million in the second half of 2008.

There were a number of momentous developments for the Company in 2009/2010. The first was the receipt of the new mining licence to mine below the 1300 level. This immediately enabled larger and higher grade ore lodes to be accessed via more extensive mechanised mining which led to increased extraction rates. The new licence also justified the decision to complete the processing plant upgrade, including the installation of a new primary ball mill, a new crushing circuit, the construction of a very large third tailings dam and all ancillary equipment, to allow a minimum throughput capacity of 750,000 tonnes per annum. This upgrade is scheduled to be completed by the 10th of August 2010. The economic benefits which should flow should be substantial. Needless to say, the Company decided not to declare a dividend for the 2009 year to enable the retention of funds in China to finance this plant upgrade and expansion of operations.

Secondly, the publication of the new JORC reported Mineral Resource for Zone III at Caijiaying, confirmed the very extensive mine life available at Zone III at the higher production levels expected to be obtained in the late summer of 2010. This does not even take into account the ore believed to be contained at the lower levels of Zone III, the known ore at Zone II and the significant resources believed to be housed in the area between Zones II and III.

Of course, mining continues to be a fixed cost business whose profitability continues to be governed by the swings inherent in commodity prices. Although the zinc price has been stable since the recommencement of operations, serious concerns still exist in the global economy with huge public debt levels, rising interest rates, a liquidity and associated housing bubble in China and world zinc supply outstripping demand. To lessen the impact to the Company's financial health should some economic shock reoccur and zinc prices deteriorate as in 2008/2009, in 2010 the Company purchased put options over the next year's production at a very modest cost. This was considered to be a prudent course of action whilst not in any way limiting the upside potential to the Company should the zinc price continue to rise.

As has come to be expected, the Company continues to aggressively investigate, evaluate and negotiate a myriad of mining companies and projects to find the next long life, profitable mine for its shareholders. The task continues to be a difficult one with many poor quality assets and companies available, but few projects uncovered of the standard which the shareholders of the Company have come to deserve and expect. The Company will continue to undertake this task energetically in 2010.

With respect to the Company's investment in Spitfire Oil Limited ("Spitfire"), enough progress has been made to recognise the need to bring in a strategic partner capable of providing, primarily, the technical expertise needed to progress the development of the process for the commercial production of oil from the Salmon Gums lignite deposit. In the interim, overhead costs have been minimised and all efforts have been placed on the strategic path needed to make Spitfire a commercial success.

Penultimately, thanks should be given to the tireless staff at Caijiaying, both local and expatriate, the London and Perth staff and the directors of Griffin, all of whom work extraordinary hours, travel amazing distances and spend significant time away from their families to generate the tremendous results the Company has achieved. Their individual and collective efforts can never be minimized.

Finally, appreciation must be given to our new and old shareholders who have remained so loyal and steadfast in a difficult first half of 2009. That type of loyalty is never forgotten and deserves to be rewarded. All our efforts are focused in doing just that.

Mladen Ninkov
Chairman
5 May 2010

New Crushing and Screening House Framework

Operational Review 2009

OVERVIEW

Griffin Mining Limited (the "Company") and its subsidiaries (together the "Group") recorded a profit before tax for the year of $7,246,000 (2008: $6,959,000). This was a commendable performance in light of the suspension of operations in the first half of 2009 and the dramatic fall in commodity prices in late 2008.

Although the Global Financial Crisis caused a dramatic and sustained fall in commodity prices in 2008/2009, the Company was able to weather these economic conditions to place itself in an enviable position to benefit from an improved economic climate. This was foreseen by suspending operations at Caijiaying in the first half of 2009, when the opportunity cost of a shut-down was relatively low, which allowed for ore block modelling, long term structural maintenance and an operational efficiency review to be completed at Caijiaying. The rewards of this work were felt immediately on resumption of production with increased ore grades, production and revenues, resulting in the Group returning rapidly to profitability in the second half of 2009. The full benefit of this foresight will be felt when production rates are increased in the second half of 2010 with the completion of the plant upgrade.

The maximization of operational productivity failed to be achieved throughout 2009 due to the continuing delay in obtaining a mining permit to mine below the 1300 level at Caijiaying. This restricted mining operations to the upper levels of the mine where the ore lenses are less continuous than below the 1300 level. Such continuity allows for more mechanised mining and higher extraction rates. Accordingly, the permitting delays lessened the immediate need to upgrade the processing plant to a planned throughput capacity of 750,000 tonnes of ore per annum. With the receipt of the new mining licence in January 2010, the Group began immediately with the completion of the plant upgrade including the installation of a second primary ball mill, new crushing circuit, thickener and third tailings storage facility, construction of which should be completed by the autumn 2010.

Group profitability benefited from an increasing zinc price throughout 2009, as quoted on the London Metals Exchange ("LME"), beginning the year at $1,200 per tonne and ending the year at $2,500 per tonne. Whilst historically Griffin has never hedged its zinc production, to protect the Company from any adverse effects of any future fall in the zinc rice, Griffin has purchased put options over a significant portion of its next 12 month zinc production from Caijiaying.

Griffin benefited from interest receipts of $253,000 during 2009 (2008: $4,670,000). Interest receipts have declined from that received in 2008 as a result of reduced interest rates and a reduction in cash balances following the buy-back of shares in the Company from Citadel Equity Fund Ltd in May 2008.

Foreign exchange gains of $1,956,000 were recorded in 2009 (2008: losses of $3,221,000) primarily on sterling deposits held to cover sterling commitments. The gains follow the increase in the value of sterling in the later part of 2009, since reversed in early 2010.

Griffin's 39.2% share of the losses of Spitfire Oil Limited ("Spitfire") of $517,000 has been recognised. In the autumn of 2009, testwork and investigations into Spitfires' proprietary L2VTM process to extract oil and other products from the lignite at Salmon Gums highlighted the need for additional research in refining and finalising the process for commercial production. As a result, active development work was suspended pending the conclusion of a full technical and economic review including all viable options being evaluated for the project including the use of alternative technologies, technical and financial joint venture partners and the sale of the Salmon Gums lignite tenements.

CAIJIAYING

The mine and processing facilities (the "Mine), together with the staff accommodation, recreational and mess facilities, are located at Caijiaying, approximately 250 kilometres by road, north-west of Beijing in Hebei Province. Site is easily accessible by two alternative freeway systems from Beijing and a number of secondary sealed roads. The site has significant water supplies, two independent connections to the electricity grid, full connectivity to fixed and mobile tele-communications 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 company 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 Zhangjiakou Caijiaying Lead Zinc Mining Company (the shareholders of which are the Zhangjiakou City People's Government and the Third Geological Brigade of Hebei Province) 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 areas of interest in Hebei Province. Griffin, through its wholly owned UK subsidiary Panda Resources Limited, has a 90% interest in Hebei Anglo whilst the Zhangjiakou Caijiaying Lead Zinc

Caijiaying Mine Location: Courtesy of Google Maps

Mining Company holds 10%. Griffin, through Hebei Hua' Ao and Hebei Anglo, has a controlling interest in mining and exploration licences over 67 square kilometres at Caijiaying.

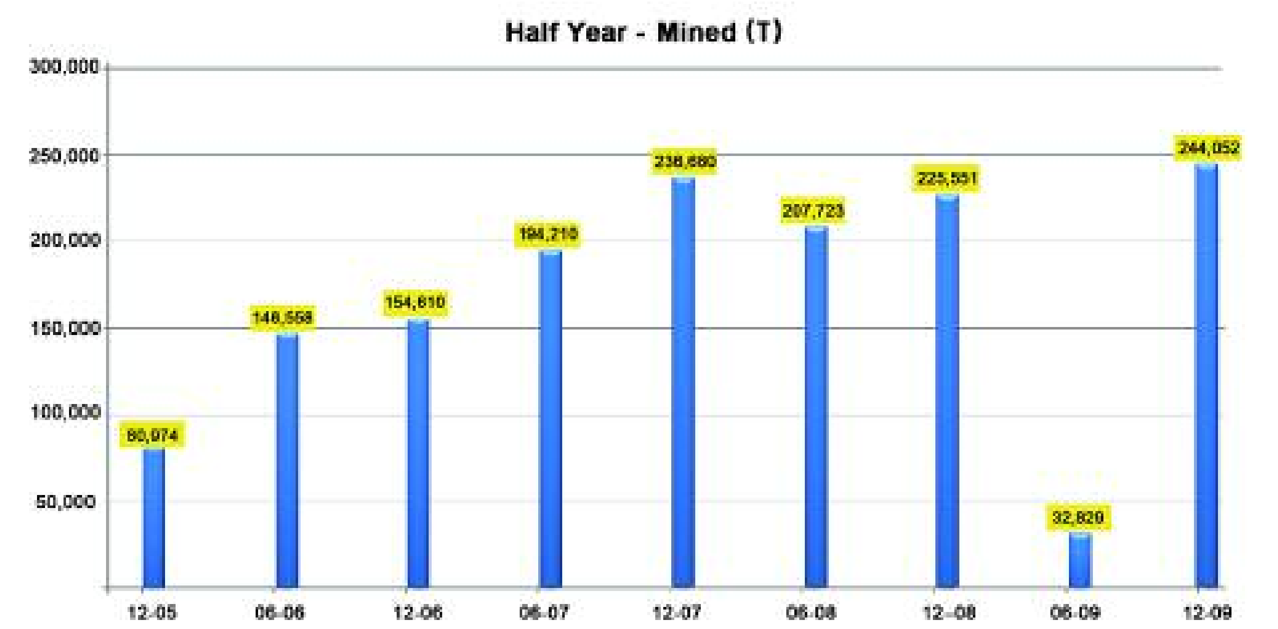
In 2005, Griffin successfully commissioned the Mine at Caijiaying, on time and within budget, with an initial design throughput rate of 200,000 tonnes of ore per annum. Production rates have been steadily increased since commissioning with current processing rates equivalent to in excess of 500,000 tonnes of ore per annum. Work to upgrade the processing facilities is ongoing with construction of a third tailings storage facility, new crushing circuit and installation of second primary ball mill expected to be completed in the autumn 2010. This will enable the processing capacity to be increased to a minimum of 750,000 tonnes of ore per annum.

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. This allowed the full economic benefit of these metals to be obtained by the Group. Previously gold, silver and lead were "lost" and unaccounted for by the smelters in the zinc concentrate.

To date, the Caijiaying mine has operated without any significant accident or environmental incident and retains an excellent safety and environmental record.

MINE OPERATIONS

With relatively low market prices for metals prevailing at the beginning of 2009 and thereby a time where the loss to revenues to the Group would be relatively small, a decision was made to suspend operations to allow for ore block modelling, long term structural maintenance and an operational efficiency review to be completed at Caijiaying. Mining operations were suspended on the 1st January 2009 whilst milling operations continued throughout January and February to process the surface stockpiles. During the suspension period, staff were given leave on a reduced salary ensuring that on re-commencement of operations, all staff would return promptly to work on the 1st June 2009. The suspension of operations allowed technical staff to re-evaluate and optimise the mine and milling operations. This proved highly profitable, as evidenced in the months following the re-commencement of operations, where increasing production rates and better grades were produced. The full benefit of this optimisation will only be felt upon the completion of the plant upgrade in the second half of 2010 and as mining and haulage rates increase to satisfy the upgraded throughput capacity. The six months to 31st December 2009 produced record mine production with 244,000 tonnes mined from June to December 2009 (see Graph I).

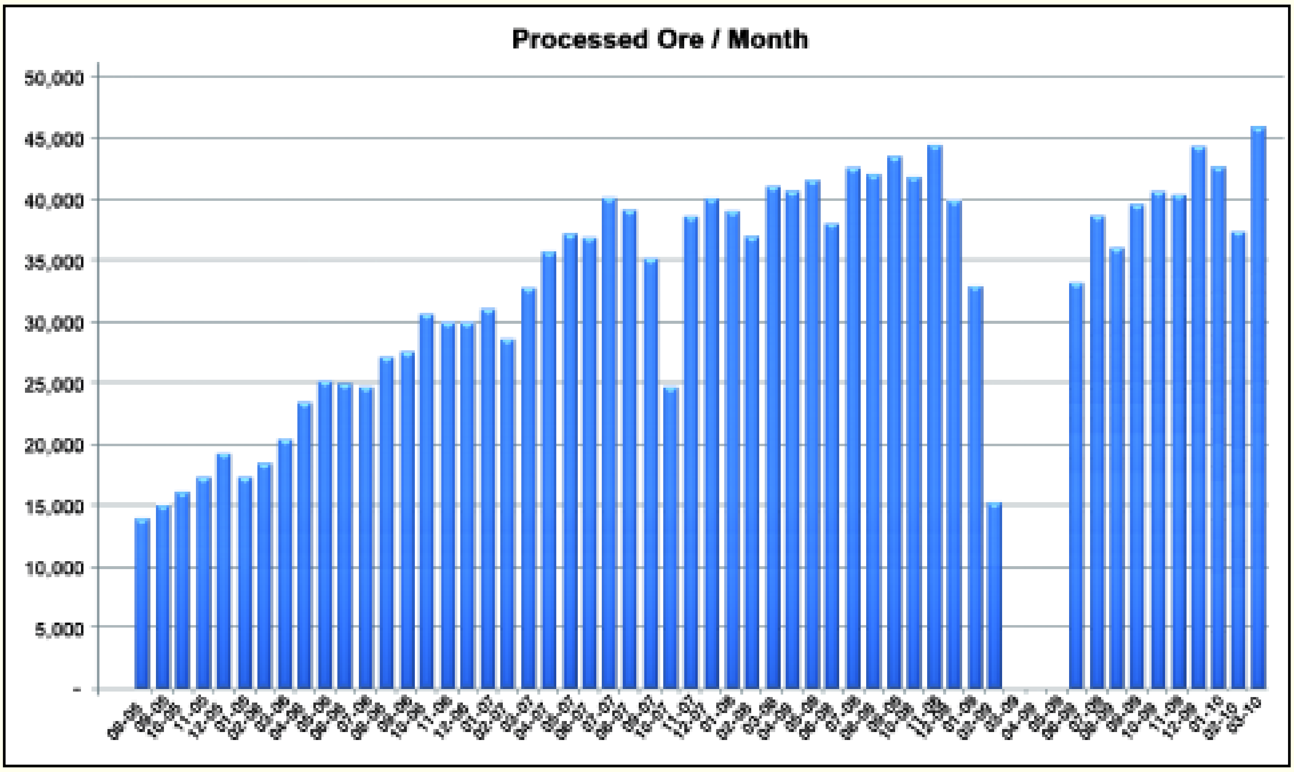


Graph I

A substantial amount of management time has been expended in striving to obtain a permit to mine below the 1300 level (approximately 120 metres below the surface) from the Chinese regulatory authorities. The delay in obtaining the new mining licence created some operational difficulties. In particular, the delay in the development of the lower mine levels restricted stoping to the upper levels. Nevertheless, mine operations continued smoothly and without incident. Despite mining operations being suspended for the majority of the first half of 2009, over 4,530 metres of development was completed in 2009. This compared to a total of 6,796 metres in 2008. However, further development of the North Decline and South Decline was suspended pending receipt of the licence to mine below the 1300 level.

A temporary work permit was granted in late October 2009, allowing underground infrastructure to be installed and exploration development work to be undertaken below the 1300 level, but not the extraction of ore. This allowed development of the North and South Declines to recommence. By the year end, access below the 1300 level had been achieved with development work started on the first three stopes planned for the 1290, 1275 and 1260 levels.

The new 16 year mining licence (Permit No.C1000002010013210053716) was granted on the 15th January 2010. The grant of this licence has enabled mine development below the 1300 level and the full recommencement of the upgrade to the processing facilities.



Graph II

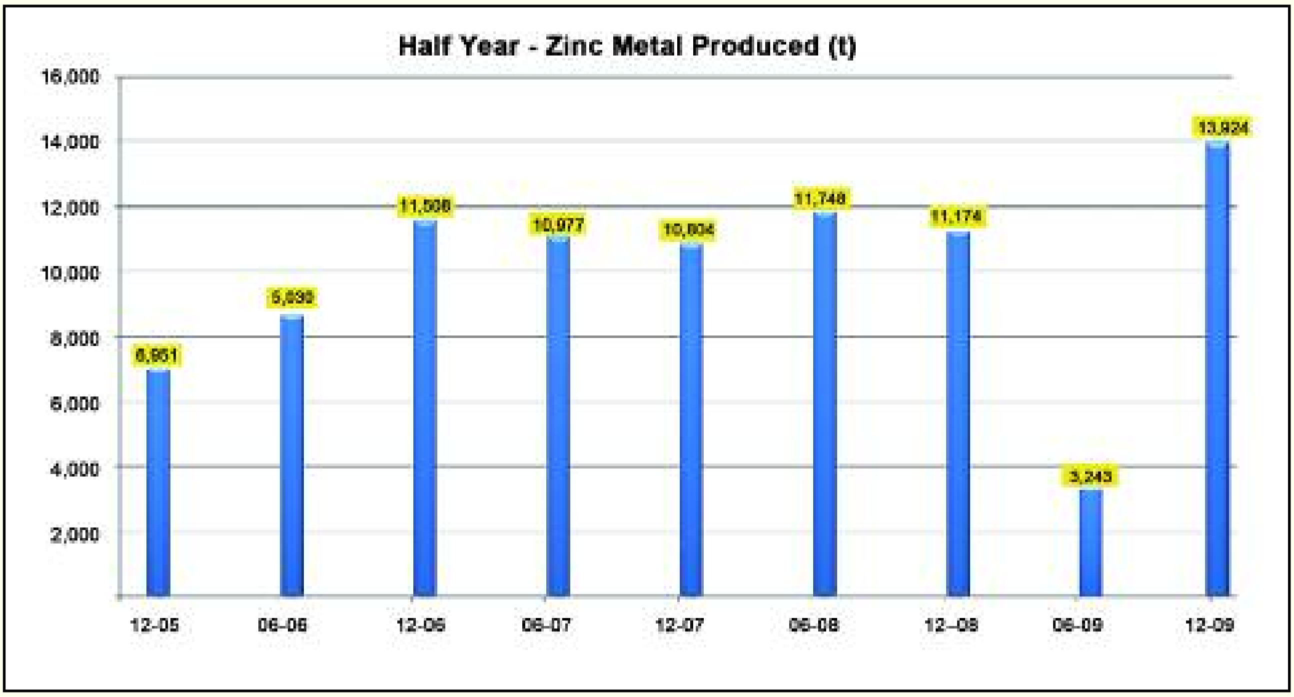
Mine facilities have been improved over the year with the haulage contractor increasing its mobile fleet to 11 trucks and 4 loaders in readiness for increased mine production. Further equipment will be acquired by this contractor as needed. In support of this increase in haulage capacity, new servicing facilities were constructed for the haulage fleet during the year.

As previously mentioned, significant improvements and modifications were made to the processing plant and supporting facilities during the suspension of operations at the Mine. These improvements have enhanced the operational capabilities of the process plant enabling a higher throughput to be processed through the on-site facilities. By the end of 2009, the milling rate had been increased to pre-suspension of operations levels, and since that time, surpassed (see Graph II).

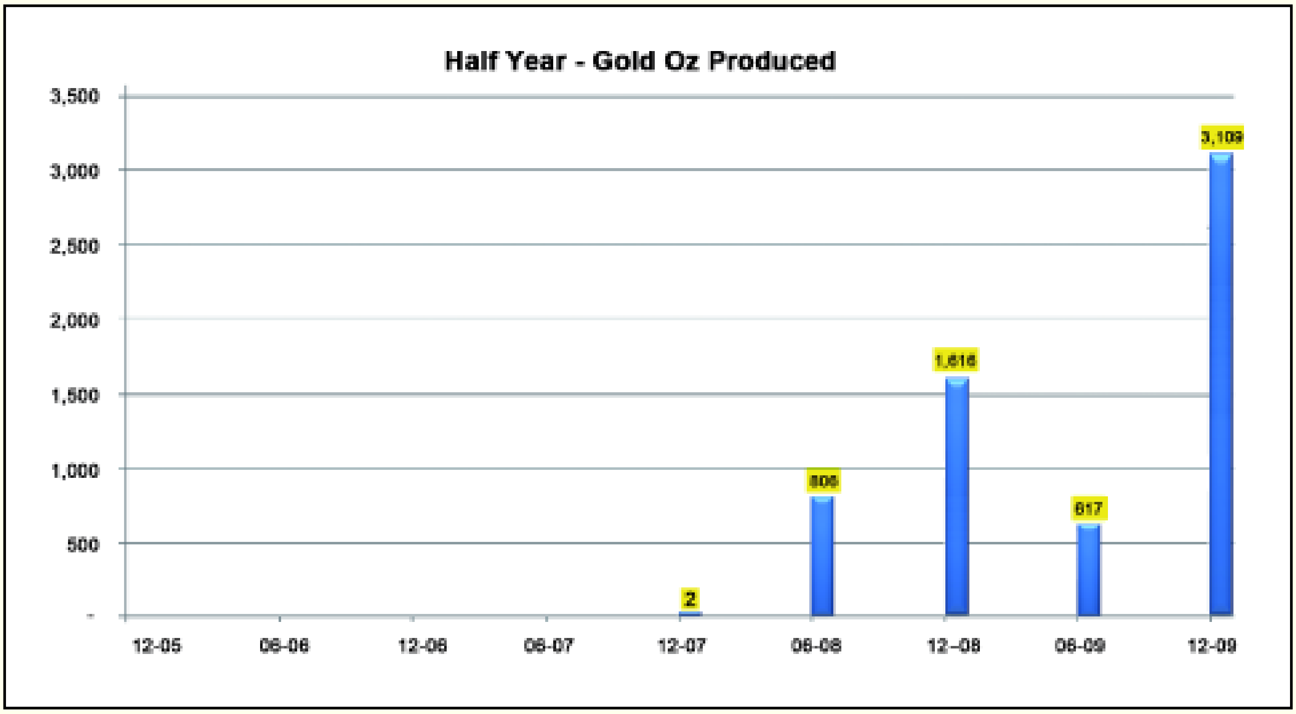
As local operators become even more familiar with the processing circuit changes, further rate increases are anticipated.

With the benefit of enhanced modelling of the mineralisation undertaken during the suspension period, the grade of ore both mined and processed has increased since recommencement of operations. This has resulted in record zinc metal in concentrate production of 13,924 tonnes in the second half of 2009 (see Graph III). In addition, the improved ore modelling enabled higher gold grade bearing zones to be targeted. As a result, the second half of 2009 also recorded increased gold production of 3,109 oz. (see Graph IV overleaf).

Construction work on the upgrading of the plant and supporting facilities to increase processing capacity to a minimum 750,000 tonnes of ore per



Graph III



Graph IV

annum has increased apace since obtaining receipt of the licence to mine below the 1300 level. Construction work on the upgrade was slowed to a minimum during the suspension of operations as such expenditures could not be justified during a period of low commodity prices and the inability to access the more productive lower levels of the mine. With the grant of the new mining licence, upgrade works are now scheduled to be completed early in the fourth quarter of 2010.

During 2009, further land was acquired for a third tailings storage facility. All earthworks for this third tailings storage facility were completed in the summer of 2009. It is expected the new tailings dam will be commissioned in the summer of 2010 once the pipe lines running from the mine site have been installed. Over the past year, both the existing first and second tailings storage facilities have had their walls lifted to increase tailings storage capacity.

Although the Hydraulic Backfill plant was commissioned in 2008, due to the suspension of operations and a number of commissioning issues, it was not fully operational until late 2009. With the backfill plant now fully operational and the third tailings storage facility completed, the Mine will have sufficient capacity to deal with waste material at planned production rates for the foreseeable future.

Underground diamond drilling was suspended at the Mine at the same time as mining operations and did not recommence until May 2009. Drilling activities were necessarily concentrated on the upper levels of Zone III pending receipt of the new permit to mine below the 1300 level. Approximately 21,000 metres of extensional and grade control drilling was completed in 2009. Drilling results were very encouraging with notable successes in identifying further mineral resources at the Ju Long, Fu Long, Qing Long and Xiao Long lodes.

No development work was undertaken in 2009 at Zone II, some 1.5 kilometres to the south of the Mine at Zone III. The Zone II inclined shaft was put on care and maintenance. However, an underground drive is being developed from Zone III towards Zone II (the "Fox Linking Drive"), from which exploratory drilling is being undertaken. Initial results from this drilling have been encouraging with several holes intersecting mineralisation over the induced polarisation ("IP") anomalies that were located in the 2008 IP survey program. These results have provided the necessary confidence to commit to a 25,000 metre surface and underground drilling program in 2010 which may enable an estimate to be made to JORC reporting standards on the mineral resource located in the area between Zones II and III. If, as expected, an economic resource can be identified between Zones II and III and with the benefit of the existing resource at Zone II, an application will be made for a new mining licence to cover this area.

Caijiaying Mine Site Showing New Structures

RESOURCES

RESOURCE ESTIMATE AND RECONCILIATION ZONE III

During 2009, approximately 21,000 metres of underground diamond drilling was completed, mainly above the 1300 level, targeting the Fu Long, Qing Long, Ju Long, Jin Long and Xiao Long lodes. Drilling provided enough information to allow re-modelling to be completed in a number of areas, resulting in significant increases in estimated mineral resource tonnages. Of particular note was nearly 1,000,000 tonnes of ore added to the mineral resources in the Qing Long lode.

A complete reinterpretation of the geometry of the ore bodies, based on the knowledge gained from five years of mining at Zone III, has allowed a single, coherent, resource model to be built removing the need for two resource tables previously published. This has resulted in a near doubling of the measured and indicated resource base.

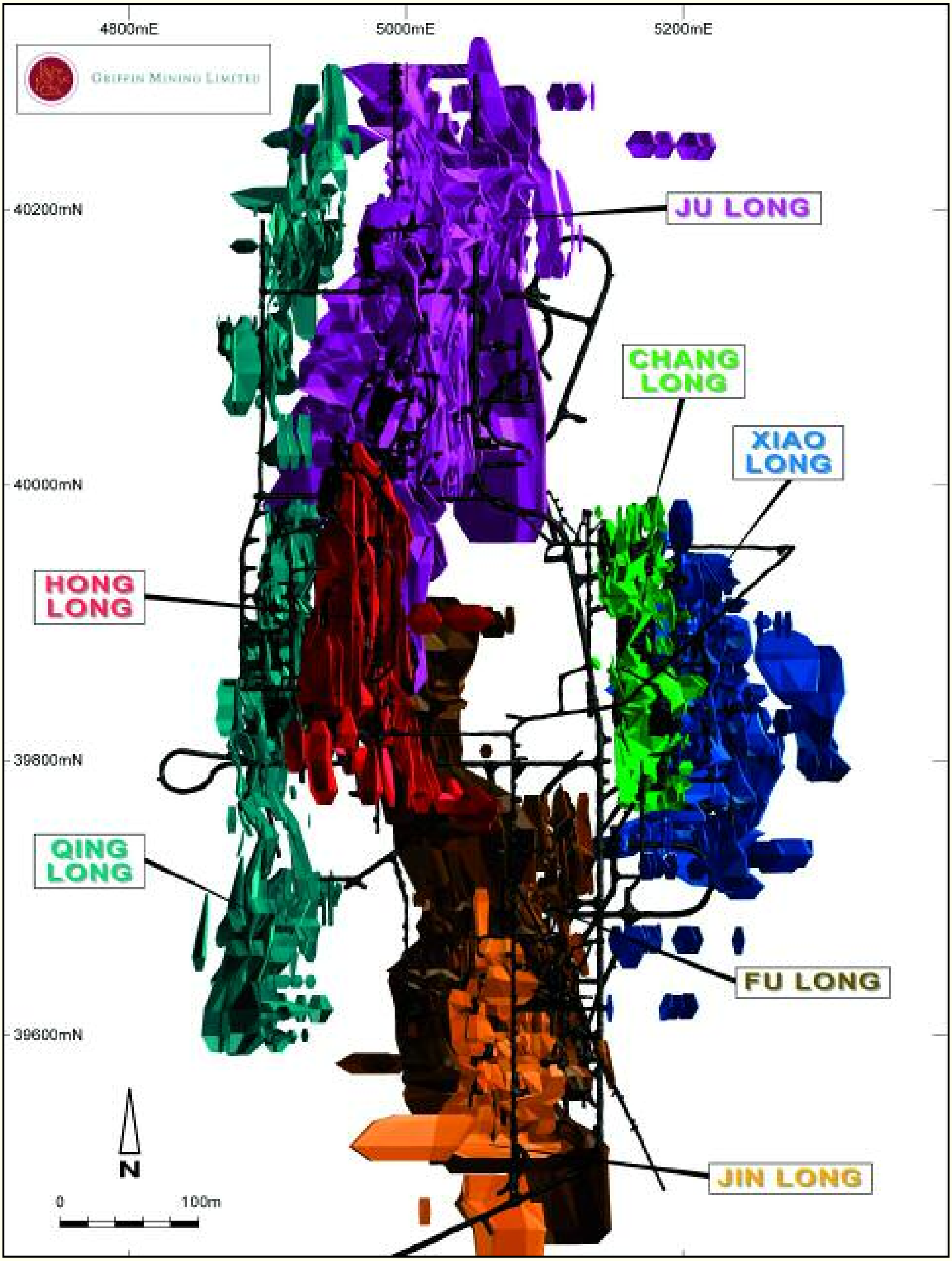
The 2010 Mineral Resource was estimated at a zinc cut-off of 1%. Tabled below is a summary of the recent up-dated 2010 Mineral Resource.

2010 Mineral Resource Estimate

Category	Cut -off	Tonnes	Metal Grade				Contained Metal			
			Zinc	Lead	Silver	Gold	Zinc	Lead	Silver	Gold
		000s	%	%	grammes per tonne	grammes per tonne	tonnes	tonnes	ounces	ounces
Measured	1%	4,737	6.73	0.41	34.29	0.87	318,657	19,191	5,221,348	131,761
Indicated	1%	5,999	5.85	0.35	32.48	0.81	351,052	20,787	6,263,912	155,724
Inferred	1%	16,596	4.38	0.24	26.39	0.95	726,957	39,437	14,078,921	508,317
Total	**1%**	**27,332**	**5.11**	**0.29**	**29.09**	**0.91**	**1,396,666**	**79,416**	**25,564,182**	**795,803**

The information in this report that relates to the 2010 Mineral Resource estimates for the 2010 is based on information compiled by Mr Luke Marshall BSc Geology, Member AIG. Mr. Marshall is a full time employee of Hebei Hua Ao Mining Industry Company Limited, a subsidiary of Griffin Mining Limited. Mr. Marshall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has 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 Marshall consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

CSA Global Pty Ltd undertook a high level review of the resource model and found no flaws to the model or estimation.



Zone III Lode Map Showing Indicated and Measured Resources Only

The deeper Mineral Resources have not been included in the above table. They will be evaluated in light of the proposed drilling program to be undertaken in 2010 which should provide the necessary information to evaluate the deeper mineralisation at Zone III.

ZONE II

No work was completed on Zone II during 2009 and, consequently, the mineral resource estimate remains unchanged from that previously published. Tabled below is a summary of the Zone II mineral resource at a zinc cut-off of 1%.

Mineral Resource Estimates for Zone II

Material	Tonnes	Zinc %	Lead %	Gold grammes per tonne	Silver 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.

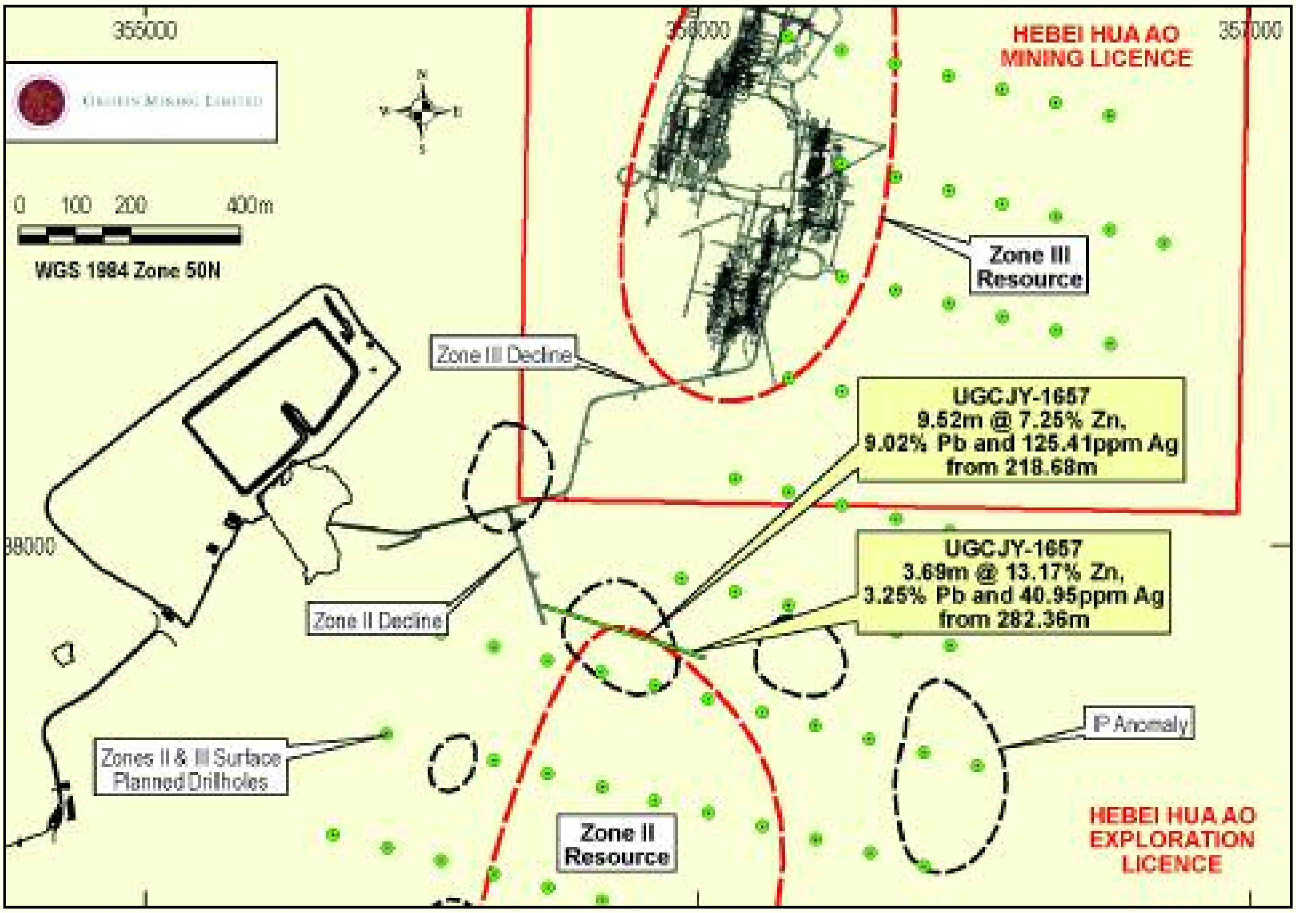
EXPLORATION

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.

During 2009, all existing datasets were reviewed and then imported into Graphical Information Systems ("GIS") and three dimensional ("3D") mining software. This enabled a multi layered targeting exercise to be undertaken with a number of datasets able to be viewed at the same time in real space. This also allowed a 3D magnetic model to be constructed, giving geologists a better understanding of the main structural controls on mineralisation at Caijiaying.

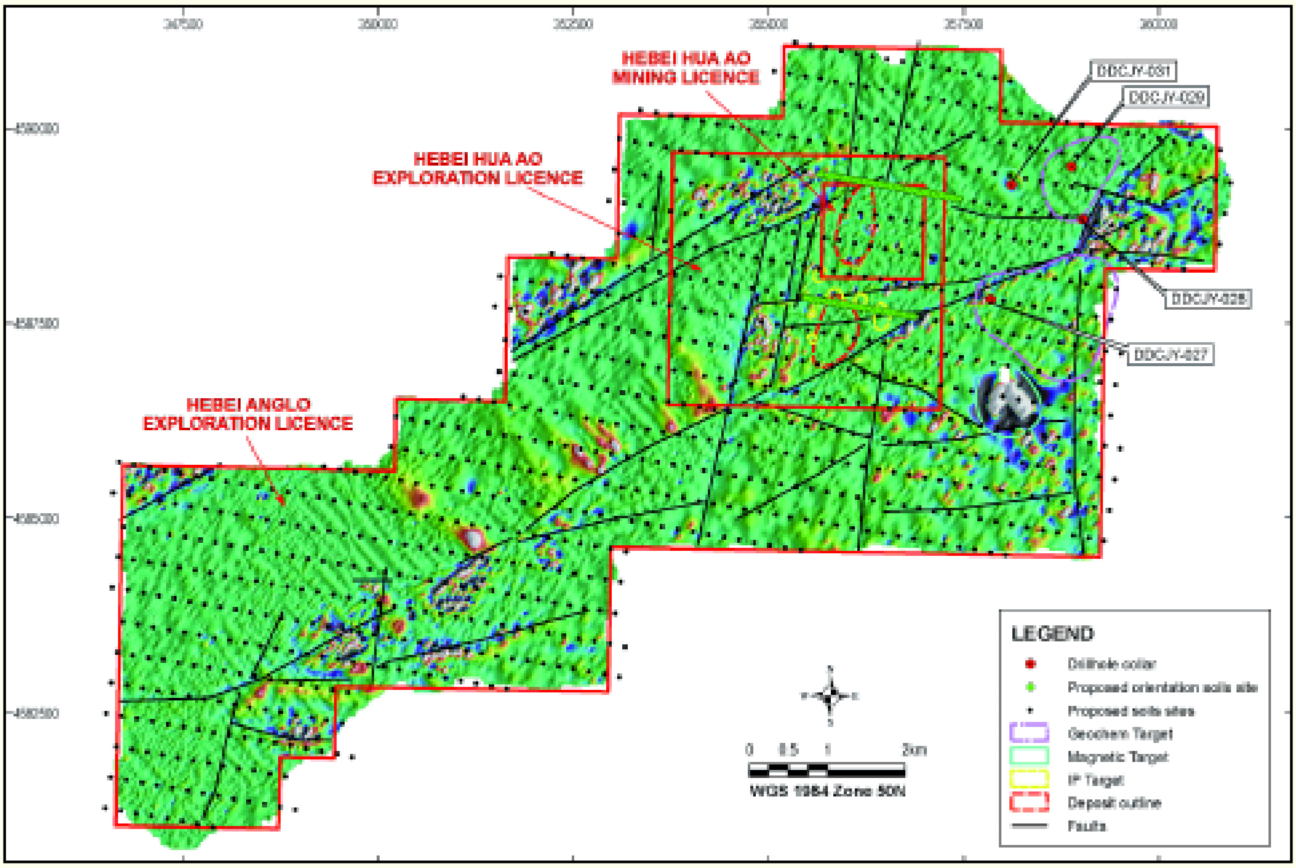


Map Showing Location of Successful Drilling

Hebei Hua' Ao Licence Area

The importing of the existing IP anomalies into the 3D computer environment with the overlaying surface magnetic and geochemical imagery emphasised the need for further drilling to test the effectiveness of IP for detecting zinc mineralisation. Two strong IP anomalies were able to be tested from existing drill cuddies off the main decline and the Fox Linking Drive. Drilling returned immediate success with hole UGCJY-1657 intersecting multiple zones of zinc mineralisation including 9.52 metres @ 7.25% Zinc from 218.68 metres and 3.69 metres @ 13.17% Zinc from 282.36 metres (the assay results were from the Mine's laboratory). Drilling will continue through 2010, both inside and outside of the IP anomalies. Drilling will be further expanded should the IP technology continue to prove to be a successful targeting tool in identifying zinc anomalies at the Caijiaying.

As indicated previously, the remodelling of the entire Zone III known deposit was completed in 2009 which provided a much improved picture of the mineralisation. This has led to several high priority drill targets being identified and the commitment to a three year underground development and drilling programme to test all targets and confirm, upgrade and extend the global resource base within the Zone II - Zone III corridor. The drilling programme is already well underway and the aforementioned IP drill testing is part of this programme.



Map Showing Location of Successful Drilling

Hebei Anglo Licence Area

A detailed magnetic interpretation has been undertaken in the larger Hebei Anglo licence area, allowing the major controlling structures to be modelled in three dimensions. The magnetic interpretation was compared with geochemical data and a number of targets were selected for drill testing. Mapping and rock chip sampling programs were undertaken to further validate the targets before drilling.

A total of four diamond drill holes were completed, targeting several coincident geochemical and geophysical anomalies. The ultimate aim of the drilling was to:

1. Determine the thickness of Jurassic volcanic units in order to assess the likely effectiveness of geophysical and geochemical techniques;
2. Intersect the interpreted structures of interests, favourable host lithologies and, extrapolatively, mineralisation;
3. Determine the sources of surface geochemical anomalies; and
4. Refine the three dimensional stratigraphic and structural models to help in developing a strategy for the 2010 field season.

Twenty-five rock chip samples were collected and some mapping completed before drilling commenced. The results are encouraging with all drill holes penetrating to the Proterozoic basement. Jurassic volcanic cover has generally been less than 100 metres thick, which is encouraging for potential future work such as IP surveying. A number of the rock chip samples returned anomalous zinc, gold and silver results.

Spitfire Oil Limited

Griffin currently holds 16,666,667 ordinary shares in Spitfire Oil Ltd ("Spitfire"), representing a 39.2% interest in the issued share capital of Spitfire. 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. 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 recognising its share of Spitfire's financial results.

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. Spitfire's tenements are near Salmon Gums, some 100 kilometres north of Esperance, in the south-east of Western Australia. Salmon Gums is located next to a main road, railway and pipeline connecting Kalgoorlie and the port of Esperance. The tenements contain a large lignite (brown coal) deposit with a reported JORC Resource (at 4m coal thickness & 45% ashdb cut-off) of: Indicated 406 million tonnes and Inferred of 470 million tonnes for a total of 876 million tonnes. This substantial resource is the result of a one and a half year drilling campaign involving 420 new drilled and cored holes for a total of 12,624 metres. Spitfire, in conjunction with Curtin University in Perth, Western Australia, has been 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 Salmon Gums lignite has a high Kerogen (hydrocarbon) content which, if the current oil yields achieved with the test reactors in the Curtin University laboratory can be maintained at an industrial scale, corresponds to an oil resource in the range of 330 to 420 million barrels on the reported Resource of lignite via Pyrolysis extraction.

In the autumn of 2009, testwork and investigations into Spitfires' proprietary L2VTM process to extract oil and other products from the lignite at Salmon Gums highlighted the need for additional research in refining and finalising the process for commercial production. As a result, active development work was suspended pending the conclusion of a full technical and economic review, including all viable options being evaluated for the project, including the use of alternative technologies, technical and financial joint venture partners and the sale of the Salmon Gums lignite tenements. Consequently, Spitfire immediately retrenched its full time employees, except the CEO, who subsequently resigned on the 2nd December 2009 but who currently continues to consult to the company.

Although Spitfire's primary objective remains the realisation of the value contained in the large resource contained at Salmon Gums, management continues to evaluate other energy related opportunities and other possible synergistic business opportunities.

In September 2009, Spitfire commissioned a gold exploration program into the granite basement of a geologically prospective area at the intersection of the two faults located on its tenements. The reconnaissance program consisted of a desktop study utilising in-house geological data of the area and a specially commissioned geophysical interpretation to define the target zone which was tested by 132 air-core holes drilled on a wide-spaced 800 x 200 metre grid for a total of 7,706 metres with an average hole depth of 58.4 metres. The results are encouraging with several areas of anomalous gold delineated, two of which occur along important regional structures identified by the desktop studies. The two structural anomalies contain values up to 23 parts per billion in an area in which bedrock chips indicate a metasediment sequence occurring between two areas of granite. Some anomalous values were also recorded in the surrounding granite, some of which is pyritic.

Given the early stage of investigation these are encouraging results and further work is required to infill drill the anomalous zones and also to extend coverage over the remainder of the anomalous structures throughout the rest of the Spitfire exploration licences.

CORPORATE DEVELOPMENTS

Acquisitions

Griffin's management team, consisting of finance, mining, metallurgy, geological and health and safety professionals, has reviewed over 1,300 mining companies and their key projects during the year. Of these, approximately 150 were selected for semi detailed evaluation and approximately 50 for further involved detailed analysis. This analysis included a number of site visits to potential target projects and companies. 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 mineral projects. This process remains ongoing.

The Future

Having significant financial resources at hand and substantial mineral resources, Griffin is well placed to benefit from improved economic conditions. The new JORC resource confirms the availability of ore for increased future production at Caijiaying. By the autumn of 2010, the upgrade of the processing facilities at Caijiaying, to a capacity of 750,000 tonnes of ore per annum throughput, should be completed. With significant potential for further resources within the current area being mined at Zone III to be defined, the potential for other known areas of mineralisation to be mined and the potential for new mineralisation to be discovered, the likelihood exists for production to be further enhanced at Caijiaying in the future.

Having achieved notable success with Caijiaying, the challenge remains to acquire, develop or discover a new mining project to build on the efficient in-house skills that have been developed within the Company. Griffin remains one of the few mining success stories in China and, having maintained a presence in China for over 12 years, Griffin has gained an excellent reputation in that country. This provides Griffin with a unique entry into China, its culture and power structures. To date, it has proved difficult to find a venture of the quality of Caijiaying in China. This has forced the Company to widen its geographic and commodity focus. Nevertheless, the Company remains dedicated to only acquiring further assets where they provide real value over a long period of time with substantial added value to shareholders.

New Haulage Service Workshop

Directors

Mladen Ninkov, Chairman, Australian, aged 48, 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 55, is a Chartered Accountant. He has been with the Company since 1996 having previously held senior positions in a number of public and private companies within the natural resources sector. He has a strong professional background, including that as a manager with KPMG, with considerable public company and corporate finance experience, and experience of emerging markets particularly in Africa, the CIS and Eastern Europe.

Dal Brynelsen, Director, Canadian, aged 63, 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 66, 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 47, 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.

Andrew Little, Operations Manager Caijiaying, Australian, aged 54, holds an HNC in mechanical engineering from Bell College of Technology, Hamilton, Scotland and a BSc (Hons) in quarrying technology from Doncaster Polytechnic, England. He is a fellow of the UK Institute of Quarrying and a fellow of the UK Institute of Mining, Metallurgy and Materials. He is also a registered professional engineer with the European Engineering Council. He has twenty years experience in project development, field engineering, construction management, project engineering, and design management in the mining sector. This experience has been gained from all perspectives of the industry from conceptual design, procurement and construction through to plant commissioning and technical support for operations personnel.

Wendy Zhang, Finance Manager China, aged 36, holds a Master of Accounting degree from Macquarie University, a member of the Certified Practising Accountant of Australia and a qualified member of the Chinese Institute of Certified Public Accountant for 11 years. Prior to joining Griffin she spent the previous 4 years as Financial Controller for Golden Tiger Mining's joint venture operations in China (a gold exploration and mining company listed in Australian Stock Exchange). Previously she was a Chief Accountant for Shanghai Silk Group and subsequently Ann Taylor Shanghai.

Dr Bo Zhou, General Manager China, Australian, aged 47, holds a Ph.D in exploration geology from Sydney University and a BSc in economic geology from Peking University. He was Managing Director of Sinovus Mining Ltd, an ASX listed company with mineral interests in China. Before that he was the General Manager for Guangxi Golden Tiger Mining JV, a Sino-Australian JV gold company focussed in Guangxi, China, which is controlled by Golden Tiger Mining NL, an ASX listed company. He has also worked as the Senior Geologist for Silk Road Resources (A Toronto listed company), responsible for evaluating various gold properties in Gansu Province in central western China. Dr Zhou has considerable experience of and has established extensive contacts in the Chinese resources sector.

Trench and earthworks for pipeline to new third tailings facility

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 2009.

Financial results

The Group profit before taxation, amounted to US$7,246,000 (2008 – US$6,959,000). Taxation of US$1,013,000 (2008 US$637,000) and minority interests of $2,621,000 (2008 nil) have been provided. No dividend was paid in 2009 (2008 US$8,008,000). US$3,612,000 has been credited to reserves (2008 - US$6,322,000).

The earnings per share amounted to 1.99 cents (2008 – 2.87 cents). The attributable net asset value per share at 31 December 2009 amounted to 74 cents (2008 - 72 cents).

In view of the suspension of operations in the first half of 2009 and requirement to finance the expansion of operations at Caijiaying, 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 2009 and the indication of likely future developments are set out on pages 8 to 23.

Directors

The Directors of the Company during the year were:

Mladen Ninkov – *Australian – Chairman*
Roger Goodwin – *British – Finance Director*
Dal Brynelsen – *Canadian*
William Mulligan – *American (US)*

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

The beneficial interests of the Directors holding office at 31 December 2009 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2009			At 1 January 2009			
	Ordinary shares number	Options over ordinary shares, number exercisable at		Ordinary shares number	Options over ordinary shares, number exercisable at		
		20 pence	110 pence		20 pence	110 pence	65 pence
Mladen Ninkov	33,001	3,000,000	6,000,000	33,001	3,000,000	6,000,000	2,000,000
Dal Brynelsen	1	200,000	400,000	1	200,000	400,000	200,000
Roger Goodwin	577,830	600,000	1,200,000	577,830	600,000	1,200,000	575,000
William Mulligan	300,001	200,000	400,000	300,001	200,000	400,000	200,000

The options exercisable at 65 pence per share lapsed on 28 February 2009.

The options exercisable at 110 pence per share lapsed on 28 February 2010.

The options exercisable at 20 pence per share entitle the holder to subscribe for new ordinary shares in the Company on or before 31 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 28 October 2008;

b. The second third of each holder's options vested on 31 December 2009; and

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

Directors' Report

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

All of the Directors' interests detailed are beneficial.

On 4 March 2010 a new set of options (the "new options") over 10,000,000 new ordinary shares were granted to directors and key employees of the Company in order to retain and incentivize key personnel with managerial and operating experience in non-standard jurisdictions in a tight mining employment market.

Each new option will entitle the holder to subscribe for new ordinary shares in the Company at an exercise price of 45 pence per new ordinary share on or before 28 February 2015. The new options will vest with each option holder in 3 separate and equal instalments as follows:

a. The first third of each holder's options vested on 4 March 2010;
b. The second third of each holder's options will vest on 31 December 2010; and
c. The last third of each holder's options will vest on 31 December 2011.

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

These Options have been allocated as follows:

	Number of Options to subscribe for one new ordinary share in the Company		
	New Options granted	Total number of Options now held	Total number of Options vested
Directors:			
Mladen Ninkov (Chairman)	6,000,000	9,000,000	4,000,000
Roger Goodwin (Finance Director)	1,200,000	1,800,000	800,000
Dal Brynelsen (Director)	400,000	600,000	266,667
William Mulligan (Director)	400,000	600,000	266,667
Management:			
Key personnel	2,000,000	2,400,000	900,000
Total	10,000,000	14,400,000	6,233,334

Corporate Governance

Although the Company's shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange, the Company is incorporated in Bermuda and therefore not obliged to comply with the code of best practice established by the Combined Code issued by the Committee on Corporate Governance, the Company has reviewed and broadly supports this code. The Company does not comply where compliance would not be commercially justified allowing for the practical limitations relating to the Company's size.

The Board of directors includes a number of non executive directors who, other than their shareholding, are independent and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board meets regularly 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
- regular review of commodity prices and assessment of hedging requirements

Directors' Report

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.

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
5 May 2010

Report of the Independent Auditor

Report of the Independent Auditor's Report to the Members of Griffin Mining Limited

We have audited the financial statements of Griffin Mining Limited for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, 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

As explained more fully in the Directors' Responsibilities Statement on page 32, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 of the state of the Group's affairs at 31 December 2009 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with in accordance with International Financial Reporting Standards as adopted by the EU

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London

5 May 2010

Consolidated Income Statement

For the year ended 31 December 2009
(expressed in thousands US dollars)

	Notes	2009 $000	2008 $000
Revenue	1	**25,368**	32,061
Cost of sales	1	**(11,909)**	(18,438)
Gross profit		**13,459**	13,623
Net operating expenses	1	**(7,940)**	(10,517)
Profit from operations		**5,519**	3,106
Share of losses of associated company	4	**(517)**	(39)
Foreign exchange gains / (losses)		**1,956**	(3,221)
Finance income	5	**253**	4,670
Other income	6	**35**	2,533
Interest payable		**-**	(90)
Profit before tax		**7,246**	6,959
Income tax expense	7	**(1,013)**	(637)
Profit after tax		**6,233**	6,322
Attributable to minority interests		**2,621**	-
Attributable to equity share owners of the parent		**3,612**	6,322
		6,233	6,322
Basic earnings per share (cents)	8	**1.99**	2.87
Diluted earnings per share (cents)	8	**1.97**	2.83

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(expressed in thousands US dollars)

	2009 $000	2008 $000
Profit for the year	**6,233**	6,322
Other comprehensive income		
Exchange differences on translating foreign operations	**87**	4,090
Other comprehensive income for the period, net of tax	**87**	4,090
Total comprehensive income for the period	**6,320**	10,412
Attributable to minority interests	**2,616**	-
Attributable to equity share owners of the parent	**3,704**	10,412
	6,320	10,412

Consolidated Statement of Financial Position

As at 31 December 2009
(expressed in thousands US dollars)

	Notes	2009 $000	2008 $000
ASSETS			
Non-current assets			
Property, plant and equipment	9	63,214	56,885
Intangible assets – Exploration interests	10	1,422	1,313
Investment in associated company	11	3,986	4,503
		68,622	62,701
Current assets			
Inventories	12	2,780	3,227
Other current assets	13	5,279	5,564
Cash and cash equivalents		67,630	67,193
		75,689	75,984
Total assets		144,311	138,685
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	1,817	1,816
Share premium		75,984	75,950
Contributing surplus		3,690	3,690
Share based payments		4,790	5,826
Other reserves		759	711
Foreign exchange reserve		7,234	7,142
Profit and loss reserve		40,440	35,345
Total equity attributable to equity holders of the parent		134,714	130,480
Minority interests		2,616	-
Total Equity		137,330	130,480
Non-current liabilities			
Long-term provisions	17	743	98
Current liabilities			
Taxation payable	18	1,572	-
Trade and other payables	18	4,666	8,107
Total liabilities		6,238	8,107
Total equities and liabilities		144,311	138,685
Number of shares in issue		181,688,497	181,589,731
Attributable net asset value / total equity per share	19	$0.74	$0.72

The accounts on pages 34 to 56 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

5 May 2010

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(expressed in thousands US dollars)

	Share Capital	Share Premium	Contributing Surplus	Share Based Payments	Other Reserves	Foreign Exchange Reserve	Profit and Loss Reserve	Total attributable to equity holders of parent	Minority Interests	Total Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 31 December 2007	2,615	196,637	3,690	4,426	579	3,109	37,106	248,162	-	248,162
Regulatory transfer for future investment	-	-	-	-	75	-	(75)	-	-	-
Dividend paid	-	-	-	-	-	-	(8,008)	(8,008)	-	(8,008)
Purchase of shares for cancellation	(799)	(120,687)	-	-	-	-	-	(121,486)	-	(121,486)
Cost of share based payments	-	-	-	1,400	-	-	-	1,400	-	1,400
Transaction with owners	(799)	(120,687)	-	1,400	75	-	(8,083)	(128,094)	-	(128,094)
Retained profit for the year	-	-	-	-	-	-	6,322	6,322	-	6,322
Other comprehensive income: Exchange differences on translating foreign operations	-	-	-	-	57	4,033	-	4,090	-	4,090
Total comprehensive income for the year	-	-	-	-	57	4,033	6,322	10,412	-	10,412
At 31 December 2008	1,816	75,950	3,690	5,826	711	7,142	35,345	130,480	-	130,480
Regulatory transfer for future investment	-	-	-	-	48	-	(48)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Issue of share capital	1	41	-	-	-	-	-	42	-	42
Purchase of shares for cancellation	-	(7)	-	-	-	-	-	(7)	-	(7)
Cost of share based payments	-	-	-	495	-	-	-	495	-	495
Transfer	-	-	-	(1,531)	-	-	1,531	-	-	-
Transaction with owners	1	34	-	(1,036)	48	-	1,483	530	-	530
Retained profit for the year	-	-	-	-	-	-	3,612	3,612	2,621	6,233
Other comprehensive income: Exchange differences on translating foreign operations	-	-	-	-	-	92	-	92	(5)	87
Total comprehensive income for the year	-	-	-	-	-	92	3,612	3,704	2,616	6,320
At 31 December 2009	1,817	75,984	3,690	4,790	759	7,234	40,440	134,714	2,616	137,330

Consolidated Cash Flow Statement

For the year ended 31 December 2009
(expressed in thousands US dollars)

	Notes	2009 $000	2008 $000
Net cash flows from operating activities			
Profit before taxation		**7,246**	6,959
Share of associated company losses	4	**517**	39
Foreign exchange (gains) / losses		**(1,956)**	3,221
Finance income	5	**(253)**	(4,670)
Adjustment in respect of share based payments	15	**495**	1,400
Depreciation, depletion and amortisation	9	**1,533**	2,844
Provisions	17	**-**	98
Decrease in inventories		**446**	1,412
Decrease / (increase) in other current assets		**285**	(1,101)
(Decrease) / increase in trade and other payables		**(2,882)**	3,059
Net cash inflow from operating activities		**5,431**	13,261
Taxation paid		**-**	(637)
Cash flows from investing activities			
Interest received	5	**253**	4,670
Payments to acquire intangible assets – exploration interests	10	**(105)**	(388)
Payments to acquire tangible assets – mineral interests	9	**(5,944)**	(9,393)
Payments to acquire tangible assets – plant and equipment	9	**(1,298)**	(1,681)
Payments to acquire interest in associated company		**-**	(4,542)
Net cash (outflow) from investing activities		**(7,094)**	(11,334)
Cash flows from financing activities			
Issue of ordinary share capital		**42**	-
Purchase of shares for cancellation		**(7)**	(121,486)
		35	(121,486)
Dividends paid		**-**	(8,008)
(Decrease) in cash and cash equivalents		**(1,628)**	(128,204)
Cash and cash equivalents at the beginning of the year		**67,193**	199,283
Effects of exchange rates		**2,065**	(3,886)
Cash and cash equivalents at the end of the year		**67,630**	67,193
Cash and cash equivalents comprise bank deposits			
Bank deposits		**67,630**	67,193
Short term bank overdrafts		**-**	-
Total		**67,630**	67,193

Included within net cash flows of $1,628,000 (2008 $128,204,000) are foreign exchange gains of $1,956,000 (2008 losses $3,221,000) 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.

Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- IAS 1 (revised) 'Presentation of financial statements' – effective 1st January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a results the Group has elected to present the 'Statement of comprehensive income' in two statements: the 'Consolidated income statement' and a 'Consolidated statement of comprehensive income'. Only one comparative period has been presented for the balance sheet as there are no retrospective restatements of any figures from applying the amended IAS 1. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 8 'Operating Segments' – effective 1st January 2009. The standard requires disclosure of information about the Group's operating segments and also about the Group's businesses and the geographical area in which it operates.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2010 or later periods, but the Group has not early adopted them:

- IFRS 9 'Financial Instruments' – effective 1st January 2013
- IFRIC 14 (amendments) 'Prepayments of a Minimum Funding Requirement' – effective 1st January 2011
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' – effective 1st July 2010
- IFRS 2 (amendments) 'Group Cash-settled Share-based Payment Transactions' – effective 1st January 2010
- IAS 24 (revised 2009) 'Related Party Disclosures' – effective 1st January 2011

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

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.

Accounting Policies

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%.

Associates

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 Group's share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the Group's 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 other comprehensive income of the associate 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.

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.

Accounting Policies

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 re-valued.

Depreciation

All costs capitalised (mineral interest, mill and mine equipment) within an area of interest, are depreciated over the current estimated economic reserve of the area of interest on a unit of production basis.

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

Impairment

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

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

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

Mine closure costs

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

Inventories

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

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

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

Accounting Policies

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories:

- loans and receivables
- available-for-sale financial assets

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.

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.

Financial liabilities

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

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

Foreign currency transactions

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

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. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Non monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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 profit and loss.

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.

Accounting Policies

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 2009 the application of the accounting standard has resulted in a net decrease in the profit for the year of $495,000 (2008: $1,400,000).

Significant judgements and estimates

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

- Expenditure capitalised as intangible fixed assets (note 10)
- 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)

Accounting Policies

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, associates 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.

Segmental reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products produced by the Group. Management consider there to be only one operating segment being the operations at the Caijiaying Mine based in China. All activities of the Group are reported through management and the executive directors to the Board of directors of the Company. The measurement policies the Group uses for Segment reporting under IFRS 8 are the same as those used in its financial statements.

Corporate assets which are not directly attributable to the business activities of Caijiaying Mine are not allocated to the Chinese segment but are reviewed in light of operating expenses by the region in which they occur. In the financial periods under review, this primarily applies to the Group's head office and intermediary holding companies within the Group.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Notes to the Financial Statements

1. Segmental Reporting

The Group has one operating business segment, the Caijiaying zinc gold project in the Peoples Republic of China. All sales and costs of sales in 2009 and 2008 were derived from the Caijiaying zinc gold project.

	2009	2008
	$000	$000
REVENUES		
China	**25,368**	32,061
COST OF SALES		
China	**(11,909)**	(18,438)
NET OPERATING EXPENSES		
China	**(5,382)**	(6,379)
Australia	**(50)**	(76)
European Union	**(2,508)**	(4,062)
	(7,940)	(10,517)
DEPRECIATION DEPLETION AND AMORTISATION		
China	**(1,529)**	(2,839)
European Union	**(4)**	(5)
	(1,533)	(2,844)

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

	2009	2008
	$000	$000
TOTAL ASSETS		
China	**81,695**	69,041
Australia	**4,007**	4,662
European Union	**58,609**	64,982
	144,311	138,685
CAPITAL EXPENDITURE		
China	**7,345**	11,462
European Union	**2**	-
	7,347	11,462

2. Profit From Operations

Profit from operations is stated after charging

	2009	2008
	$000	$000
Staff costs	**(3,772)**	(3,966)
Fair values of options granted to directors and management	**(495)**	(1,400)
	No.	No.
Average number of persons employed by the Group in the year	**245**	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	Sharebased payments	**Total 2009**	Fees	Salary	Bonus	Share based payments	Total 2008
	$000	$000	$000	**$000**	$000	$000	$000	$000	$000
Mladen Ninkov	94	-	297	**391**	58	-	-	840	898
Dal Brynelsen	65	-	20	**85**	65	-	100	56	221
Roger Goodwin	94	343	59	**496**	58	359	51	168	636
William Mulligan	65	-	20	**85**	65	-	15	56	136
	318	343	396	**1,057**	246	359	166	1,120	1,891
Key personnel	-	1,033	99	**1,132**	-	775	-	280	1,055
	318	1,376	495	**2,189**	246	1,134	166	1,400	2,946

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $982,000 (2008 $1,013,000), 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 2008 Keynes Capital received an additional fee of $327,000 charged solely to Griffin Mining Ltd. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

4. Share of Losses of Associated Company

	2009	2008
	$000	$000
Share of losses of Spitfire Oil Ltd	**517**	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

	2009	2008
	$000	$000
Interest income on bank deposits	**253**	4,670

6. Other income

	2009	2008
	$000	$000
Break fee received on aborted acquisition of Yukon Zinc, net of expenses	**-**	2,495
Other	**35**	38
	35	2,533

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	2009	2008
	$000	$000
Profit for the year before tax	7,245	6,959
Tax rate	12.5%	12.5%
Expected tax expense:	906	870
Adjustment for tax exempt items:		
- Income and expenses outside the PRC not subject to tax	(2)	97
- Share of associated company losses	65	(5)
Adjustments for permanent timing differences:		
- PRC rebates on purchasing Chinese equipment	-	(333)
- Other	67	8
Adjustments for short term timing differences:		
- In respect of accounting differences	(37)	-
- Other	14	-
Taxation charge	1,013	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 2009 (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%

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:

	2009			2008		
	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	3,612	181,560,512	1.99	6,322	220,587,242	2.87
Dilutive effect of securities						
Options		1,906,603			3,090,342	
Diluted earnings per share	3,612	183,467,115	1.97	6,322	223,677,584	2.83

Notes to the Financial Statements

9. Property, plant and equipment

	Mineral interests	Mill and mine equipment	Office furniture and equipment	Total
	$000	$000	$000	$000
At 1 January 2008 net of accumulated depreciation	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
Foreign exchange adjustments	(18)	(7)	-	(25)
Additions during the year	5,944	1,296	2	7,242
Rehabilitation provision (note 17)	-	645	-	645
Depreciation charge for the year	(870)	(659)	(4)	(1,533)
At 31 December 2009	47,238	15,974	2	63,214
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
At 31 December 2009				
Cost	51,445	19,547	48	71,040
Accumulated depreciation	(4,207)	(3,573)	(46)	(7,826)
Net carrying amount	47,238	15,974	2	63,214

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

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

10. Intangible assets

China – Zinc / gold exploration interests	**$000**
At 1 January 2008	751
Foreign exchange adjustments	174
Additions during the year	388
At 31 December 2008	1,313
Foreign exchange adjustments	4
Additions during the year	105
At 31 December 2009	1,422

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 2009 no amounts had been provided or charged to the income statement in respect of the above exploration costs.

Notes to the Financial Statements

11. Investement in associated company

	2009 $000	2008 $000
At 1 January 2009	**4,503**	-
Additions in year	**-**	4,542
Share of losses of Spitfire Oil Limited	**(517)**	(39)
At 31 December 2009	**3,986**	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.

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.

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

	Six months to 31 December 2009 Unaudited Aus$000	Year to 30 June 2009 Audited Aus$000
Loss before income tax	**(1,094)**	(767)

	31 December 2009 Unaudited Aus$000	30 June 2009 Audited Aus$000
ASSETS		
Current assets	**8,651**	10,048
Non-current assets	**7,997**	7,605
Total assets	**16,648**	17,653
LIABILITIES		
Current and total liabilities	**(363)**	(219)
NET ASSETS	**16,285**	17,434
EQUITY		
Issued capital	**20,854**	20,854
Reserves	**790**	845
Accumulated losses	**(5,359)**	(4,265)
	16,285	17,434

Spitfire Oil Ltd reported no contingent liabilities at 31 December 2009 (30 June 2009 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.

Notes to the Financial Statements

12. Inventories

	2009	2008
	$000	$000
Underground ore stocks	**471**	628
Surface ore stocks	**1,412**	1,627
Concentrate ore stocks	**33**	63
Spare parts and consumables	**864**	909
	2,780	3,227

All inventories are expected to be sold, used or consumed within one year of the balance sheet date. Inventories costing $1,283,000 (2008: $3,973,000) were charged to the income statement in 2009.

13. Other current assets

	2009	2008
	$000	$000
Other receivables	**3,567**	3,537
Prepayments	**1,712**	2,027
	5,279	5,564

Other receivables include advances of $3,078,000 (2008: $3,080,000) to related parties, recoverable from future share of profits (note 24). The minority share of the profits of Hebei Hua' Ao Mining Industry for 2009 amounting to $2,616,000 are offsetable against this. The share of losses in 2008 of $663,000 have been fully provided against.

14. Share capital

	2009		2008	
	Number	**$000**	Number	$000
AUTHORISED:				
Ordinary shares of US$0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US$0.01 each				
At 1 January	**181,589,731**	**1,816**	261,509,549	2,615
Issued during the year	**133,333**	**1**	-	-
Bought back in for cancellation	**(34,567)**	**-**	(79,919,818)	(799)
At 31 December	**181,688,497**	**1,817**	181,589,731	1,816

On 1 January 2009 34,567 ordinary shares were bought in for cancellation from the market at 15.2 UK pence ($0.22) per share.

On 24 December 2009 133,333 new ordinary shares were issued on the exercise of options at 20 pence ($0.32) per share.

NOTES TO THE FINANCIAL STATEMENTS

15. SHARE OPTIONS AND WARRANTS

	At 1 January 2009 Number	Granted (Exercised)/ (lapsed) Number	At 31 December 2009 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**
	20,475,000	**(5,475,000)**	**15,000,000**

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

	2009		2008	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**20,475,000**	**76.0**	15,475,000	94.2
Granted during the year	**-**	**-**	5,000,000	20.0
Lapsed during the year	**(5,475,000)**	**(65.0)**	-	-
Outstanding at 31 December	**15,000,000**	**80.0**	20,475,000	76.0

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.

The estimated value of the options exercisable at 20p up to 31 October 2013, which vest in 3 tranches of 1,666,666 each, were 4.0p, 4.2p and 4.42p.

The share options which lapsed during the year gave rise to a transfer of $1,531,000 from the share-based payment reserve to the profit and loss reserve.

Inputs into the Binomial valuation model were as follows:

	Options expiring 31 October 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 $495,000 (2008: $1,400,000) during the year ended 31 December 2009 relating to equity settled share option scheme transactions.

16. DIVIDENDS

No dividends were paid in 2009. On 6 June 2008 a final dividend of 3 cents per ordinary share in the Company was paid.

Notes to the Financial Statements

17. Long-term provisions

PROVISIONS FOR MINE CLOSURE COSTS	**2009**	2008
	$000	$000
At 1 January	**98**	-
Transfer to mill and mining equipment	**645**	98
Foreign exchange adjustments	**-**	-
At 31 December	**743**	98

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

Provision for mine closure costs have been made by reference to Chinese regulations based upon the resource estimate of mineable tonnes.

18. Trade and Other Payables

	2009	2008
	$000	$000
Trade creditors	**2,638**	7,649
Taxation payable	**1,572**	-
Other creditors	**654**	-
Accruals	**1,374**	458
	6,238	8,107

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. 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 2009 of $134,714,000 ($130,480,000 at 31 December 2008) divided by the number of ordinary shares in issue at 31 December 2009 of 181,688,497 (181,589,731 at 31 December 2008).

20. 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. The 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 translated into United States Dollars at the closing rate are as follows:

	2009	2008
	$000	$000
Short term bank deposits	**47,562**	10,556

Notes to the Financial Statements

20. Risk management (continued)

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 + / - 10% change in the sterling exchange rate for the year ended 31 December 2009. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2009. 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 10% (2008: 36%) this would have had the following impact:

	2009	2008
	$000	$000
Net result for the year and on equity	**5,285**	5,938

If sterling had weakened against the US Dollar by 10% (2008 36%) this would have the following impact:

	2009	2008
	$000	$000
Net result for the year and on equity	**(4,324)**	(2,794)

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:

	2009			2008		
	GBP	**Rmb**	**AusD**	GBP	Rmb	AusD
	$000	**$000**	**$000**	$000	$000	$000
Financial assets	**47,583**	**13,890**	**21**	10,692	7,621	160
Financial liabilities	**(147)**	**(4,501)**	**(18)**	(158)	(7,855)	(95)
Short term exposure	**47,436**	**(9,389)**	**3**	10,534	(234)	65

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% (2008 + 300% - 100%), 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.

	2009		2008	
	Plus 300%	**Minus 100%**	Plus 20%	Minus 20%
	$000	**$000**	$000	$000
Net result for the year	**292**	**(97)**	556	(185)

Notes to the Financial Statements

20. Risk management (continued)

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

	2009			2008		
	Floating interest rate	**Non interest bearing**	**Total**	Floating interest rate	Non interest bearing	Total
	$000	**$000**	**$000**	$000	$000	$000
Financial Assets						
Cash at bank	**67,630**	**-**	**67,630**	67,193	-	67,193
Other receivables	**-**	**3,567**	**3,567**	-	3,537	3,537
Total Financial Assets	**67,630**	**3,567**	**71,197**	67,193	3,537	70,730
Trade payables	**-**	**-**	**-**	-	-	-
Other payables	**-**	**4,667**	**4,667**	-	8,107	8,107
Total Financial Liabilities	**-**	**4,667**	**4,667**	-	8,107	8,107
Net Financial (Liabilities)/Assets	**67,630**	**(1,100)**	**66,530**	67,193	(4,570)	62,623

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 did not hedge its metal production in 2009 or 2008.

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.

Fair value hierarchy

The Group adopted the amendments for IFRS 7 'Improving Disclosures about Financial Instruments' effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position. On review of the financial instruments held by the Group management do not consider this relevant to the Group.

21. Capital Management and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To increase the value of the assets of the Group: and
- To enhance shareholder value in the Company and returns to shareholders.

The achievement of these objectives is undertaken by developing existing ventures and identifying new ventures for future development. The Company will also undertake other transactions where these are deemed financially beneficial to the Company.

The directors continue to monitor the capital requirements of the Group by reference to expected future cash flows. Capital for the reporting periods under review is summarised in the consolidated statement of changes in equity.

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 repaid in 2008, 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 2009, 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 and will not be recovered from minority share of future profits.

24. Related party transactions

At 31 December 2009 Hebei Hua' Ao Mining Industry Company Limited had advanced Rmb3,009,000 ($441,000) (31 December 2008 Rmb 3,009,000 ($440,000)) to the 3rd Geological Brigade of the Hebei Province, a partner in the local Chinese entity (the Zhangjiakou Caijiaying Lead Zinc Mining Company), that holds a 40% interest in Hebei Hua' Ao. At 31 December 2009 Hebei Hua' Ao had advanced Rmb18,003,000 ($2,637,000) (31 December 2008 Rmb 18,003,000 ($2,640,000)) to the Zhangjiakou Caijiaying Lead Zinc Mining Company. 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 2009 the Group had capital commitments of $3,066,000 (31 December 2008 $3,350,000).

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. In 2008 Hebei Hua' Ao 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, provision has only been made for the minority interest in the profits of Hebei Hua Ao for 2009 with no provision made in respect of the net assets of Hebei Hua' Ao. At 31 December 2009, the net assets of Hebei Hua' Ao after distributions due amounted to $20.9m. The minority share of the net assets at 31 December 2009 on a termination of Hebei Hua' Ao could amount to $8.4m.

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