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 2011

Chairman's Statement

It is with an enormous amount of pleasure, and some pride, that I present to you the Annual Report and Accounts for Griffin Mining Limited ("Griffin" or the "Company") for the 2011 calendar and financial year. What began as a remarkable journey in 1997 has now culminated in the Company's 88.8% ownership of a world class, extraordinarily long mine life, operating mine and a mineral province whose potential has only just begun to be tapped.

In the past year, the Company has striven to deliver on its promised potential. Financially, Griffin achieved a record profit before tax of $39,953,000, a 256% increase from the $11,236,000 result recorded in 2010.

Operationally, a record 715,955 tonnes of ore were processed compared to 420,928 tonnes in 2010, a 70% increase. A record 36,283 tonnes of zinc metal in concentrate were produced, compared to 22,044 tonnes in 2010, a 65% increase; a record 10,281 ounces of gold in concentrate were produced, compared to 7,067 ounces in 2010, a 45% increase; a record 312,509 ounces of silver in concentrate were produced, compared to 157,679 ounces in 2010, a 98% increase; and a record 1,909 tonnes of lead in concentrate were produced, compared to 690 tonnes in 2010, a 177% increase.

Geologically, the announcement of the new JORC Resource for Zones II and III at Caijiaying displayed the true potential of the orebody with a 32% increase in the Mineral Resource from 38.6 to 51.2 million tonnes, representing a 50 plus year mine life at an increased throughput rate. Not only was the Mineral Resource increased in Zone III, even with the mine depletion, by 8% from 29.1 to 31.5 million tonnes, but the Mineral Resource at Zone II was increased by 107% from 9.4 to 19.6 million tonnes. This is highly significant in that it will provide a second source of ore for the mill to service a planned increase in throughput in the near future. Further drilling results since the calculation of the new JORC Resource have only increased the likelihood of even further resource upgrades in the future.

Of course, the major achievement of 2011 was the announcement on the 10th May 2012 that the Company had entered into an agreement to increase its majority in Hebei Hua Ao Mining Industry Company Limited ("Hebei Hua Ao") to 88.8% and extend the term of the Hebei Hua Ao joint venture through to 2037 ("the Transaction"). The enormity of this Transaction should not be lost. Firstly it allows for full management control to now rest with Griffin staff with the "government" layers of management abolished. Secondly, it allows planning with confidence to now proceed to apply for, and obtain, a mining licence at Zone II and to plan for an upgrade to the processing facilities and the necessary below ground development to increase throughput at Caijiaying up to 1.5 million tonnes per annum. All this with the security of knowing the Company will be at Caijiaying at least until 2037 and reaping the vast majority of the profits emanating from the Caijiaying mine.

Corporately, the Company continues to examine a vast array of possible corporate and asset acquisitions to see if they can meet the stringent financial, operating and political criteria demanded by the Company. In addition, the Company continues to evaluate and discuss the listing of Griffin on the Hong Kong Stock Exchange with a significant number of investment banks in Hong Kong.

As I have mentioned far too many times, all mining companies are subject to the vagaries of commodity prices. In normal circumstances, these prices are substantially governed by supply and demand equations and, to a lesser extent, commodity traders. Unfortunately, since the Global Financial Crisis in 2008 and the fiscal irresponsibility of investment banks, commercial banks and all levels of government, economic growth, so often driven by debt, has faltered. Whilst China and the emerging markets continue to grow and demand raw materials, the outlook looks rosy, particularly for the supply deficit predicted in the zinc market in the next 2 years. However, uncertainty remains with the mountain of debt in the public sector, the undercapitalized banking sector and the contracting economies of the European Union and the inevitable consequences for world trade, growth and commodities demand. We can only sit and wait to see what will be the outcome of this fiasco.

With over 700 contractors and staff now engaged by the Company, it would be impossible and unjust to mention specific individuals and their contribution to the Company's progress for fear of omitting and offending too many people. Needless to say, the list of people needed to be thanked would be long and impressive. It is hopefully enough to just broadly thank our Chinese staff and contractors, our foreign national staff ("ex pats"), senior management and the directors. But it would be remiss of me not to specifically thank Dr Bo Zhou, our Chief Representative in China, whose great labour has been the successful conclusion to the Transaction. His efforts have been Herculean and he has all of our thanks.

Finally if I may, yet again, use the quote I used in my Chairman's Statement in the 2003 Annual Report from that giant statesman, Sir Winston Churchill, "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning." Griffin has started something quite extraordinary at Caijiaying, and now, with full management control of a world class orebody, a very long mine life and, with a fair wind and compliant commodities prices, something truly amazing can be achieved at Caijiaying and Griffin. Please stay with us as we race forward on that journey.

Mladen Ninkov
Chairman
28 May 2012


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OPERATIONAL REVIEW 2011

FINANCIAL

Griffin Mining Limited (the "Company" or "Griffin") and its subsidiaries (together the "Group") achieved record results in 2011 with record production and record profit before tax of $39,953,000 (2010 - $11,236,000). The record results follow the completion of processing plant upgrades, increased mining rates with uninterrupted production throughout the year.

Revenues increased to a record $79,062,000 (2010 $41,050,000) with record metal in concentrate sales resulting in increased profits from operations of $36,832,000 in 2011 from $13,143,000 in 2010. In summary:

- Record 695,848 tonnes of ore were mined, compared to 389,496 tonnes in 2010, a 79% increase;
- Record 715,955 tonnes of ore were processed, compared to 420,928 tonnes in 2010, a 70% increase;
- Record 36,283 tonnes of zinc metal in concentrate were produced, compared to 22,044 tonnes in 2010, a 65% increase;
- Record 10,281 ounces of gold in concentrate were produced, compared to 7,067 ounces in 2010, a 45% increase;
- Record 312,509 ounces of silver in concentrate were produced, compared to 157,679 ounces in 2010, a 98% increase; and
- Record 1,909 tonnes of lead in concentrate were produced, compared to 690 tonnes in 2010, a 177% increase.

Despite market prices for zinc metal in 2011 remaining generally unchanged from 2010, the average price per tonne of zinc metal in concentrate received increased to $1,546 in 2011 from $1,409 in 2010, indicating increased demand for zinc concentrate within China. The average price received for all other metals in concentrate sold in 2011 also improved over that achieved in 2010 with the average price received for gold being $1,438 per oz (2010 - $1,027), silver $26 per oz (2010 - $13.50) and lead $2,054 per tonne (2010 - $1,741).

Costs of sales increased in 2011 to $31,918,000 from $16,780,000 in 2010 due to increased production and mining and haulage costs increasing as lower mine levels were accessed. With the commissioning of the upgraded processing facilities, processing costs per tonne fell during 2011 as economies of scale begin to be felt with increased production.

Group operating costs, including mine site administration costs, fell in 2011 to $10,312,000 from $11,127,000 in 2010.

With cash balances averaged some $79 million in 2011, the Group benefited from interest receipts on those funds of $616,000 in 2011 (2010 - $350,000).

Foreign exchange gains of $2,588,000 were recorded in 2011 (2010 - $38,000). These gains arose on Renminbi accounts and sterling bank deposits. The Group is now permitted to hold Renminbi funds in Group bank accounts in Hong Kong.

Griffin's 39.2% share of the losses of Spitfire Oil Limited ("Spitfire") in 2011 was $118,000 (2010 - $109,000).

The increasing upward trend in metal prices led to no metal put options being purchased in 2011. The residual value of zinc put options purchased in 2010 of $14,000 was written off in 2011 (2010 - $2,224,000).

Income taxes in 2011 were $12,256,000 (2010 - $2,376,000). This increase reflects larger profits and an increase in PRC income tax from 12.5% to 25% due to the end of the pre-construction tax concessions enjoyed by Hebei Hua Ao Mining Company Limited ("Hebei Hua Ao") and the PRC withholding tax of 10% on dividends paid overseas.

The minority party's share of Hebei Hua Ao's profit of $11,882,000 (2010 - $6,116,000) resulted in an attributable profit to Griffin of $15,815,000 (2010 - $2,744,00).

The Company's basic earnings per share improved to 8.96 cents per share from 1.51 cents per share in 2010 with diluted earnings per share of 8.76 cents per share in 2011 (2010 - 1.49 cents per share).

During 2011, 5,040,000 (2010 - 1,580,000) ordinary shares were bought back on market for cancellation at a cost of $4,977,000 (2010 - $1,146,000) thereby reducing the number of Griffin shares in issue to 175,501,830.

Net cash inflow in 2011 increased to $23,433,000 (2010 outflow of $370,000) despite the share buyback programme, due to increased profits and lower capital expenditure.

Attributable net assets increased to 87 cents per share as at 31 December 2011 (2010 - 78 cents per share).

ACQUISITION OF MINORITY INTERESTS

On the 10th May 2012, the Company announced that it had entered into an agreement to purchase the majority of the Zhangjiakou Caijiaying Lead Zinc Mining Company Limited's (the "ZJK Mining Company") interest in Hebei Hua Ao for Rmb700 million (approx $110 million) and to extend the term of the Hebei Hua Ao joint venture ("the Transaction"). Following consummation of the Transaction, the Group will hold an 88.8% interest in Hebei Hua Ao with an extended 25 year term through to October 2037. The ZJK Mining Company will retain an 11.2% interest in Hebei Hua Ao.

The purchase is being financed from Griffin's existing cash resources and undistributed dividends from Hebei Hua Ao.

Completion of the Transaction is expected in mid June.

The acquisition of a further majority interest in Hebei Hua Ao and the extension of the Hebei Hua Ao joint venture term will secure the long term future of Griffin by enabling the Company to bring the Zone II deposit into production with confidence and further upgrade the processing facilities to significantly expand operations.

OPERATIONS

Having completed construction of the upgrade to the processing facilities to a 750,000 tonnes of ore per annum throughput capacity in 2010, commissioning of these facilities resumed following recommencement of operations following suspension in December 2010 and continued into 2011. By the summer of 2011, the processing plant was operating at rates in excess of its design capacity and has since achieved rates considerably in excess of this throughput.

During 2011, a record 715,955 tonnes of ore was processed with an average head grade of 5.3% zinc, 0.4% lead, 29.55 grams per tonne silver and 0.93 grams per tonne gold to produce 36,283 tonnes of zinc, 1,909 tonnes of lead, 312,509 ounces of silver and 10,281 ounces of gold, all in concentrate.

Following the resumption of operations after the suspension in 2010, a number of operational issues needed to be addressed, particularly the new crushing circuit and the installation of other upgrade components . However, relatively few problems were encountered commissioning the new ball mills, floatation cells and ancillary equipment and, in total, the effects of the disruption to production were minimal.

To increase mining rates to meet this enhanced processing capacity, more stopes have been opened approximately 32,421 metres of extensional and grade control drilling was completed underground in 2011.

Although there were no fatalities in 2011, there were 10 incidents requiring medical attention and management continues to strive to improve safety standards. Work has commenced on an "underground six system" required by the Chinese regulatory authorities to enhance safety. This includes alternative communication systems, additional refuge chambers, air supply to refuge chambers, monitoring equipment and pressure testing.

During 2011, number 2 tailings dam was further uplifted and construction of numbers 3 and 4 tailings dams completed. Scope exists for numbers 1, 3 and 4 tailings dams to be further lifted and number 5 tailings dam is currently under construction.

Whilst the Company has maintained in excess of 95% zinc recoveries, focus has now been shifted on improving the recovery of silver and gold in the precious metal concentrate with improved results expected in 2012.

RESOURCE ESTIMATES

In May 2012, the latest JORC reported Mineral Resource Estimate for Caijiaying was produced. The result not only increased the contained tonnes within the Zone III mineral resource after mining depletion, but also almost doubled the contained tonnes and metal within the Zone II mineral resource. In summary, the new JORC resource produced:

1. A 32% increase in the Mineral Resource at Zones II and III from 38.6 million tonnes to 51.2 million tonnes, representing a 50 plus year mine life at the increased throughput rate. This represents an increase of 17% more zinc metal.
2. An 8% increase in the Mineral Resource at Zone III from 29.1 million tonnes to 31.5 million tonnes.
3. A 107% increase in the Mineral Resource at Zone II from 9.4 million tonnes to 19.6 million tonnes.

Drilling continued to provide success along strike and south of Zone III to Zone II, allowing the reinterpretation and upgrade of the Zone II Mineral Resource. Diamond drilling continued underground in Zone II with a total of 33,887 metres drilled. Surface diamond drilling continued in Zone II with a total of 10,053 metres. Drilling continued to add significant mineralisation which added to the Zone II Mineral Resource.

With the Mineral Resource estimate at Zone II approaching 20 million tonnes and the drilling density achieving the required level, an application for a mining licence is expected to be made in 2012.

This licence is expected to be granted in 2014. The mining licence will ensure that all the known mineralisation covering Zones II and III and the contiguous area between them will be covered. This should allow a second ore source to be mined at Caijiaying and significantly extend the life of the mining operations.

The 2012 Mineral Resource estimate is reported at a 1% zinc equivalent cut-off grade . Tabled below is the summary of the recently updated 2012 Mineral Resource.

2012 Mineral Resource Estimates

Lodes	Category	Tonnes	Metal Grade				Contained Metal			
			Zinc	Lead	Silver	Gold	Zinc	Lead	Silver	Gold
		'000t	%	%	Grams per Tonne	Grams per Tonne	Tonnes	Tonnes	Ounces	Ounces
Zone III										
Fu, Jin, Qing, Xiao, Ju, Chang, Hong Long lodes	Measured	4,447	5.6	0.32	30.3	0.76	249,000	14,000	4,331,900	109,400
	Indicated	10,926	4.84	0.26	27.03	0.73	529,000	28,000	9,495,000	258,000
	Inferred	1,146	4.78	0.28	31.37	0.46	55,000	3,000	1,156,200	17,000
	Subtotal	16,519	5.04	0.28	28.21	0.72	832,000	46,000	14,983,100	384,000
Zone III										
Caijiaying	Inferred	15,075	3.91	0.22	21.68	0.76	589,000	32,000	10,507,600	370,400
Subtotal Zone III		**31,594**	**4.50**	**0.25**	**25.09**	**0.74**	**1,422,000**	**78,000**	**25,490,700**	**754,800**
Zone II										
All	Measured	-	-	-	-	-	-	-	-	-
	Indicated	4,056	3.02	0.68	24.87	0.30	123,000	27,000	3,242,800	39,300
	Inferred	15,570	3.31	0.75	24.53	0.25	516,000	117,000	12,276,700	124,200
Subtotal Zone II		**19,626**	**3.25**	**0.73**	**24.6**	**0.26**	**638,000**	**144,000**	**15,519,600**	**163,500**
Total		**51,220**	**4.02**	**0.43**	**24.90**	**0.56**	**2,060,000**	**222,000**	**41,010,200**	**918,300**

The information in this report that relates to the May 2012 Mineral Resource estimates is based on information compiled by Mr Matthew Stevens, B.Sc. (Hons) Geology, Member AIG and AusIMM. Mr Stevens was a full time employee of CSA Global Pty Ltd. Mr Stevens 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 Stevens consents to the inclusion in the report of the matters based on his information in the form and context which they appear.

Zinc-equivalent grades are based on Caijiaying economics at 05/2011, assuming a linear correlation between all commodities. Concentrates of Au=0.575g/t, Ag=18g/t and lead=0.97% correlate to an increase in value equivalent to 1% zinc above base value.

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 calcsilicates 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 tenement boundary continues to confirm the area to be highly prospective indicating significant potential for further base metal and gold deposits.

Hebei Hua Ao Licence Area

Drilling activity was increased in 2011 with up to six rigs operating underground at Zone III and three rigs operating on the surface between Zone II and Zone III. Many positive results were returned which resulted in a significant increase in the mineral resource inventory at Caijiaying. Drilling targeted Zone II, Fu Long South, Qing Long Deeps, Qing Long South, Jin Long South and Xiao Long East lodes.

A combination of step-out and infill underground drilling continued to extend the Zone III mineralisation in all directions and improve confidence levels within the Mineral Resource Estimate. Mineralisation remains open to the north, south and at depth. Importantly some of the thickest and highest grade intercepts to date have been returned from the deepest drilling which indicates that Zone III at least maintains continuity with depth.

Surface diamond drilling intersected a number of new zones of mineralisation between Zone II and Zone III and extended other previously identified zones. The entire surface drilling data between Zone II and Zone III has been incorporated into a new Caijiaying Mineral Resource Estimate. The result is an increase of more than 100% in the tonnage of the Mineral Resource Estimate for Zone II. Zone II mineralisation remains open at depth.

No underground drilling was undertaken from the Fox link access drive into Zone II. Surface drilling in Zone II continued to infill with a drill density of approximately 100 metres by 100 metres.

No further drilling is planned in the Zone II/III corridor in 2012 as the area is subject to a Mining Licence application. At the end of 2012, the Hebei Hua Ao Exploration Licence is subject to a 25% reduction as per tenement conditions. The granting of a mining licence should take up the great

$109,000) has been charged to Griffin's income statement for its share of Spitfire's losses in the period.

Spitfire, through its wholly owned subsidiary Spitfire Oil Pty Ltd, was formed to pursue the production of liquid hydrocarbons, including fuels and distillates, from the Salmon Gums Lignite Deposit in Western Australia. Lignite is a low-rank form of brown coal which has properties that allow it to be converted into oil.

Spitfire has continued to monitor the technologies available for processing the Salmon Gums lignite into a saleable gas or distillate. Several proposals were investigated during the year but Spitfire is yet to be convinced that any are commercially viable or capable of providing a suitable return on equity. However, as world fuel prices rise, several technologies are beginning to emerge. Spitfire remains convinced that being patient until a suitable process is developed is the prudent course of action.

Accordingly, Spitfire has continued conducting work to maintain the exploration licences in good standing. The Salmon Gums exploration licences were successfully extended until the 6th July 2012. Application for a retention licence over the area of the defined lignite resource was applied for on the 20th October 2011 and covers an area of 23,749 hectares. Retention licences are granted where a mineral resource has been identified but where the mining and processing is not currently viable. They are issued for a period of 5 years, are renewable and, apart from annual rent, have minimal expenditure requirements.

The following table shows the current status of the Salmon Gums Project licences pending grant of a retention licence.

Lease	Project	Locality	Status	Area	Application date	Grant	Expiry	EXP A$	Rent A$
E63/934	**Salmon Gums**	**WA**	Granted	15 Blocks	27/01/2004	07/07/2005	06/07/2012	50,000.00	3,592.50
E63/935	**Salmon Gums**	**WA**	Granted	21 Blocks	27/01/2004	07/07/2005	06/07/2012	50,000.00	5,029.50
E63/947	**Salmon Gums**	**WA**	Granted	52 Blocks	20/10/2004	07/07/2005	06/07/2012	104,000.00	12,454.00
E63/961	**Salmon Gums**	**WA**	Granted	21 Blocks	29/12/2004	06/10/2005	05/10/2012	50,000.00	5,029.50
R63/3	**Marda**	**WA**	Application	23748.7 H	20/10/2011			0.00	0.00

Note: Rent and expenditure commitments for the Retention Licence Application cannot be set until approved

Following the successful identification of an area of anomalous gold mineralization in the project area in 2009-2010, an attempt was made to locate a suitable joint venture partner to share the risk of ongoing exploration. With no suitable partner found, Spitfire continued further gold exploration during 2011 as part of the minimum expenditure requirements for the licences. The gold exploration program consisted of drilling further reconnaissance holes over theoretical targets in each of the licences, although one area was omitted due to logistical concerns. The results were disappointing in that most of the anomalous indicators were found to be insignificant. Given these results, it was decided that Spitfire should discontinue further gold exploration in the area.

Spitfire continues to look at other investment proposals whilst maintaining its cash funds. Several new proposals progressed during the year but they either failed to meet Spitfire's investment criteria or failed to come to fruition.

CORPORATE DEVELOPMENTS

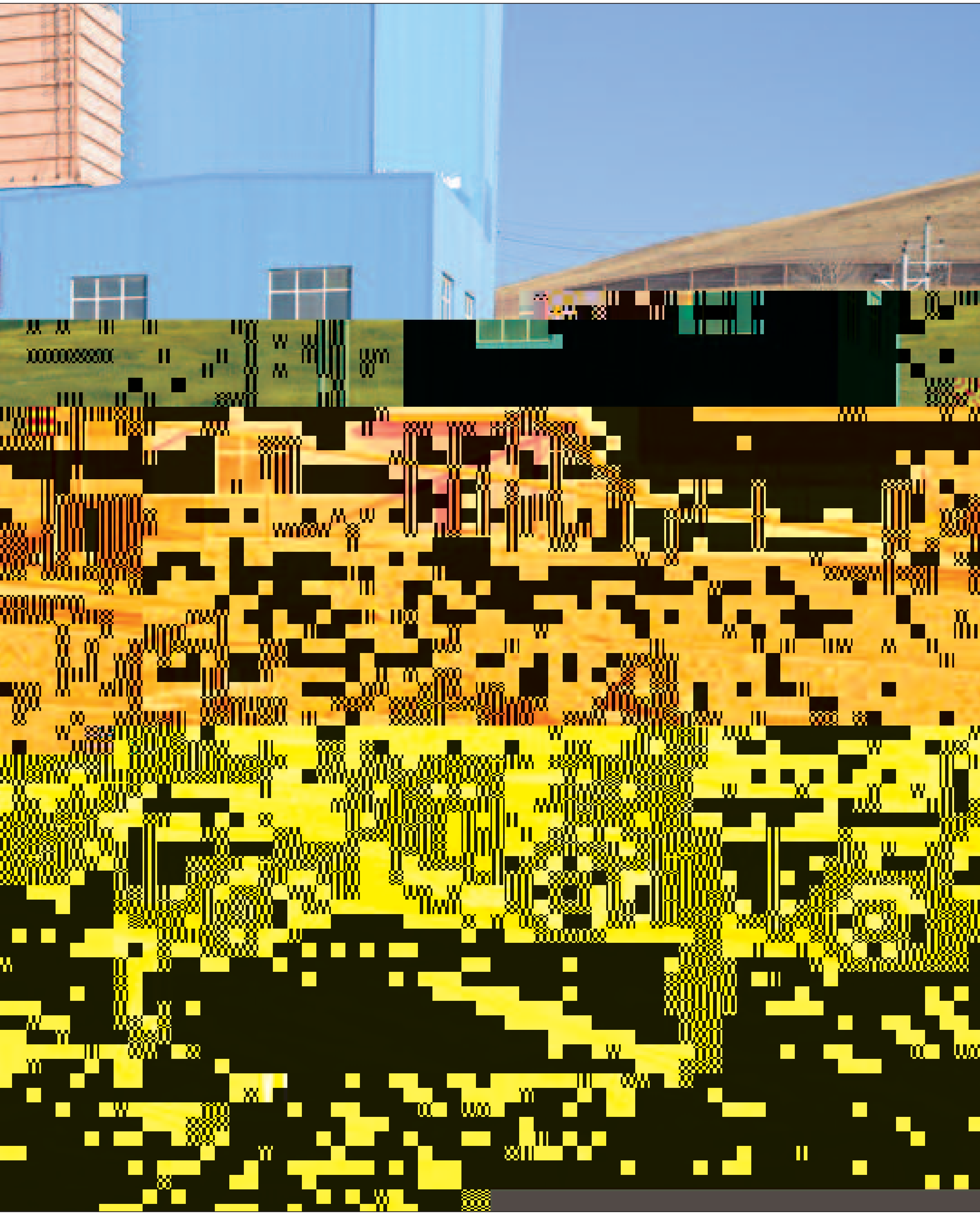
ACQUISITIONS

Whilst a significant part of Griffin's acquisition efforts in 2011 continuing into 2012 were directed into completing the Transaction, Griffin's management team, consisting of finance, mining, metallurgy, geological and health and safety professionals, have continued to review and evaluate mining companies and their key projects in China and elsewhere in the world. These covered a broad range of commodities as well as geographies. This process remains ongoing.

THE FUTURE

The initial acquisition of the interest in the Caijiaying mine, coupled now with the completion of the Transaction, has laid the foundations for a extraordinary long mine life, substantial return on equity, mining house. In spite of the extensive acquisition opportunities investigated by the Company over the past 7 years, acquiring a greater interest and extending the term of the Hebei Hua Ao joint venture represented the best use of the Company's financial resources. This gives Griffin not only a bigger financial interest in Hebei Hua Ao, but also allows Griffin to take greater control of the management of Caijiaying and the confidence to further invest to increase production and extend the life of mine, thereby providing greater returns to the Company and its shareholders.

The latest JORC resource confirms the availability of ore for increased future production at Caijiaying over a very long mine life. Plans to increase output from Zone III at Caijiaying and to apply for a mining licence at Zone II, with a view to doubling output, were put on hold whilst negotiations for the Transaction took place.



Underground vehicle fleet at Caijiaying

It is now apparent that the upgraded plant is capable of processing more than that specified and, subject to obtaining an enhanced safety production permit, Griffin is looking to further increase the amount of ore extracted from Zone III to 1,000,000 tonnes of ore per annum. Work is underway to complete all documentation to support an application for a mining licence at Zone II with a view to extracting a further 500,000 tonnes of ore per annum from that area in 2014.

The supply equation for zinc remains interesting, even at the current zinc prices. A number of large zinc mines are due to start closing in the next few years including Brunswick, Lisheen and Century, which will remove a large amount of zinc supply from the market. All things remaining equal and the world economic system remaining stable, ongoing Chinese and other emerging market countries growing demand will likely place zinc in deficit supply, which bodes well for the zinc price and profitability of Caijiaying.

The continuing success at Caijiaying has not diminished the challenge to acquire, develop or discover a new mining project to build on the professional in-house skills that have been developed within the Company. Griffin remains

Mor ning management meeting at Caijiaying one of the few mining success stories in China. Having maintained a presence in China for over 14 years and having invested in not just the Caijiaying mine but in the local community, Griffin has gained an excellent reputation in China. Griffin has shown itself to be a responsible partner and investor in China. This provides Griffin with a unique entry into China, its culture and power structures.

To date, however, it has proved difficult to find a venture of the size, life and quality of Caijiaying in China. This has forced the Company to widen its geographic and commodity focus. Regardless of where any new acquisition is found, the challenge remains the same – to acquire further assets only where they provide real value over a long period of time with substantial added value to shareholders.

CAIJIAYING BACKGROUND

The mine and processing facilities (the “Mine"), together with the staff accommodation, recreational and mess facilities, are located at Caijiaying, approximately 200 kilometres directly or 300 kilometres by road, north north-west of Beijing in Hebei Province. The mine site is easily accessible by freeway from Beijing and a number of secondary sealed roads. The site has significant water supplies,

Caijiaying Mine Location

two independent connections to the electricity grid, full connectivity to fixed and mobile telecommunications and broadband access for internet services. Climatic conditions are not severe with warm summers and cold, dry winters, enabling operations at Caijiaying to continue for 365 days a year.

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"), held a 60% equity interest and the ZJK Mining Company (the shareholders of which are the Zhangjiakou City People's Government and the Third Geological Brigade of Hebei Province) a 40% interest.

On the 10th May 2012, the Company announced that it had entered into an agreement to purchase the majority of ZJK Mining Company's interest in Hebei Hua Ao for Rmb700 million (approx $110 million) and to extend the term of the Hebei Hua Ao joint venture ("the Transaction"). Following consummation of the Transaction, the Group will hold an 88.8% interest in Hebei Hua Ao with an extended 25 year term through to October 2037. The ZJK Mining Company will retain an 11.2% interest in Hebei Hua Ao.

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 ZJK Caijiaying Lead Zinc Mining Company holds 10%. Griffin, through Hebei Hua' Ao and Hebei Anglo, has a controlling interest in mining and exploration licences over 67square 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 processing rates equivalent to, and in excess of, 750,000 tonnes of ore per annum achieved following the latest upgrade of the processing facilities.

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.

Griffin has invested heavily in the local community and instigated best practice regarding the protection of the environment. In this regard: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Directors

Mladen Ninkov, Chairman, Australian, aged 51, holds a Master 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 57, 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 65, 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 68, 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 currently acts as a consultant to a number of resource companies. Until recently he was Managing Director for Global Projects at AIG Global Trade and Political Risk Insurance Company, a wholly owned subsidiary of American International Group Inc. From 1994 to 1996 he was Executive Vice President for Corporate Development at Latin American Gold Limited.

Senior Executives

William Darcey, Operations Manager Caijiaying, Australian, aged 60, holds degrees from Curtin University in mining, metallurgy, mineral economics and a MEngSc (mining planning and design). He has over 30 years experience in the mining and mineral processing industry working in both technical and operational roles. He has worked on mining project in Australia and overseas. More recently he worked in the Philippines as Operations Director for a gold mining company.

Wendy Zhang, Chief Financial Officer, China, aged 38, holds a Master of Accounting degree from Macquarie University, a member of the Certified Practising Accountants of Australia and a qualified member of the Chinese Institute of Certified Public Accountants for 11 years. Prior to joining Griffin she spent 4 years as Financial Controller for Golden Tiger Mining's (a gold exploration and mining company listed in Australian Stock Exchange) joint venture operations in China. Previously she was Chief Accountant for Shanghai Silk Group and subsequently Ann Taylor Shanghai.

Dr Bo Zhou, General Manager China, Australian, aged 49, 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 the Chinese resources sector.

Griffin and Hebei Hua Ao senior personnel from left to right:
Back row: Andrew Warburton (Metallurgist), Aiming Chen (Admin Manager), Philip Hope (Maintenance Foreman), Ziagan Sun (Translator), Bill Darcey (Caijiaying Operations Manager), Yuhai Su (Deputy Safety Manager), Lyon Che (Maintenance Manager), Runxai Jia (Mill Manager), Qing Li (Mining Manager), Dongshun Wang (Chief Geologist), Bryan McDonald (Mining Foreman). Front row: Hayden Parry (Geologist), Wendy Zhang (Chief Financial Officer Hebei Hua Ao), Roger Goodwin (Finance Director), Mladen Ninkov (Chairman), Bo Zhou (Griffin Chief Representatve, China), Andrew Millen (Mining Engineer)

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Griffin Mining Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2011.

Financial results

The Group profit before taxation amounted to US$39,953,000 (2010 US$11,236,000). Taxation of US$12,256,000 (2010 US$2,376,000) and non controlling interests of $11,882,000 (2010 $6,116,000) have been provided. No dividend was paid in 2011 (2010 nil). US$15,815,000 has been credited to reserves (2010 US$2,744,000).

The basic earnings per share amounted to 8.96 cents (2010 1.51 cents). The attributable net asset value per share at 31 December 2011 amounted to 87 cents (2010 78 cents).

In view of the requirement to finance the purchase of the minority interests, and extend the terms of the Hebei Hua Ao joint venture, the directors do not recommend the payment of a dividend at this time.

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 2011 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 2011 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2011			At 1 January 2011		
	Ordinary shares number	Options over ordinary shares, number exercisable at		Ordinary shares number	Options over ordinary shares, number exercisable at	
		45 pence	20 pence		45 pence	20 pence
Mladen Ninkov	33,001	6,000,000	3,000,000	33,001	6,000,000	3,000,000
Dal Brynelsen	1	400,000	200,000	1	400,000	200,000
Roger Goodwin	577,830	1,200,000	600,000	577,830	1,200,000	600,000
William Mulligan	300,001	400,000	200,000	300,001	400,000	200,000

All of the Directors' interests detailed are beneficial.

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 vested 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 vested 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.

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 vested 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 vested on 31 December 2010; and

c. The last third of each holder's options vested 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.

CORPORATE GOVERNANCE

Although incorporated in Bermuda and therefore not obliged to comply with the code of best practice established by the UK Corporate Governance Code issued by the Financial Reporting Committee, 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. In particular, in view of the Company's size and limited number of directors, the Company has not formally established an audit committee, a remunerations committee and a nominations committee. However, the non executive directors informally fulfil the roles and responsiblities normally expected of such committees.

The Board of directors includes a number of non executive directors who, other than their shareholding, are considered to be independent as their shareholdings are less than 0.2% of the Company's issued share capital, and are 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

AUDITOR

Grant Thornton UK LLP have indicated their willingness to continue in office as auditor to the Company and a resolution proposing their appointment will be put to the forthcoming Annual General Meeting.

Directors' Report

Statement of directors' responsibilities in respect of the accounts

Bermudan company law and generally accepted best practice requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these accounts, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

In so far as the directors are aware:

- there is no relevant information of which the Company's auditor 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 auditor 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
28 May 2012

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

We have audited the Group financial statements of Griffin Mining Limited for the year ended 31 December 2011 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, the accounting policies and the notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied is International Financial Reporting Standards as adopted by the EU

This report is made solely to the Company's members, as a body, in accordance with Section 90 of the Bermuda Companies Amendment 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 auditor's 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 set out on page 28, 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 and express an opinion on 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 as adopted by the European Union. 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.

SCOPE OF THE AUDIT OF THE F

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(expressed in thousands US dollars)

	2011 $000	2010 $000
Profit for the year	**27,697**	8,860
Other comprehensive income		
Exchange differences on translating foreign operations	**2,417**	1,374
Other comprehensive income for the period, net of tax	**2,417**	1,374
Total comprehensive income for the period	**30,114**	10,234
Attributable to non-controlling interests	**12,691**	6,218
Attributable to equity owners of the parent	**17,423**	4,016
	30,114	10,234

Consolidated Statement of Financial Position

As at 31 December 2011
(expressed in thousands US dollars)

	Notes	2011 $000	2010 $000
ASSETS			
Non-current assets			
Property, plant and equipment	10	85,291	77,745
Intangible assets – Exploration interests	11	1,573	1,481
Investment in associated company	12	3,759	3,877
		90,623	83,103
Current assets			
Inventories	13	4,608	3,136
Other current assets	14	2,505	3,423
Cash and cash equivalents		91,089	66,450
		98,202	73,009
Total assets		188,825	156,112
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	15	1,755	1,804
Share premium		70,061	74,948
Contributing surplus		3,690	3,690
Share based payments		3,030	2,513
Other reserves		1,300	938
Foreign exchange reserve		10,041	8,480
Profit and loss reserve		63,131	47,631
Total equity attributable to equity holders of the parent		153,008	140,004
Non-controlling interests		12,523	6,218
Non-current liabilities			
Long-term provisions	18	806	768
Current liabilities			
Taxation payable		11,631	1,011
Trade and other payables	19	10,857	8,111
Total current liabilities		22,488	9,122
Total equities and liabilities		188,825	156,112
Number of shares in issue		175,501,830	180,408,496
Attributable net asset value / total equity per share	20	$0.87	$0.78

The accounts on pages 34 to 57 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

28 May 2012

Consolidated Statement of Changes in Equity

For the year ended 3

	Capital	Premium	Surplus	Based Payments	Reserves	Exchange Reserve	and Loss Reserve	ttributable to equity holders of parent	Non-controlling Interests	Total Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 31 December 2009	1,817	75,984	3,690	4,790	759	7,234	40,440	134,714	2,616	137,330
Regulatory transfer for future investment	-	-	-	-	153	-	(153)	-	-	-
Issue of share capital	3	94	-	-	-	-	-	97	-	97
Purchase of shares for cancellation	(16)	(1,130)	-	-	-	-	-	(1,146)	-	(1,146)
Cost of share based payments	-	-	-	2,323	-	-	-	2,323	-	2,323
Transfer in respect of share based payments	-	-	-	(4,600)	-	-	4,600	-	-	-
Transfers in respect of distributions	-	-	-	-	-	-	-	-	(2,616)	(2,616)
Transaction with owners	(13)	(1,036)	-	(2,277)	153	-	4,447	1,274	(2,616)	(1,342)
Profit for the year	-	-	-	-	-	-	2,744	2,744	6,116	8,860
Other comprehensive income: Exchange differences on translating foreign operations	-	-	-	-	26	1,246	-	1,272	102	1,374
Total comprehensive income for the year	-	-	-	-	26	1,246	2,744	4,016	6,218	10,234
At 31 December 2010	1,804	74,948	3,690	2,513	938	8,480	47,631	140,004	6,218	146,222
Regulatory transfer for future investment	-	-	-	-	315	-	(315)	-	-	-
Issue of share capital	1	40	-	-	-	-	-	41	-	41
Purchase of shares for cancellation	(50)	(4,927)	-	-	-	-	-	(4,977)	-	(4,977)
Cost of share based payments	-	-	-	517	-	-	-	517	-	517
Transfers in respect of distributions	-	-	-	-	-	-	-	-	(6,386)	(6,386)
Transaction with owners	(49)	(4,887)	-	517	315	-	(315)	(4,419)	(6,386)	(10,805)
Profit for the year	-	-	-	-	-	-	15,815	15,815	11,882	27,697
Other comprehensive income: Exchange differences on translating foreign operations	-	-	-	-	47	1,561	-	1,608	809	2,417
Total comprehensive income for the year	-	-	-	-	47	1,561	15,815	17,423	12,691	30,114
At 31 December 2011	**1,755**	**70,061**	**3,690**	**3,030**	**1,300**	**10,041**	**63,131**	**153,008**	**12,523**	**165,531**

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(expressed in thousands US dollars)

	Notes	2011 $000	2010 $000
Net cash flows from operating activities			
Profit before taxation		**39,953**	11,236
Share of associated company losses	**4**	**118**	109
Foreign exchange (gains)		**(2,588)**	(38)
Finance (income)	**5**	**(616)**	(350)
Finance losses	**6**	**14**	2,224
Adjustment in respect of share based payments	**16**	**517**	2,323
Depreciation, depletion and amortisation	**10**	**5,900**	2,151
(Increase) / decrease in inventories		**(1,472)**	(356)
(Increase) / decrease in other current assets		**(1,226)**	(747)
Increase / (decrease) in trade and other payables		**2,746**	3,445
Net cash inflow from operating activities		**43,346**	19,997
Taxation paid		**(1,637)**	(2,936)
Cash flows from investing activities			
Interest received	**5**	**616**	350
Payments to acquire intangible assets – exploration interests	**11**	**(19)**	(10)
Payments to acquire tangible assets – mineral interests	**10**	**(6,073)**	(10,162)
Payments to acquire tangible assets – plant and equipment	**10**	**(3,605)**	(4,285)
Payments to acquire tangible assets – office equipment	**10**	**(2)**	(36)
Payments to acquire put options		**-**	(2,239)
Net cash (outflow) from investing activities		**(9,083)**	(16,382)
Cash flows from financing activities			
Issue of ordinary share capital		**41**	

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union. The significant accounting policies adopted are detailed below:

ACCOUNTING CONVENTION

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

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

There were no International Financial Reporting Standards (“IFRSs”) or International Reporting Interpretations Committee (“IFRIC”) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that are expected to have a material impact on the Group.

(b) At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

1. IFRS 9 Financial Instruments. The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

2. Consolidation Standards A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

   i. IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation - Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

   ii. IFRS 11 Joint Arrangements (IFRS 11). IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

   iii. IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

   iv. Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28). IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

Accounting Policies

3. IFRS 13 Fair Value Measurement (IFRS 13) IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.
4. Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments) The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

As far as can be determined 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. Management have yet to assess the impact of IFRS12, which could have a significant impact in respect of non controlling interests.

Going concern

The financial statements have been prepared on a going concern basis. Having considered the Group's cash resources, banking facilities, access to the equity markets and forecasts, the directors do not expect any going concern issues to arise.

Consolidation basis

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

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

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position 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.

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 profit or loss 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 other comprehensive income 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.

Accounting Policies

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 Ð 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 both technically feasible and commercially viable reserves within each area of interest and the necessary finance in place, at which time such costs are transferred to property, plant and equipment to be amortised over the expected productive life of the asset. The Group's intangible assets are subject to periodic review at least annually by the Directors for impairment. Exploration, appraisal and development costs incurred in respect of each area of interest determined as unsuccessful are written off to the Income Statement.

Property, plant and equipment

Mine development expenditure for the initial establishment of access to mineral reserves, together with capitalised exploration, evaluation and commissioning expenditure, and costs directly attributable to bringing the mine into 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 10).

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 amortised over the current estimated economic reserve of the area of interest on a unit of production basis.

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

Impairment

A review for impairment indicators at each reporting date is undertaken. In the event of impairment indicators being identified, an impairment test is carried out to assess whether the net book value of the capitalised costs in each area of interest is covered by the discounted future cash flows from reserves within that area of interest. Any deficiency arising is provided for to the extent that, in the opinion of the Directors, it is considered to represent a permanent diminution in value of the related asset, and where arising, is dealt with in the income statement as additional depreciation.

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

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

Accounting Policies

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 reporting date. Any realised or unrealised exchange adjustments have been charged or credited to profit or loss. 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 reporting date and income statement items are translated at the average rate for the year. The exchange difference arising on the retranslation of opening net assets is recognised in other comprehensive income and accumulated in the foreign exchange reserve. All other translation differences are taken to profit or loss.

The balance of the foreign currency translation reserve relating to an operation that is disposed of is reclassified from equity to profit or loss at the time of the disposal.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Contributing surplus" is a statutory reserve for the maintenance of capital under Bermuda company law and was created on a reduction in the par value of the Company's ordinary shares on 15 March 2001.
- "Share based payments" represents equity-settled share-based 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 goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of 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 profit or loss with a corresponding credit to "Share based payments" in the statement of financial position.

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 2011 the total expense recognised in profit or loss arising from share based transactions was $2,323,000 (2010: $495,000).

Accounting Policies

Significant judgements and estimates

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

- Impairment review assumptions (note 10, 11 and 12)

  Impairments are assessed by comparison of the cash generating unit (the Caijiaying Mine) carrying amounts against the value of future discounted cash flows expected to be derived from this unit. The values of the cash flows are estimated by direct reference to the current prevailing value of the commodities extracted. Based on current production and costs, the directors have determined that the future profitability of the Group requires a market price of zinc to remain above $1,000 per tonne, with gold, silver and lead remaining at current prevailing levels.

- Provisions for mine closure costs (note 18)

  Provision for mine closure costs have been made in accordance with the rules and regulations of the Peoples' Republic of China at a rate of Rmb 0.5 per tonne of estimated resource. The expected amount of resource due to be extracted during the life of the mine is based on estimated rates of extraction which take into account the reported, measured, indicated and inferred levels of resource, the term of the joint venture and current capability of the extraction machinery currently in use.

- Share based payments (note 16). See aforementioned "Equity Settled Share Based Payments"

- Determination that investments in associates are not subsidiaries (note 12)

  Mladen Ninkov and Roger Goodwin are directors of Spitfire Oil Ltd, giving Griffin significant influence over the financial and operational decisions of Spitfire. The directors of Griffin have considered whether this influence is such that Griffin controls Spitfire and that therefore Spitfire should be fully consolidated under IAS27. The directors' judgement in this regards is that they are unable to control the business activities of Spitfire and as board meetings are held in Australia that Spitfire should be accounted for as an associate.

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 reporting 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.

Notes to the Financial Statements

1. Segmental Reporting

The Group has one operating segment, the Caijiaying zinc gold project in the Peoples Republic of China. All sales and costs of sales in 2011 and 2010 were derived from the Caijiaying zinc gold project.

	2011	2010
	$000	$000
REVENUES		
China	**79,062**	41,050
COST OF SALES		
China	**(31,918)**	(16,780)
NET OPERATING EXPENSES		
China	**(7,484)**	(6,813)
Australia	**(32)**	(14)
European Union	**(2,796)**	(4,300)
	(10,312)	(11,127)

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

	2011	2010
	$000	$000
TOTAL ASSETS		
China	**128,961**	92,979
Australia	**6,363**	6,380
European Union	**53,501**	56,753
	188,825	156,112
CAPITAL EXPENDITURE		
China	**9,678**	14,448
Australia	**-**	25
European Union	**2**	10
	9,680	14,483

2. Profit From Operations

Profit from operations is stated after charging

	2011	2010
	$000	$000
Staff costs	**(4,747)**	(4,328)
Fair values of options granted to directors and management	**(517)**	(2,323)
	No.	No.
Average number of persons employed by the Group in the year	**316**	312

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	Pension & Social Security costs	Share based payments	**Total 2011**	Fees	Salary	Pension & Social Security costs	Share based payments	Total 2010
	$000	**$000**	**$000**	**$000**	**$000**	$000	$000	$000	$000	$000
Mladen Ninkov	**99**	**-**	**-**	**310**	**409**	95	-	-	1,394	1,489
Dal Brynelsen	**77**	**-**	**-**	**21**	**98**	62	-	-	93	155
Roger Goodwin	**99**	**442**	**53**	**62**	**656**	95	409	51	278	833
William Mulligan	**77**	**-**	**-**	**21**	**98**	62	-	-	93	155
	352	**442**	**53**	**414**	**1,261**	314	409	51	1,858	2,632
Key personnel	**-**	**569**	**-**	**103**	**672**	-	789	19	465	1,273
	352	**1,011**	**53**	**517**	**1,933**	314	1,198	70	2,323	3,905

No share options were exercised by the directors in the year (2010 none).

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $1,582,000 (2010 $1,227,000), 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 2010 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

	2011	2010
	$000	$000
Share of losses of Spitfire Oil Ltd	**(118)**	(109)

Griffin has a 39.2% interest in the issued share capital of Spitfire Oil Limited.

5. FINANCE INCOME

	2011	2010
	$000	$000
Interest on bank deposits	**616**	350

6. FINANCE LOSSES

	2011	2010
	$000	$000
Losses on revaluation of zinc put options	**(14)**	(2,224)

7. OTHER INCOME

	2011	2010
	$000	$000
Scrap and other sundry sales	**49**	38

Notes to the Financial Statements

8. Income tax expense

	2011	2010
	$000	$000
Profit for the year before tax	**39,953**	11,236
Tax rate	**25%**	12.5%
Expected tax expense:	**9,988**	1,405
Adjustment for tax exempt items:		
- Income and expenses outside the PRC not subject to tax	**(54)**	722
- Share of associated company losses	**30**	14
Adjustments for timing differences:		
- Other	**105**	61
Adjustments for short term timing differences:		
- In respect of accounting differences	**273**	(22)
- Other	**(236)**	(2)
Withholding tax on intercompany charges	**2.150**	198
Taxation charge	12,256	2,376

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 25% in 2011 (12.5% in 2010) based upon the profits calculated under Chinese generally accepted accounting principles (Chinese "GAAP"). Hebei Hua' Ao has benefited from a reduced tax rate for past investment with the applicable PRC tax rate rising in 2011 to 25%.

9. 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:

	2011			2010		
	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	**15,815**	**176,499,620**	**8.96**	2,744	181,579,409	1.51
Dilutive effect of securities						
Options	**-**	**3,981,592**	**-**	-	2,648,124	-
Diluted earnings per share	**15,815**	**180,481,212**	**8.76**	2,744	184,227,533	1.49

Notes to the Financial Statements

11. Intangible assets (continued)

Intangible assets represent cost 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 profit or loss. 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 2011 no amounts had been provided or charged to the income statement in respect of the above exploration costs.

12. Investment in associated company

	2011	2010
	$000	$000
At 1 January	**3,877**	3,986
Share of losses of Spitfire Oil Limited	**(118)**	(109)
At 31 December	**3,759**	3,877

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

	Six months to 31 December 2011	Year to 30 June 2011
	Unaudited	Audited
	$000	$000
Loss before income tax	**(216)**	(260)
ASSETS		
Current assets	**7,753**	8,248
Non-current assets	**8,507**	8,225
Total assets	**16,260**	16,473
LIABILITIES		
Current and total liabilities	**(7)**	(46)
NET ASSETS	**16,253**	16,427
EQUITY		
Issued capital	**21,290**	21,341
Reserves	**234**	153
Accumulated losses	**(5,271)**	(5,067)
	16,253	16,427

Spitfire Oil Ltd reported no contingent liabilities at 31 December 2011 (30 June 2010 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

13. INVENTORIES

	2011	2010
	$000	$000
Underground ore stocks	1,051	850
Surface ore stocks	1,652	890
Spare parts and consumables	1,905	1,396
	4,608	3,136

All inventories are expected to be sold, used or consumed within one year of the reporting date.

14. OTHER CURRENT ASSETS

	2011	2010
	$000	$000
Zinc put options	-	14
Other receivables	849	2,792
Prepayments	1,656	617
	2,505	3,423

Other receivables in 2010 include advances of $2,029,000 to related parties, recoverable from future share of profits (note 25), which were recovered in 2011. During the year Rmb 3m ($465,000) was incurred in service fees with the Zhangjiakou Caijiaying Lead Zinc Mining Company, the non controlling equity holders in Hebei Hua Ao, and Rmb 44,145,000 ($6,843,000) was incurred in haulage costs with the Third Geological Brigade of the Hebei Province, who have an interest in the Zhangjiakou Caijiaying Lead Zinc Mining Company.

15. SHARE CAPITAL

	2011		2010	
	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	180,408,496	1,804	181,688,497	1,817
Issued during the year	133,334	1	299,999	3
Bought back in for cancellation	(5,040,000)	(50)	(1,580,000)	(16)
At 31 December	175,501,830	1,755	180,408,496	1,804

During 2011 5,040,000 (2010: 1,580,000) ordinary shares were bought in for cancellation from the market under a buy back programme at an average price of 62.6 UK pence ($0.975) (2010: 46.6 UK pence ($0.72))per share.

On 14 January 2011 133,334 new ordinary shares were issued on the exercise of options at 20 pence ($0.32) per share.

16. SHARE OPTIONS AND WARRANTS

	At 1 January 2011 Number	(Exercised) / (lapsed) Number	At 31 December 2011 Number
	10,000,000	-	10,000,000
	14,700,001	(266,668)	14,433,333

Notes to the Financial Statements

16. Share options and warrants (continued)

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

	2011 Number	**2011** Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at 1 January	**14,700,001**	**37.0**	15,000,000	80.0
Granted during the year	-	**-**	10,000,000	45.0
Lapsed during the year	**(133,334)**	**(20.0)**	(10,000,000)	(110.0)
Exercised in year	**(133,334)**	**(20.0)**	(299,999)	(20,0)
Outstanding at 31 December	**14,433,333**	**37.5**	14,700,001	37.00

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. These options lapsed on 28 February 2010.

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 estimated value of the options exercisable at 45p up to 28 February 2015, which vest in 3 tranches of 3,333,333 each, were 18.68p, 19.45p and 21.12p.

Inputs into the Binomial valuation model were as follows:

	Options expiring 28 February 2015	Options expiring 31 October 2013	Options expired 28 February 2010
Share price	43.25p	14.0p	105.8p
Exercise price	45.0p	20.0p	110p
Expected volatility	65%	60%	33%
Risk free yield	2.84%	3.97%	5.1%
Dividend yield	0%	4%	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 $517,000 (2010: $2,323,000) during the year ended 31 December 2011 relating to equity settled share option scheme transactions.

17. Dividends

No dividends were paid in 2011 (2010 nil)

18. Long-term provisions

PROVISIONS FOR MINE CLOSURE COSTS	**2011** **$000**	2010 $000
At 1 January	**768**	743
Transfer property plant and equipment (note 10)	**(56)**	(29)
Foreign exchange adjustments	**94**	54
At 31 December	**806**	768

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 and rehabilitation costs have been made in accordance with the laws and regulations of China at a rate of Rmb 0.5 per tonne of estimated resources.

NOTES TO THE FINANCIAL STATEMENTS

19. TRADE AND OTHER PAYABLES

	2011	2010
	$000	$000
Trade creditors	5,542	6,137
Other creditors	2,044	313
Accruals	3,271	1,661
	10,857	8,111

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

20. ATTRIBUTABLE NET ASSET VALUE / TOTAL EQUITY PER SHARE

The attributable net asset value / total equity per share has been calculated from the consolidated net assets / total equity of the Group at 31 December 2011 of $153,008,000 ($140,004,000 at 31 December 2010) divided by the number of ordinary shares in issue at 31 December 2011 of 175,501,830 (180,408,496 at 31 December 2010).

21. RISK MANAGEMENT

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

Foreign Currency Risk

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

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

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. In addition, the conversion of Renminbi into foreign currencies is restricted and subject to the rules and regulations of 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:

	2011	2010
	$000	$000
Short term bank deposits	19,535	43,038

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 2011. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2011. The sensitivity analysis is based upon the Group's sterling deposits at each reporting date.

Notes to the Financial Statements

21. Risk management (continued)

If sterling had strengthened against the US Dollar by 10% (2010: 10%) this would have had the following impact:

	2011	2010
	$000	$000
Net result for the year and on equity	**2,171**	4,782

If sterling had weakened against the US Dollar by 10% (2010 10%) this would have the following impact:

	2011	2010
	$000	$000
Net result for the year and on equity	**(1,776)**	(3,912)

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

With the Renminbi exchange rate linked to the value of the US dollar and with relatively small amounts held in Australian dollars, the effect on the net results and equity of changes in Renminbi and Australian dollar exchange rates are not expected to be significant.

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

	2011			2010		
	GBP	**Rmb**	**AusD**	GBP	Rmb	AusD
	$000	**$000**	**$000**	$000	$000	$000
Financial assets	**19,650**	**37,563**	**2,605**	43,163	10,620	2,503
Financial liabilities	**(154)**	**(22,717)**	**-**	(368)	(8,712)	(38)
Short term exposure	**19,496**	**14,846**	**2,605**	42,795	1,908	2,465

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% (2010 + 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.

	2011		2010	
	Plus 300%	**Minus 100%**	Plus 300%	Minus 100%
	$000	**$000**	$000	$000
Net result for the year	**2,177**	**(616)**	272	(90)

NOTES TO THE FINANCIAL STATEMENTS

21. RISK MANAGEMENT (CONTINUED)

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

	2011			2010		
	Floating interest rate $000	**Non interest bearing $000**	**Total $000**	Floating interest rate $000	Non interest bearing $000	Total $000
Financial Assets						
Cash at bank	**91,089**	**-**	**91,089**	66,450	-	66,450
Other receivables	**-**	**849**	**849**	-	2,792	2,792
Total Financial Assets	**91,089**	**849**	**91,938**	66,450	2,792	69,242
Trade and other payables	**-**	**(10,857)**	**(10,857)**	-	(8,111)	(8,111)
Total Financial Liabilities	**-**	**(10,857)**	**(10,857)**	-	(8,111)	(8,111)
Net Financial Assets / (Liabilities)	**91,089**	**(10,008)**	**81,081**	66,450	(5,319)	61,131

Commodity risk

The Group is exposed to the risk of changes in commodity prices and in particular that for zinc, gold and to a lesser extent silver and lead. The Group currently sells its metal concentrate production by way of open auctions in China. In 2010 the Company purchased put options at a strike price of $1,700 over 24,000 tonnes of zinc metal in concentrate. The Group has not hedged its metal production in 2011.

The following table illustrates the sensitivity of the net results for the year and equity to a reasonably possible change in the market price of zinc, gold and silver of plus 20% and minus 20% (2010 plus 20% and minus 20%), with effect from the beginning of the year. These changes are considered reasonable based upon observation of current market conditions within which the Group operates. This sensitivity analysis is based upon the Group's sales in each year.

	2011		2010	
	Plus 20% $000	**Minus 20% $000**	Plus 20% $000	Minus 20% $000
Net results for the year - zinc	**8,245**	**(8,245)**	5,327	(5,327)
Net results for the year - gold	**2,218**	**(2,218)**	1,312	(1,312)
Net results for the year - silver	**1,229**	**(1,229)**	381	(381)

Credit risk

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

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

22. 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.

23. Financial instruments

The Group does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. The Group has no borrowings other than trade creditors and funds in excess of immediate requirements are placed in US dollar, Chinese Renminbi, 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, Chinese Renminbi, 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.

24. Subsidiary companies

At 31 December 2011, 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 provided 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 have been fully provided against.

25. Related party transactions

At 31 December 2010 Hebei Hua' Ao had advanced Rmb 13,407,000 ($2,029,000) to the Zhangjiakou Caijiaying Lead Zinc Mining Company, that held a 40% interest in Hebei Hua' Ao. This loan was repaid in 2011 from distributions from the profits of Hebei Hua' Ao.

26. Commitments

At 31 December 2011 the Group had capital commitments of $350,000 (31st December 2010 $1,340,000).

27. Contingent Liabilities

As described in note 24, the joint venture contract establishing the Hebei Hua' Ao Mining Industry Company Ltd provided that 100% of the cash flows and profits generated by Hebei Hua Ao 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 Hebei Hua Ao. The registered capital (equity) of Hebei Hua Ao was provided in full by China Zinc. Although all the registered capital of Hebei Hua Ao has been provided by China Zinc, in view of the unusual nature of the joint venture contract and uncertainty as to its interpretation, provision has only been made for the non controlling interests in the profits of Hebei Hua Ao with no provision made in respect of the net assets of Hebei Hua Ao. At 31 December 2011, the net assets of Hebei Hua Ao after distributions due amounted to $16.7m. The non-controlling share of the net assets at 31 December 2011 on a termination of Hebei Hua Ao could amount to $6.7m. This liability is only triggered on the early termination of the joint venture or at the end of the joint venture term when the net assets are not expected to be significant.

28. Post Balance Sheet Events

On 9th May 2012 China Zinc Limited entered into an agreement to purchase the majority of the Zhangjiakou Caijiaying Lead Zinc Mining Company Limited's (the "ZJK Mining Company") interest in Hebei Hua Ao, for Rmb 700 million (approx $110 million) in cash. When the transaction is completed, Griffin's interest in Hebei Hua Ao will increase from 60% to 88.8% and the joint venture will operate under an extended 25 year term through to 2037. The ZJK Mining Company will retain an 11.2% interest in Hebei Hua Ao.

Griffin has since received confirmation of the registration of the amended joint venture terms with the relevant Chinese authorities and expects to complete the transaction by mid June 2012. The purchase will be financed from undistributed retained dividends in Hua Ao, committed banking facilities entered into in China since the reporting date and Griffin's existing cash resources.

Caijiaying Mine Administration Offices

Corporate Information

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