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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Chairman's Statement

I present to you, the shareholders and owners of Griffin Mining Limited ("Griffin" or the "Company"), the Annual Report and Accounts of the Company for the 2013 financial and calendar year. For those of you who have known me too long, you will know that I am a long-time, passionate, Chelsea FC supporter and, in many ways, the performance of Griffin resembles Chelsea FC's 2013/2014 season. A Champions League semi-final and a top 3 Premier League spot are admirable results but the time honoured quote comes to mind "Close, but no cigar." Similarly, a company is judged by continually improving financial results and although the Company's operations performed extraordinarily well, the new JORC resource was world class, the upgrade and mining licence approvals continued to progress and certain operating records were broken, the continuing slump in the price of the commodities mined produced a diminished financial result, albeit the Company produced its 9th year of continued profitability.

Griffin and its subsidiaries (together the "Group") recorded an operating profit of $20,293,000 in 2013, profit before tax of $14,827,000, profit after tax of $9,756,000 and profit after non-controlling interests of $8,157,000.

Impressively, record amounts of ore were mined, hauled and processed in 2013 and a record 11,468 ounces of gold in concentrate were produced, a 37.8% increase on the previous year and a record for the Caijiaying Mine.

Profitability was affected by a 15.2% increase in the cost of sales, mainly due to increased treatment charges, and decreased metal prices. In 2013, the average price per tonne of zinc metal in concentrate received by the Group fell by 5.2%, for silver by 26.3%, for lead by 12.0% and for gold by 17.7%.

One of the most significant events during 2013 was the release of the latest JORC resource estimate for the Caijiaying Mine. It confirmed a total resource of 49.4 million tonnes of ore containing 2 million tonnes of zinc, 212,000 tonnes of lead, 37.9 million ounces of silver and 825,000 ounces of gold.

The extensive and defined ore resources at the Caijiaying Mine, together with the extension of the term of the Hebei Hua Ao joint venture to 2037, provided the confidence and time to expand the current mining and processing capabilities to catch the expected upturn in the zinc price cycle and provide the maximum return to shareholders.

With this in mind, the Caijiaying Mine is now in the active construction stage of increasing the mining and processing of ore to 1.5 million tonnes per annum. Significant progress continues to be made in the application for a new mining licence at Zone II and the area between Zone II and Zone III. Although delayed due to the change in Chinese central government leadership and administrative changes ensuing from that change, the mining licence is expected to be granted by the Autumn of 2014.

In the interim, the detailed upgrade plans have been completed and the lead contractor appointed. Tenders for the large capital machinery, with long lead times to delivery, have been granted. Ground work for the upgrade has commenced with the foundation earthworks ceremony having taken place, with all appropriate Chinese government officials present, on the 8th of April 2014. All above ground, new, expanded facilities, including ball mills, floatation tanks and a new power sub-station, should be installed during the summer months ready for completion by the 31st October 2014 to enable winter work to continue indoors and underground. Development work has commenced to access the Zone II area underground from both the rehabilitation of the Fox decline and from the main Zone III decline.

The total upgrade is expected to be completed by the end of 2014. It is hoped that throughput will slowly be expanded towards the equivalent of 1.5 million tonnes of ore per annum in 2015.

Of course, Griffin, through Hebei Hua Ao, continues to be a responsible and vital member of the Caijiaying community. In addition to all the previous and ongoing community programmes, in 2013 a new initiative was begun to create a long term industry which would provide a more sustainable annual income for villagers less reliant on the seasonality of crops grown in the short summer months. Consequently, Hebei Hua Ao purchased for the Caijiaying village area, 170 cows, which were already pregnant with 47 offspring, establishing a sizeable initial herd of 217 cattle for the creation of a dairy and cattle farm. To date, the venture has been an outstanding success and it is planned to purchase another 183 cows by June next year to complete the programme and finalise a new industry for the local population.

It should not be thought, however, that the Company's only focus is the expansion of the Caijiaying Mine. Exploration continues unabated both underground and on the land holdings north, south, east and west of the current operations. Furthermore, the Company remains totally committed to searching, investigating, analysing and negotiating the acquisition of low cost, base or precious metals mining projects that have the potential to be brought into long term, economic production for a capital cost that provides a substantial and justifiable return on equity to shareholders. Such projects are rare and getting rarer. Nevertheless, a considerable number of projects and ventures have been reviewed and investigated during the past year. None as yet have been successfully consummated, mainly due to the discovery of negative findings during due diligence or an insufficient return calculated for the risk shareholders would need to accept in funding the project to production.

In terms of the Company's current operations and possible future acquisitions, the strategy being pursued is supported by the projected outlook for

Chairman's Statement continued

the world zinc price. 2014/2015 is expected to see world demand for zinc exceed supply by 400,000 tonnes, continuing for the foreseeable future. Demand is expected to expand 4.5% – 5.5% to 13.6 million tons this year whilst supply is being substantially affected by a limited number of small new mines in the planning stage and a series of very large mine closures including Glencore Xstrata's Perseverance and Brunswick mines, Vedanta's Lisheen operation and MMG's Century Zinc mine. This can only be positive for the world zinc price.

In terms of the perennial question of dividends, the Company continues to follow the advice of the Chairman and CEO of one of its largest shareholders, Larry Fink of Blackrock who, in an open letter to UK listed companies, urged firms to resist influence by shareholder short term pressures and not make short term dividends a priority over long term strategic goals but to invest in capital expenditure to boost long term growth. Needless to say, when the growth phase of the Company comes to an end, then dividends are an absolute legitimate use of excess shareholders funds.

The Company is delighted to welcome a totally new management team on site headed by our new Operations manager, Mr Maoheng Zhang, supported by CSA Global in Perth. To date, his new on-site team have met all of our expectations and everyone is excited by what lies ahead. They have our total support. Our thanks also go to all at Caijiaying staff and contractors, for their untiring efforts to make Caijiaying the world class mine it seemed destined to become.

As is normally the case, we often fail to acknowledge those who are nearest, dearest and work hardest for the Company. Bo Zhou, our Chief Representative in China, is one of the pillars this Company is built on and to fail to acknowledge his outstanding services would be simply unjust.

The Company lost the services of Bill Mulligan due to retirement this year and his advice, stature and wit will be sorely missed. Such a man could only be replaced by someone like Rupert Crowe who I have described in earlier reports as the "Champion of Caijiaying". His experience, enthusiasm and common sense is a boon for the Company.

Adam Usdan, one of our major shareholders, finally agreed to become a director this year after being our foundation shareholder and only increasing his shareholding through the long years. His loyalty has been unwavering and his appointment another coup for the Company.

Dal Brynelsen remains the vital wise mining legend on who's support I constantly call. Lastly, and as an example of the tireless and self sacrificing service one man can provide, the Company gives it gratitude to Roger Goodwin who, through extremely serious illness and gruelling therapy, continued not only to work, but attended the office at the break of dawn every day and continued to travel to Caijiaying. Such service deserves all of our sincere thanks and respect.

Lastly, and believe me when I say, most importantly, thank you to you, the shareholders and owners of the Company. Without your patience, support and long loyalty, Caijiaying would have remained an undiscovered world class orebody, buried under some Mongolian sands, next to a small village in north-western China. Instead it now has the real chance to be a significant, long term, polymetallic mine generating exceptional returns for its shareholders. And in the words of Mel Gibson's William Wallace in Braveheart, "And I go to make sure that they have it".

Mladen Ninkov
Chairman
12th May 2014


河北华澳150万吨
HUAAO 1.5 MTPA EXPANSION PROJECT

Mladen Ninkov (Chairman) at the earth turning ceremony for the plant upgrade at Caijiaying

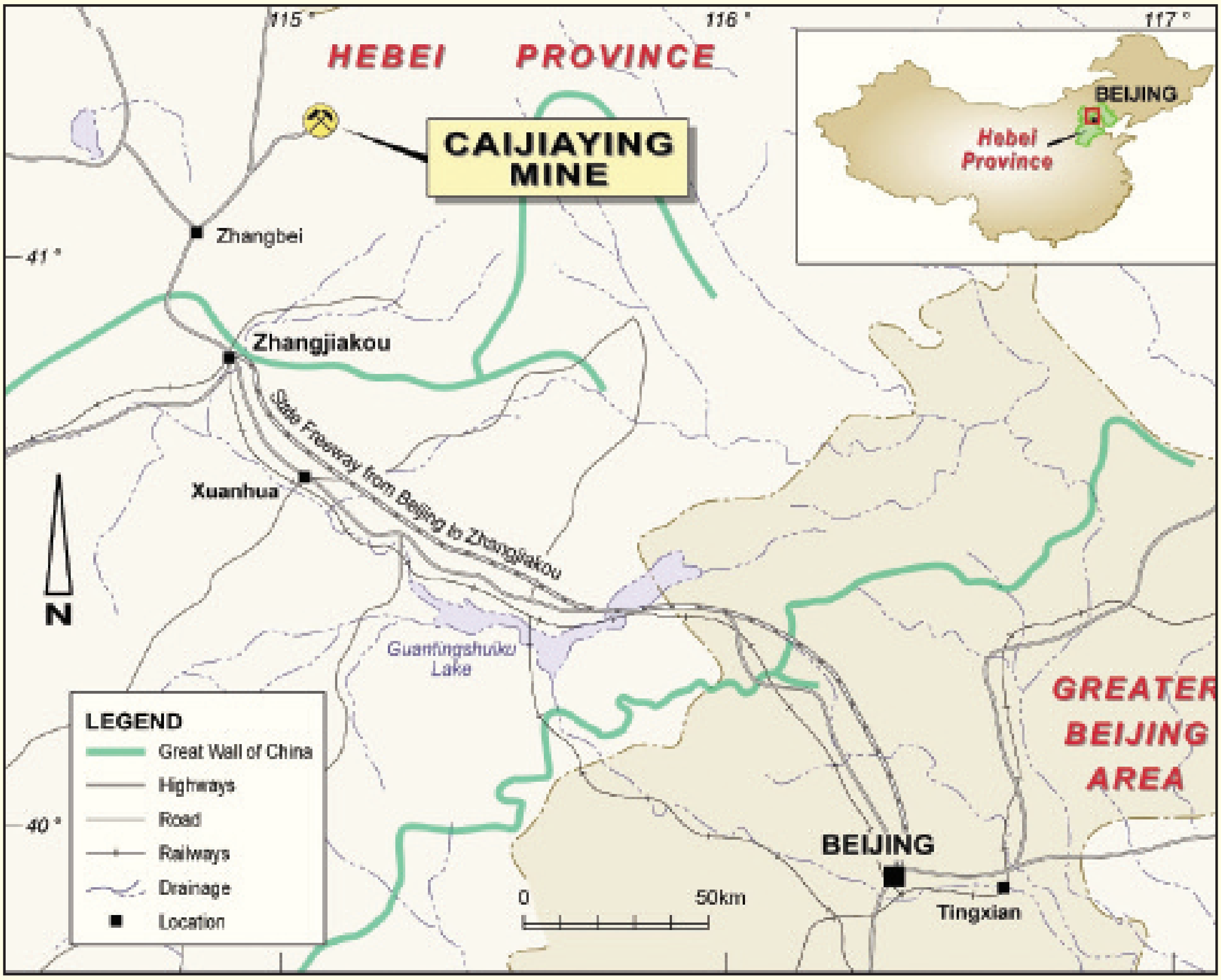
Overview

Griffin Mining Limited ('Griffin' or 'the Company') is a mining and investment company, incorporated in Bermuda, whose shares are quoted on the Alternative Investment Market of the London Stock Exchange.

The major asset of the Company is an 88.8% interest in Hebei Hua Ao Mining Industry Company Ltd ('Hebei Hua Ao'), the holder of 11.3 square kilometres of mining and exploration licences and the owner of the mine and processing facilities at Caijiaying in the Peoples Republic of China (the "Caijiaying Mine").

The Company also owns 90% of Hebei Sino Anglo Mining Development Company Limited ("Hebei Anglo"), which controls 41.5 square kilometres of exploration licences immediately surrounding the Caijiaying Mine.

The Company continues to expand and develop the Caijiaying Mine whilst aggressively analysing further potential acquisitions of mining projects, preferably in base metals, that are capable of being brought into production and satisfy historically preset economic returns to shareholders.



Caijiaying Mine Location

Caijiaying

Introduction

The Caijiaying Mine is an operating zinc, gold, silver and lead mine (together with the Camp comprising staff accommodation, recreational and mess facilities) located approximately 300 kilometres by road, north-west of Beijing in Hebei Province. The Caijiaying Mine site is easily accessible by two alternative freeway systems from Beijing and a number of secondary sealed roads. The site has significant water supplies, two independent connections to the electricity grid, full connectivity to fixed and mobile tele-communications systems 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.

Development

Hebei Hua Ao is a contractual co-operative joint venture company entity established in 1994. Initially, Griffin held 60% of Hebei Hua Ao (through a wholly owned subsidiary) with the remaining 40% held by the Zhangjiakou Guoxin Enterprise Management and Service Center (the previously named Zhangjiakou Caijiaying Lead Zinc Mining Company), the shareholders of which remain the Zhangjiakou City People's Government and the Third Geological Brigade of Hebei Province.

The initial term of Hebei Hua Ao was 25 years and was due to expire in 2019. In light of the continuing increase in the resources base and production profile of the Caijiaying Mine, the Company, through its wholly owned Hong Kong subsidiary China Zinc Limited, purchased an additional 28.8% interest in Hebei Hua Ao from the Zhangjiakou Guoxin Enterprise Management and Service Center in 2012. Griffin now holds an 88.8% equity interest in Hebei Hua Ao and the Zhangjiakou Guoxin Enterprise Management and Service Center retains an 11.2% interest. In addition, and as part of this purchase agreement, the term of the Hebei Hua Ao joint venture was extended until October 2037.

In January 2004, a second contractual joint venture company, Hebei Anglo, was formed to hold the mineral rights to the area surrounding the original Hebei Hua Ao licence area and any other areas of interest in Hebei Province. Griffin, through its wholly owned UK subsidiary, Panda Resources Limited, has a 90% interest in Hebei Anglo whilst the Zhangjiakou Guoxin Enterprise Management and Service Center holds 10%. Griffin, through Hebei Hua Ao and Hebei Anglo, has a controlling interest in mining and exploration licences over approximately 53 square kilometres at Caijiaying.

Following extensive exploration, resource delineation drilling, a number of scoping studies, feasibility study, financing and construction, Griffin successfully commissioned the Caijiaying Mine on time and within budget in 2005. The initial design production throughput rate of 200,000 tonnes of ore per annum has steadily increased since commissioning with processing rates in excess of 840,000 tonnes of ore per annum having been achieved following the upgrade of the processing facilities in 2010.

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

The Company is now in the process of increasing the mining and processing of ore at the Caijiaying Mine to 1.5 million tonnes per annum. This will include a doubling of the already expanded processing facilities, a new power sub-station, a new crushing circuit, the underground development of Zone II and an expansion of the existing mining operations at Zone III. These developments are all subject to the successful granting of a new mining licence over Zone II, which will also include the area between Zone II and Zone III. This is not expected to occur prior to the end of the third quarter of 2014. By that time, the boundary survey, feasibility study and environmental impact study should have all been completed and underground development work at both Zones II and III well under way. The total upgrade is expected to be completed by the end of 2014.

Geology

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.

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

JORC Resource

In October 2013, the latest JORC Mineral Resource Estimate for the Caijiaying Mine was produced at a zinc cutoff of 1%, the highlights of which are outlined below:

- A 215% increase in Measured Resources for the current mining area of Zone III.
- 74% of the Zone III resource was placed in the Measured & Indicated Categories.
- Zone III resource of 29.8 million tonnes @ 4.7% Zinc, 0.2% Lead, 23.4 g/t Silver & 0.7 g/t Gold.
- Total Resource of 49.4 million tonnes @ 4.1% Zinc, 0.4% Lead, 23.9 g/t Silver & 0.5 g/t Gold.
- Total contained metal of:

  * 2 million tonnes of Zinc

  * 212,000 tonnes of Lead

  * 37.9 million ounces of Silver

  * 825,000 ounces of Gold

The success of the infill and extension drilling program, along with on-going mine development, has allowed for the reinterpretation and upgrade of the Zone III Mineral Resource. A significant portion of the Mineral Resource was confirmed in the higher Measured and Indicated categories and this material will underpin mining operations for many years to come. Drilling is continuing and further drilling access is being provided by new underground mine development.

Griffin continues to work on a revised resource model for mine planning purposes. In addition, the Company has undertaken a major review of the data collection and management processes, grade control, mine planning and mine reconciliation to optimise production at Caijiaying. This work will also allow the Company to adapt its plans to take advantage of a predicted future increase in the zinc price due to pending market supply/demand issues.

The updated 2013 Mineral Resource estimate is reported at a zinc cut-off grade of 1%. No update was undertaken on the Zone II mineralisation. The revised Caijiaying Mine resources are summarised below.

Caijiaying Zone III Remaining Mineral Resources June 2013

Grade Tonnage Reported above a Cut off Grade of 1% Zn

Category	*Tonnes (Mt)*	*Zn (%)*	*Pb (%)*	*Ag (g/t)*	*Au (g/t)*	*Zn Metal (t)*	*Pb Metal (t)*	*Ag Metal (Oz)*	*Au Metal (Oz)*
Measured	14.0	5.0	0.3	26.6	0.8	701,000	42,000	11,986,000	359,000
Indicated	8.1	4.5	0.2	22.5	0.7	362,000	14,000	5,835,000	173,000
Inferred	7.7	4.2	0.2	18.5	0.5	323,000	12,000	4,560,000	129,000
Sub-Total	**29.8**	**4.7**	**0.2**	**23.4**	**0.7**	**1,386,000**	**68,000**	**22,381,000**	**661,000**

Caijiaying Zone II Remaining Mineral Resources May 2012

Grade Tonnage Reported above a Cut off Grade of 1% Zn

Category	*Tonnes (Mt)*	*Zn (%)*	*Pb (%)*	*Ag (g/t)*	*Au (g/t)*	*Zn Metal (t)*	*Pb Metal (t)*	*Ag Metal (Oz)*	*Au Metal (Oz)*
Measured	-	-	-	-	-	-	-	-	-
Indicated	4.1	3.0	0.7	24.9	0.3	123,000	27,000	3,243,000	39,000
Inferred	15.6	3.3	0.8	24.5	0.3	516,000	117,000	12,277,000	124,000
Sub-Total	**19.6**	**3.3**	**0.7**	**24.6**	**0.3**	**638,000**	**144,000**	**15,520,000**	**164,000**

Caijiaying Combined Global Remaining Mineral Resource

Grade Tonnage Reported above a Cut off Grade of 1% Zn

Category	*Tonnes (Mt)*	*Zn (%)*	*Pb (%)*	*Ag (g/t)*	*Au (g/t)*	*Zn Metal (t)*	*Pb Metal (t)*	*Ag Metal (Oz)*	*Au Metal (Oz)*
Measured	14.0	5.0	0.3	26.6	0.8	701,000	42,000	11,986,000	359,000
Indicated	12.1	4.0	0.3	23.3	0.5	485,000	41,000	9,078,000	212,000
Inferred	23.2	3.6	0.6	22.5	0.3	839,000	129,000	16,837,000	253,000
Total	**49.4**	**4.1**	**0.4**	**23.9**	**0.5**	**2,024,000**	**212,000**	**37,901,000**	**825,000**

Note: Zone II Mineral Resource includes 1.49 million tonnes at 3.09% zinc oxide material. The Caijiaying Deposit is a polymetallic (Zn, Au, Pb, Ag), multi-generational deposit hosted within deformed amphibolitic and calc-silicate gneisses and schists with minor marble. The Mineral Resource estimate is based on 2,470 underground diamond drill holes and 579 surface drill holes at Caijiaying. The underground drilling was carried out using nominal fan patterns of 20m by 20m, grading to a 40m by 40m pattern at depth. Resource wireframes were interpreted by CSA Global Pty Ltd ("CSA") in consultation with Griffin geologists. The resource outlines were based on mineralisation envelopes prepared on cross-sections using a nominal 1% Zn cut-off grade.

EXPLORATION

Hebei Hua Ao Mining & Exploration Licence Area

Drilling activity continued underground at Zone III with up to 5 rigs operating during 2013. A total of 392 holes were drilled for some 36,769 metres. Drilling was focused on increasing the Mineral Resources, both along strike and at depth. Primary targets were north, south and depth extensions of Fu Long; south and depth extensions of Qing Long; south extensions of Ju Long; north extensions to Zone II and infill in the areas of Inferred Mineral Resources which underlie Zone III.

Extension drilling of the Fu Long, Qing Long and Ju Long lodes intersected significant base metal mineralisation up to 200 metres below the lowest development level. Drilling is regularly extending below the 1000RL level, a vertical distance of 500 metres below the level of the mine portal.

Mineralisation remains open below the deepest intersections and the down-dip extension of the zones will be tested with further drilling as mining continues deeper at Zone III.

Extensional drilling targeting Qing Long South and Zone II North returned positive results with significant base metal intersections seen in both drill programs. These two areas appear to have a complex structural relationship and may represent originally a single zone of mineralisation offset by northeast-southwest faulting.

Hebei Anglo Exploration Licence area

The major exploration activity in 2013 outside the Caijiaying Mine was a diamond drilling program at the Magpie Zone, an exploration target located between Zone V and the F45 regional controlling fault.

The Magpie Zone was chosen as an exploration target after the recognition of a major underground fault, the Grasshopper Fault, in the Zone III mine. This fault has a close spatial relationship with base metal mineralisation on the western side of Zone III and Zone II. A similarly orientated fault has been recognised immediately to the west of Zone V and the area south of this is therefore considered prospective based on the analogous setting to that of Zone III and Zone II to the east.

A total of 2,978 metres were drilled in eight holes at the Magpie Zone targeting base metal and gold mineralisation of a similar style to that at Zone III. The drilling intersected high-grade zinc and lead mineralisation in structurally-controlled, high-angled, veins. Gold mineralisation was also intersected, however, the massive, replacement-style mineralisation seen in Zone III was not found. The veins are similar to the style of mineralisation seen in Zone V located immediately to the north.

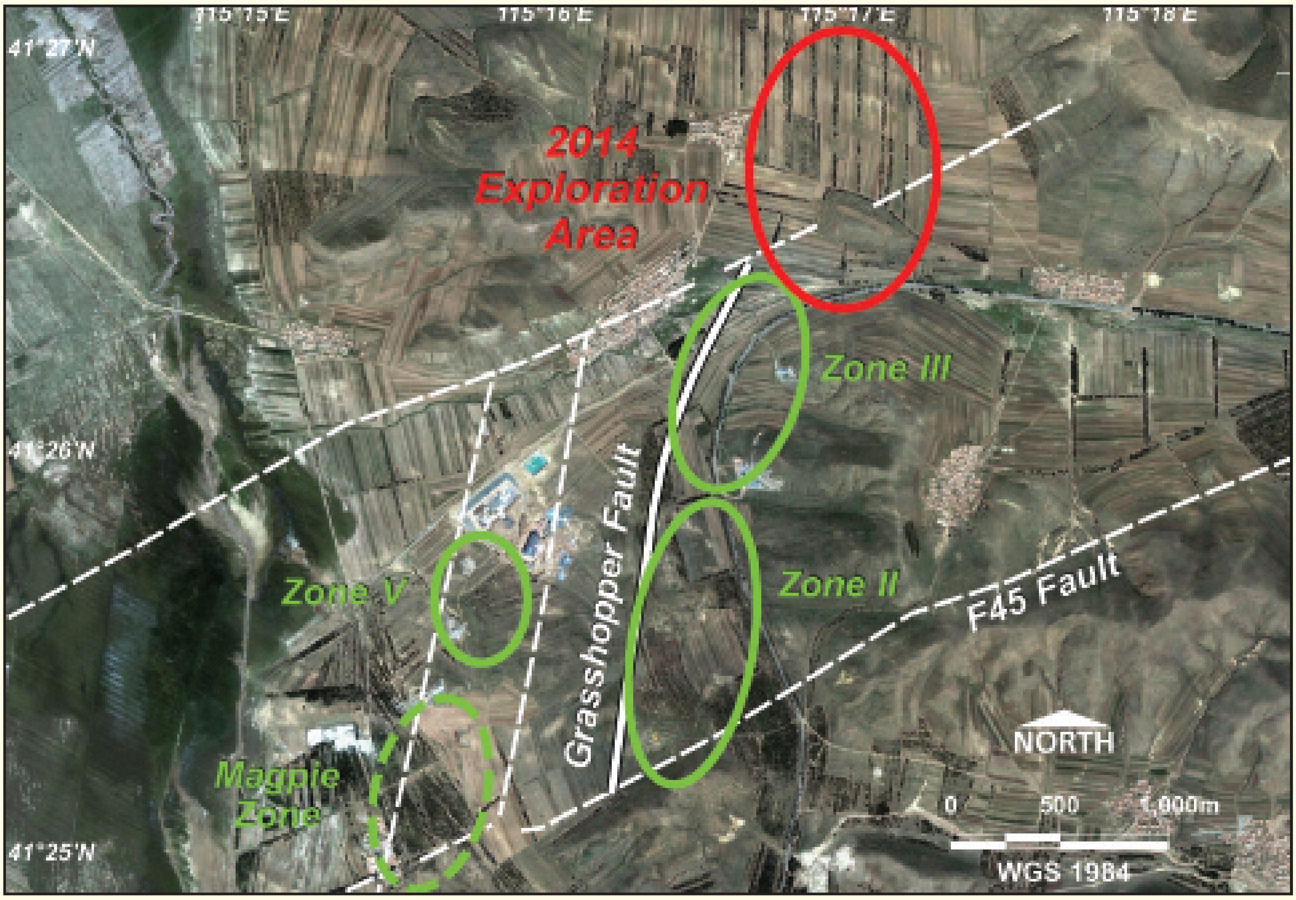
2014 Exploration

During 2014, exploration activities will focus on Zone III, Zone II, the corridor between Zone III and Zone II and regional targets within the exploration licences.

At Zone III, additional underground exploration will be completed in an attempt to continue to increase the size of the Mineral Resources. Particular attention will be paid to further definition of gold rich mineralisation which appears to be increasing with depth. Several of the zinc-gold lodes at Zone III remain open either along strike or at depth or both and these will be scheduled for further drilling.

A major underground drilling program is being planned to further define and understand the mineralisation in the Zone II - Zone III corridor. Drilling will focus both on zinc rich areas and gold rich/zinc poor areas. The underground drive providing access to this area, linking the Fox decline with the main decline, is expected to be completed in 2014 and will substantially improve ventilation and access for near-mine exploration drilling activities.

Regional exploration will concentrate on the possible northern extension of the Zone III orebody (to the north of Caijiaying Village). This area is considered very prospective as the Zone III mineralisation remains open to the north and the area has not been tested by drilling. The depth to metamorphic basement deepens to the north and additional ground geophysical surveys may be undertaken to assist with structural interpretation, targeting and to give an indication of depth of cover. If priority targets are identified and target depths are considered reasonable, exploration drilling will follow.



Caijiaying Mine Exploration Area

Operations

The processing plant has performed above the design capacity treating a record 838,431 tonnes of ore during 2013. Throughput was constrained by the safety production permit rather than mill capacity.

In order to maximise the amount of extractable ore, mining was restricted to the upper levels of the Caijiaying Mine throughout 2013. This resulted in the grade of ore processed falling to 4.9% zinc, 0.25% lead, 0.78 ounces per tonne silver whilst gold increased to 0.03 ounces per tonne. With improved recoveries 39,724 tonnes of zinc, 1,553 tonnes of lead, 323,808 ounces silver and 11,468 ounces of gold in concentrate were produced. Zinc in concentrate production was in line with 2012. Lead and silver in concentrate production was lower than in the previous year. Gold production not only exceeded 2012 production, but was a record for the Caijiaying Mine.

The metallurgical recovery of all metals exceeded that achieved in 2012. The complexity of the gold mineralogy often made recovering more than 50% of the gold in situ difficult. Metallurgical work is ongoing to increase gold recoveries with recoveries of up to 60% achieved in early 2014. Additional flotation cells have recently been installed which seem to have had a positive impact on further increasing gold recoveries.

Mining rates have continued to be increased to meet the enhanced processing capacity with more stopes opened and greater use being made of mechanised mining methods with faster rates of extraction.

During 2013, a record 877,803 tonnes of ore were mined and a record 914,919 tonnes of ore hauled, grading 4.93% zinc. By the 31st December 2013, 129,000 tonnes of ore were stockpiled at surface to be processed during the Chinese Spring Festival when mining is traditionally suspended.

Further development work was undertaken during 2013 with 317 metres of capital development drives and 467 meters of exploration drives completed. In addition, 283 metres of driving towards the Zone II area was undertaken and the main "south" and "north" declines were further extended by 117 metres. During 2013, 7,132 metres of operational and development drives were completed. This has enabled the lower levels of the mine to be accessed. Long hole stoping continues to be the predominate mining method.

Remote bogging continued to be used to remove ore left in previously mined stopes and increased the recovery of ore from stopes mined during the year.

50% of the tailings were backfilled into the mine in 2013, thereby not only reducing the amount of tailings facilities required at surface, but also improving the stability of the Caijiaying Mine. In July 2013, a Dry Tailings facility was commissioned at the Caijiaying Mine further reducing the volume of tailings going to the surface tailings facilities.

Community Investment & Partnership

Griffin, through Hebei Hua Ao, has invested heavily in the local community and instigated best practices regarding the protection of the environment. In this regard:

- Solid and liquid wastes are not disposed of into the environment;
- All production water is recycled;
- Gas emissions from boilers are treated to remove pollutants;
- Mined areas underground are back filled;
- Noise and dust from operations at the Caijiaying Mine are strictly controlled; and
- All non-recyclable wastes from supporting facilities are treated in an incinerator.

Griffin's environmental practices were rewarded twice with Hebei Hua Ao being presented with the Environmental Award at the 2010 China Mining Conference and the Mine Development Outstanding Achievement Award at the 2011 China Mining Conference.

Hebei Hua Ao has provided direct water supplies to the local villagers, constructed sealed roads to the Caijiaying Mine and nearby villages, financed the construction of a local kindergarten, an old peoples rest home and assisted on other infrastructure projects.

In 2013, Griffin, through Hebei Hua Ao, instituted a programme to create a long term industry for the Caijiaying local village, in particular, to provide a more sustainable annual income less reliant on the seasonality of crops grown in the short summer months. To that end, Hebei Hua Ao purchased 170 cows, which were already pregnant with 47 offspring, creating a sizeable initial herd of 217 cattle for the creation of a dairy and cattle farm. To date, the venture has been an outstanding success and it is planned to purchase another 183 cows by June next year to complete the programme and finalise a new industry for the local population.

Hebei Hua Ao has also assisted in the upgrade of facilities at the local township school and set up "Project Hope" to provide scholarships to local students for ongoing study at primary, secondary and tertiary levels. During 2013, Hebei Hua Ao contributed over Rmb3 million ($490,000) to the local community.

Griffin estimates that the Caijiaying Mine has provided direct and indirect employment to over 1,000 Chinese nationals and minimised the employment of expatriate personnel.

During 2013, Hebei Hua Ao paid Rmb 126.2 million ($20.7 million) in taxes, royalties, social security fees, fines and other duties to Chinese governmental authorities and agencies.

Cows donated by Hebei Hua Ao for the establishment of sustainable cattle and dairy operations at Caijiaying

Financial

Griffin Mining Limited (the 'Company') and its subsidiaries (together the 'Group') recorded;

- Operating profit of $20,293,000 in 2013 (2012: $31,174,000);
- Profit before tax of $14,827,000 in 2013 (2012: $27,239,000);
- Profit after tax of $9,756,000 in 2013 (2012: $19,707,000); and
- Profit after non-controlling interests of $8,157,000 in 2013 (2012: $14,835,000)

Record amounts of ore were mined, hauled and processed in 2013. With the upper mine levels being mined to maximise the extractable amount of ore, grades were lower resulting in lower zinc, lead and silver production in 2013. Gold grades and recoveries have improved such that record gold production was achieved in 2013.

Revenues were further impacted by lower prices for all metals. As a result revenues in 2013 fell to $71,071,000 (2012: $76,860,000).

Whilst processing costs and administration costs have been contained, mining and haulage costs have risen with increased production and further mine development. With lower revenues and increased costs, profits from operations fell to $20,293,000 in 2013 (2012: $31,174,000).

In summary, production in 2013 was as follows:

- A record 877,803 tonnes of ore were mined, compared to 789,692 tonnes in 2012, a 11.3% increase;
- A record 838,431 tonnes of ore were processed, compared to 800,288 tonnes in 2012, a 4.8% increase;
- A record 11,468 ounces of gold in concentrate were produced, compared to 8,322 ounces in 2012, a 37.8% increase;
- 39,724 tonnes of zinc metal in concentrate were produced, compared to 40,581 tonnes in 2012;
- 323,808 ounces of silver in concentrate were produced, compared to 409,596 ounces in 2012; and
- 1,553 tonnes of lead in concentrate were produced, compared to 2,402 tonnes in 2012.

In 2013, the average market price for zinc fell 2% from that in 2012. With increased treatment charges, the average price per tonne of zinc metal in concentrate received by the Group in 2013 fell by 5.2% to $1,302 (2012: $1,374). The average price received for silver declined 26.3% to $16.8 per ounce (2012: $22.8), for lead by 12.0% to $1,633 per tonne (2012: $1,855), and for gold by 17.7% to $1,233 per ounce (2012: $1,499).

Cost of sales have increased 15.2% in 2013 to $40,078,000 (2012: $34,795,000). A significant amount of this cost increase may be attributed to increased amounts of ore being mined, hauled and processed. Further cost increases resulted from mine development with lower mine levels being accessed and increased contractor rates for mining and haulage.

Group operating costs in 2013 of $10,700,000 were in line with that in 2012 of $10,891,000, despite inflationary cost increases in China.

Profits before tax declined to $14,827,000 (2012: $27,239,000) reflecting not only lower operating profits but also increased interest charges of $3,651,000 (2012: $3,414,000) arising from the new dry tailings facility at Caijiaying and the loss of $2,229,000 on the disposal of Griffin's interest in Spitfire Oil Limited at the end of 2013. The Group benefited from interest receipts of $145,000 (2012: $495,000), foreign exchange gains of $107,000 (2012: losses of $904,000) and other income of $162,000 (2012: $48,000).

Income taxes of $5,071,000 (2012: $7,532,000) were charged. This includes a deferred taxation provision of $297,000 (2012: nil).

The non controlling interests share of Hebei Hua Ao's profits of $1,599,000 (2012: $4,872,000) were provided, resulting in attributable profits to Griffin of $8,157,000 (2012: $14,835,00). The reduction in non controlling interests reflects not only a reduction in profits but also a reduction in the non controlling party's equity interest from 40% to 11.2% with effect from the 25th June 2012.

Basic earnings per share in 2013 was 4.63 cents (2012: 8.46 cents) with diluted earnings per share of 4.63 cents in (2012: 8.36 cents).

During 2013, 260,000 (2012: 50,000) ordinary shares were bought back in the market for cancellation at a cost of $119,000 (2012: $24,000).

3,900,000 ordinary shares were issued on the exercise of options by directors and management in 2013 bringing the number of Griffin shares on issue to 179,091,830.

Net cash inflow from operating activities in 2013 amounted to $27,997,000 (2012: $32,244,000). $7,347,000 was invested in 2013, (2012: $125,419,000 including $117,459,000 to purchase the Chinese non controlling interests and extend the Hebei Hua Ao joint venture term).

Attributable net assets per share at 31st December 2013 was 84 cents (2012: 79 cents).

Caijiaying Mine, Zinc concentrate stockpiles

STRATEGIC REVIEW

CAIJIAYING

The latest JORC resource estimate confirms the availability of extensive ore resources at Caijiaying for increased production over an extended period. With the extension of the term of the Hebei Hua Ao joint venture to 2037, sufficient time now exists to expand the current mining and processing capabilities at the Caijiaying Mine to provide the maximum return on capital to shareholders.

Progress continues to be made by Hebei Hua Ao in its application for a new mining licence at Zone II and the area between Zone II and Zone III together with all other associated permits to allow an expanded production profile to be instituted at the Caijiaying Mine. Detailed plans have been completed and a lead contractor appointed for the further upgrade of the processing facilities at Caijiaying to increase capacity to 1.5 million tonnes per annum. Tenders for the large capital machinery with long lead times to delivery have been granted.

Ground work for the upgrade has commenced with the foundation earthworks ceremony having taken place with all appropriate Chinese government officials present on the 8th of April 2014. All above ground upgrade facilities are expected to be completed by the 31st October 2014 to enable winter work to continue. Additional plant and equipment, including ball mill, floatation tanks and a new power sub-station will need to be installed during the summer months which will result in significant interruption to production in July and August of 2014.

Development work has commenced to access the Zone II area underground from both the rehabilitation of the Fox decline and from the main Zone III decline. This process is expected to be completed by the end of 2014 and will provide access to the zone II orebody and further resource definition drilling areas.

It is hoped that throughput will slowly be expanded towards the equivalent of 1.5 million tonnes of ore per annum in 2015.

ACQUISITIONS

The Company's strategy is to continue to further develop the Caijiaying Mine area and to further acquire low cost, base metals mining projects that have the potential to be brought into long term, economic production for a capital cost that provides a substantial and justifiable return on equity to shareholders.

Management efforts have been directed at investigating potential ventures in China, Asia, Central Asia and elsewhere where management have extensive knowledge and contacts.

A considerable number of projects and ventures have been reviewed and investigated during the past year, but none as yet have been successfully consummated due to negative findings during due diligence or an insufficient return calculated for the risk shareholders would need to accept in funding the project to production.

Zinc

Both of the above strategic directions pursued by the Company are bolstered by the current outlook for the world zinc price. In the third quarter of 2013, world demand for zinc exceeded supply. Zinc stockpiles at the London Metals Exchange (the 'LME') along with warrants held over zinc metal at the Shanghai Futures Exchange (SHFE) have fallen since June 2013. Zinc metal stockpiles and on warrant at the LME fell from 1.1Mt at the end of June to 0.8Mt in April 2014. As this trend became more evident a noticeable positive reaction has been seen in the zinc price.

Production of refined zinc in China, India, Peru and Korea has been strong in 2013 as growing momentum in the global recovery drives consumption in the world's two largest economies, China and the United States. On the supply side, a limited number of new mines and a series of mine closures (e.g. Glencore Xstrata's Perseverance and Brunswick mines, Vedanta's Lisheen operation and MMG's Century Zinc mine in Australia) are likely to result in demand outstripping supply for a substantial number of years. This bodes well for the price of zinc and the profitability of zinc producers in the future.

A number of prominent investment banks have made predictions in respect of the zinc price. Morgan Stanley stated in an 8th of April report that annual average cash prices on the LME may climb 13 percent to $2,331 in 2015 from $2,066 in 2014, more than the other five industrial metals on the LME. Barclays Plc forecast a price of $2,400 in a 26th March report. Zinc averaged $2,025 this year. Use of the metal is expected to expand 4.5% to 13.6 million tons this year, while refinery output is expected to increase 4.4% to 13.5 million tons, the Zinc Study Group said in a 2nd April report. Deutsche Bank AG sees a gap of 400,000 tons, forecasting demand growth at 5.4%, up from 4% last year. China is expected to use 7% more zinc this year, according to Barclays. The nation now accounts for 44% of the world total compared with 16% in 2000, the Zinc Study Group estimates.

Spitfire Oil Limited

At the beginning of 2013, following a strategic review of the Group's activities and future direction, the directors determined that Griffin's 39.2% interest in Spitfire Oil Limited ("Spitfire") was peripheral to the Group's activities and should be realised.

The original purchase of 16,666,667 ordinary shares in Spitfire had been an opportunistic acquisition with a view to diversifying the Group's activities. Following Spitfire's decision to suspend development of the Salmon Gums lignite deposits due to the uneconomic nature of the estimated return on capital outlayed, the Griffin directors concluded that additional value could not be realised in the near term from Griffin's investment in Spitfire.

On the 30th December 2013, Spitfire purchased Griffin's total interest in Spitfire by acquiring 16,666,667 Spitfire shares for 5 pence per share.


2014年河北
趣味运

Mladen Ninkov (Chairman) with the Caijiaying management team and major contractors

Directors

Mladen Ninkov, Chairman, Australian, aged 53, holds a Masters of Law Degree from Trinity Hall, Cambridge University and a 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 and Oil & Gas companies.

Roger Goodwin, Finance Director, British, aged 59, Finance Director, British, aged 59, 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.

Dal Brynelsen, Director, Canadian, aged 67, 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.

Rupert Crowe, Dirctor, Australian aged 64, is a graduate geologist from Trinity College Dublin. He was the founding chairman and managing director of CSA Global Pty Ltd, a mining consultancy company founded in Ireland in 1983 and now headquartered in Australia. He is a specialist in zinc-lead exploration and was involved as a principal in the discovery and development of several notable mines. He has served on the board of four public companies listed in Dublin, London, Vancouver and Australia. He is currently a non-executive director of CSA Global Pty Ltd and Spitfire Oil Ltd.

Adam Usdan, Director, (appointed 19 March 2014), USA, aged 52, is the President of Trellus Management Company LLC, an equity hedge fund based in the U.S. Mr Usdan founded Trellus Management in January 1994 and has been in the investment advisory industry for over 25 years. Mr Usdan began his investment career in 1987 at Odyssey Partners, where he was responsible for managing long/short U.S. equity (small to mid-cap) pools of capital. Mr Usdan holds an MBA from the Kellogg Graduate School of Management at Northwestern University with majors in Finance, Marketing, and Accounting, and a BA in English from Wesleyan University.

Senior Executives

Maoheng Zhang, Operations Manager Caijiaying, Australian, aged 50, has a PhD in mining engineering from the University of New South Wales. Dr Zhang has vast experience in operating numerous mining operations in Australia and Asia, including China, where he was the General Manager and Board Director of Guizhou Jinfeng Mining Limited for Sino Gold and then Eldorado Gold and Australia, where he was the mining manager of the Darlot Gold Mine for Barrick Gold of Australia. He also has extensive experience of providing mining and engineering services to a number mines.

Wendy Zhang, Chief Financial Officer Hebei Hua Ao, Australian, aged 40, holds a Master of Accounting degree from Macquarie University, a member of the Certified Practising Accountant of Australia and a qualified member of the Chinese Institute of Certified Public Accountant for 11 years. Prior to joining Griffin she spent the previous 4 years as Financial Controller for the Australian Stock Exchange listed Golden Tiger Mining's joint venture operations in China. Previously she was Chief Accountant for a Shanghai Silk Group and subsequently Ann Taylor Shanghai.

Dr Bo Zhou, General Manager China, Australian, aged 51, holds a PhD in exploration geology from Sydney University and a BSc in economic geology from Peking University. He was Managing Director of Sinovus Mining Ltd, an Australian Stock Exchange listed company with mineral interests in China. Prior to that, he was the General Manager for Guangxi Golden Tiger Mining JV, a Sino-Australian JV gold company focussed on Guangxi, China, controlled by Golden Tiger Mining NL. He has also worked as the Senior Geologist for Silk Road Resources (a Toronto Stock Exchange listed company) responsible for evaluating various gold properties in Gansu Province in central western China. Dr Zhou has considerable experience of, and has established extensive contacts in, the Chinese resources sector.

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 31st December 2013.

Financial results

The Group profit before taxation, amounted to US$14,827,000 (2012 US$27,239,000). Taxation of US$5,071,000 (2012 US$7,532,000) and non controlling interests of $1,599,000 (2012 $4,872,000) have been provided. No dividend was paid in 2013 (2012 nil). US$8,157,000 has been credited to reserves (2012 US$14,835,000).

The basic earnings per share amounted to 4.63 cents (2012 8.46 cents). The attributable net asset value per share at 31st December 2013 amounted to 84 cents (2012 79 cents).

With cash flows from operations being used to fund the development of the Zone II deposit and the upgrade of the processing facilities at Caijiaying and with any surplus cash flow directed to repaying existing Chinese banking facilities used to fund the acquisition of additional equity in, and the extension of, the joint venture in 2012, 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 31st December 2013 and the indication of likely future developments are set out on pages 10 to 25.

Directors

The Directors of the Company during the year were:

Mladen Ninkov – *Australian – Chairman*
Roger Goodwin – *British – Finance Director*
Dal Brynelsen – *Canadian*
Rupert Crowe - *Australian/ Irish* - appointed 11th September 2013
William Mulligan - *American (US)* - resigned 31st December 2013

Adam Usdan was appointed a director on 19th March 2014.

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 31st December 2013 and their immediate families in the share capital of the Company were as follows:

Name	At 31st December 2013		At 1st January 2013 or date of appointment		
	Ordinary shares number	Options over ordinary shares, number exercisable at	Ordinary shares number	Options over ordinary shares, number exercisable at	
		45 pence		45 pence	20 pence
Mladen Ninkov	33,001	6,000,000	33,001	6,000,000	3,000,000
Dal Brynelsen	215,001	400,000	1	400,000	200,000
Rupert Crowe	1	-	1	-	-
Roger Goodwin	877,830	1,200,000	577,830	1,200,000	600,000

All of the Directors' interests detailed are beneficial.

The options exercisable at 45 pence per share 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 28th February 2015. The options have all now vested.

Directors' Report

On 31st October 2013 options granted to the directors and management in October 2008 over 4,400,000 new ordinary shares in the Company at an exercise price of 20p per share were exercised. The Company was informed by persons exercising options over 500,000 of these shares that they intended to sell those ordinary shares. In order to maintain an orderly market in the Company's shares, the Company agreed to buy out the options over these shares at the difference between the exercise price and the mid market value of the Company's shares at close of business on 31st October 2013 of 34.5p.

The options were exercised by, and the new Ordinary shares issued as follows:

	Number of Options held	Number of Options Exercised	Number of Options bought out	Number of shares retained
Non Directors	3,000,000	3,000,000	-	3,000,000
Roger Goodwin (Director)	600,000	600,000	300,000	300,000
Dal Brynelsen (Director)	200,000	200,000	-	200,000
William Mulligan (Director)	200,000	200,000	-	200,000
Other management	400,000	400,000	200,000	200,000
Total	4,400,000	4,400,000	500,000	3,900,000

On 13th February 2014 a new set of options (the "new options") over 5,000,000 new ordinary shares were granted to directors and key employees of the Company in order to retain and incentivise key personnel with managerial and operating experience in non-standard jurisdictions in a tight mining employment market.

Each option will entitle the holder to subscribe for new ordinary shares in the Company at an exercise price of £0.40 per share on or before 31st December 2018. The options will not vest until 31st December 2014 with one third vesting then, followed by one third on 31st December 2015 and one third on 31st December 2016.

The options will not vest if the option holder 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; or fundamental change in the business of the Company taking place prior to the options expiring.

The options have been granted as follows:

	Options over number new ordinary shares in the Company
Directors:	
Mladen Ninkov (Chairman)	3,500,000
Roger Goodwin (Finance Director)	500,000
Other management	1,000,000
Total	5,000,000

Directors' Report

REMUNERATION POLICY

The remuneration of all executive and non-executive directors, officers and senior employees of the Group is determined by the board of directors.

The Company is committed to remunerating senior executives in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the executives' position, experience and performance, and may be satisfied via cash or equity.

Non-executive directors are remunerated at a level that is consistent with market and industry standards. The cash remuneration of non-executive directors consists only of directors' fees and no retirement benefits are payable.

The Group's remuneration policy has been based on industry practice rather than Group performance and takes into account the risk and liabilities assumed by the directors and executives as a result of their involvement in the speculative activities undertaken by the Group. Directors and executives are fairly compensated for the extensive work they undertake.

No performance based bonuses were issued during the reporting year.

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 the limited number of directors, the Company has not formally established: an audit committee; a remuneration committee; and a nominations committee. However, the non executive directors informally fulfil the roles and responsibilities 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 auditors to the Company and a resolution proposing their appointment will be put to the forthcoming Annual General Meeting.

Directors' Report

Statement of directors' responsibilities in respect of the accounts

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

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

In so far as the directors are aware:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981 as amended. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Roger Goodwin
Finance Director and Company Secretary
12th May 2014

Report of the Independent Auditor

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

We have audited the Group financial statements (the financial statements) of Griffin Mining Limited for the year ended 31st December 2013 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 related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 90(2) of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Statement of Directors' Responsibilities in respect of the accounts set out on page 33, the directors are responsible for the preparation of the Group financial statements which 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 Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's statement, financial review, JORC Resource, Strategic Review and Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion, the financial statements give a true and fair view of the state of the Group's affairs as at 31st December 2013 and of its profit for the year then ended in accordance with IFRSs as adopted by the European Union.

Grant Thornton UK LLP
Statutory Auditor
London

12th May 2014

Consolidated Income Statement

For the year ended 31st December 2013
(expressed in thousands US dollars)

	Notes	2013 $000	2012 $000
Revenue	1	**71,071**	76,860
Cost of sales	1	**(40,078)**	(34,795)
Gross profit		**30,993**	42,065
Net operating expenses	1	**(10,700)**	(10,891)
Profit from operations		**20,293**	31,174
Share of losses of associated company	4	**-**	(163)
Loss on disposal of interest in associated company	5	**(2,229)**	-
Foreign exchange gains / (losses)		**107**	(904)
Finance income	6	**145**	495
Finance costs	7	**(3,651)**	(3,411)
Other income	8	**162**	48
Profit before tax		**14,827**	27,239
Income tax expense	9	**(5,071)**	(7,532)
Profit after tax		**9,756**	19,707
Attributable to non-controlling interests		**1,599**	4,872
Attributable to equity share owners of the parent		**8,157**	14,835
		9,756	19,707
Basic earnings per share (cents)	10	**4.63**	8.46
Diluted earnings per share (cents)	10	**4.63**	8.36

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2013
(expressed in thousands US dollars)

	2013 $000	2012 $000
Profit for the year	**9,756**	19,707
Other comprehensive income that will be reclassified to profit and loss		
Exchange differences on translating foreign operations	**841**	545
Other comprehensive income for the period, net of tax	**841**	545
Total comprehensive income for the period	**10,597**	20,252
Attributable to non-controlling interests	**1,683**	4,960
Attributable to equity owners of the parent	**8,914**	15,292
	10,597	20,252

Consolidated Statement of Financial Position

As at 31st December 2013
(expressed in thousands US dollars)

	Notes	2013	2012 Restated
		$000	$000
ASSETS			
Non-current assets			
Property, plant and equipment	12	193,444	177,470
Intangible assets – Exploration interests	13	1,852	1,707
Investment in associated company	14	-	3,596
		195,296	182,773
Current assets			
Inventories	15	7,981	6,231
Receivables and other current assets	16	4,214	4,168
Cash and cash equivalents		26,278	16,764
		38,473	27,163
Total assets		233,769	209,936
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	1,791	1,755
Share premium		71,339	70,037
Contributing surplus		3,690	3,690
Share based payments		2,748	3,055
Chinese statutory re-investment reserve		1,683	1,313
Other reserves on acquisition of non controlling interests		(29,346)	(29,346)
Foreign exchange reserve		11,212	10,485
Profit and loss reserve		84,614	76,797
Total equity attributable to equity holders of the parent		147,731	137,786
Non-controlling interests		3,004	4,757
Total equity		150,735	142,543
Non-current liabilities			
Long-term provisions	20	2,591	2,535
Deferred taxation	21	1,646	1,316
Finance lease	22	12,012	-
		16,249	3,851
Current liabilities			
Taxation payable		2,878	3,840
Trade and other payables	23	14,215	12,590
Finance Lease	22	487	-
Bank loans	24	49,205	47,112
Total liabilities		66,785	63,542
Total equities and liabilities		233,769	209,936
Attributable net asset per share to equity holders of parent	25	$0.84	$0.79

The accounts on pages 35 to 60 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

12th May 2014

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(expressed in thousands US dollars)

	Share Capital	Share premium	Contributing surplus	Share based payments	Chinese re-investment reserve	Other reserve on acquisition of non-controlling interests	Foreign Exchange Reserve	Profit and loss Reserve	Total attributable to equity holders of parent	Non-Controlling interests	Total Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1st January 2011	**1,755**	**70,061**	**3,690**	**3,030**	**1,300**	**-**	**10,041**	**63,131**	**153,008**	**12,523**	**165,531**
Prior period adjustment (note 11)	-	-	-	-	-	-	-	(1,169)	(1,169)	(147)	(1,316)
At 1st January 2011 restated	**1,755**	**70,061**	**3,690**	**3,030**	**1,300**	**-**	**10,041**	**61,962**	**151,839**	**12,376**	**164,215**
Acquisition of non controlling interests	-	-	-	-	-	(29,346)	-	-	(29,346)	(18)	(29,364)
Purchase of shares for cancellation	-	(24)	-	-	-	-	-	-	(24)	-	(24)
Cost of share based payments	-	-	-	25	-	-	-	-	25	-	25
Transfers in respect of dividends	-	-	-	-	-	-	-	-	-	(12,561)	(12,561)
Transaction with owners	-	(24)	-	25	-	(29,346)	-	-	(29,345)	(12,579)	(41,924)
Profit for the year	-	-	-	-	-	-	-	14,835	14,835	4,872	19,707
Other comprehensive income: Exchange differences on translating foreign operations	-	-	-	-	13	-	444	-	457	88	545
Total comprehensive income	-	-	-	-	13	-	444	14,835	15,292	4,960	20,252
At 31st December 2012 (restated)	**1,755**	**70,037**	**3,690**	**3,055**	**1,313**	**(29,346)**	**10,485**	**76,797**	**137,786**	**4,757**	**142,543**
Regulatory transfer for future investment	-	-	-	-	340	-	-	(340)	-	-	-
Purchase of shares for cancellation	(3)	(116)	-	-	-	-	-	-	(119)	-	(119)
Issue of shares on exercise of options	39	1,228	-	-	-	-	-	-	1,267	-	1,267
Transfer on exercise of options	-	190		(190)	-	-	-	-	-	-	-
Buy out of share purchase options	-	-	-	(117)	-	-	-	-	(117)	-	(117)
Transfers in respect of dividends	-	-	-	-	-	-	-	-	-	(3,436)	(3,436)
Transaction with owners	36	1,302	-	(307)	340	-	-	(340)	1,031	(3,436)	(2,405)
Profit for the year	-	-	-	-	-	-	-	8,157	8,157	1,599	9,756
Other comprehensive income:											
Exchange differences on translating foreign operations	-	-	-	-	30	-	727	-	757	84	841
Total comprehensive income	-	-	-	-	30	-	727	8,157	8,914	1,683	10,597
At 31st December 2013	**1,791**	**71,339**	**3,690**	**2,748**	**1,683**	**(29,346)**	**11,212**	**84,614**	**147,731**	**3,004**	**150,735**

Consolidated Cash Flow Statement

For the year ended 31st December 2013
(expressed in thousands US dollars)

	Notes	2013 $000	2012 $000
Net cash flows from operating activities			
Profit before taxation		**14,827**	27,239
Share of associated company losses	4	**-**	163
Loss on disposal of interest in associated company		**2,229**	-
Foreign exchange (gains) / losses		**(107)**	904
Finance (income)	6	**(145)**	(495)
Finance costs	7	**3,651**	3,411
Adjustment in respect of share based payments	18	**-**	25
Depreciation, depletion and amortisation	12	**7,184**	6,762
(Increase) in inventories		**(1,750)**	(1,623)
Decrease / (increase) in receivables and other current assets		**563**	(1,663)
Increase / (decrease) in trade and other payables		**1,545**	(2,479)
Net cash inflow from operating activities		**27,997**	32,244
Taxation paid		**(5,692)**	(11,435)
Cash flows from investing activities			
Interest received	6	**145**	495
Payments to extend joint venture term and acquire non controlling interests	12	**-**	(117,459)
Payments to acquire – mineral interests	12	**(4,883)**	(4,206)
Payments to acquire – plant and equipment	12	**(2,499)**	(4,129)
Payments to acquire – office equipment	12	**-**	(3)
Payments to acquire intangible fixed assets - exploration interests	13	**(110)**	(117)
Net cash (outflow) from investing activities		**(7,347)**	(125,419)
Cash flows from financing activities			
Issue of ordinary share capital on exercise of options		**1,150**	-
Purchase of shares for cancellation		**(119)**	(24)
Interest paid		**(3,651)**	(3,411)
Finance Lease	22	**(354)**	-
Dividends paid to non controlling interests		**(3,436)**	(12,561)
Proceeds from bank loans		**15,508**	47,112
Repayment of bank loans		**(13,415)**	-
Net cash outflow from financing activities		**(4,317)**	31,116
Increase / (decrease) in cash and cash equivalents		**10,641**	(73,494)
Cash and cash equivalents at the beginning of the year		**16,764**	91,089
Effects of exchange rates		**(1,127)**	(831)
Cash and cash equivalents at the end of the year		**26,278**	16,764
Cash and cash equivalents comprise bank deposits			
Bank deposits		**26,278**	16,764

Included within net cash flows of $10,641,000 (2012 $73,494,000) are foreign exchange gains of $107,000 (2012 losses $904,000) which have been treated as realised.

Accounting Policies

Basis of accounting

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

International Financial Reporting Standard ("IFRS") 13 became effective on 1st January 2013. IFRS 13 Fair Value Measurement 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 does not consider that this has a significant impact on the Group.

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 1st July 2012.

There were no other 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 1st January 2013 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, however this has yet to be adopted by the European Union. 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 1st January 2014. 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.

Accounting Policies

II 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.

III 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.

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 not assessed the impact of IFRS12 which will only be on disclosure, in respect of non controlling interests.

Going concern

The financial statements have been prepared on a going concern basis. As at 31st December 2013, Hebei Hua Ao (a subsidiary of the Company) had bank loans outstanding of $49,205,000. Having previously rolled over each of the bank facilities Hebei Hua Ao expects to roll over the existing facilities for a further 12 months. Having considered the cash resources, banking facilities and forecasts for the remainder of the Hebei Hua Ao joint venture term, 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 31st 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 acquisition method. The acquisition 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. Acquisition costs are expensed as incurred.

Non controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based upon their respective ownership interests.

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.

Accounting Policies

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.

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

Revenue

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

Non current assets

Intangible assets – exploration cost

Expenditure on licences, concessions and exploration incurred on areas of interest by subsidiary undertakings are carried as intangible assets until such time as it is determined that there are 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 which are 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 12).

Residual values

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

Depreciation

On 21st May 2012 the term of Hebei Hua Ao's joint venture business licence was extended to 12th October 2037 effective from 25th June 2012. The pre existing business licence terminated in 2019. Prior to 25th June 2012 all costs capitalised (mineral interests, mill and mine equipment) within an area of interest, were amortised over the current estimated economic reserve of the area of interest on a unit of production basis.

In view of the extension of Hebei Hua Ao's business licence, thereby increasing the term of the joint venture, the economic lives of all non current tangible assets have been reassessed and depreciation rates have been revised with effect from 25th June 2012 to reflect the increased term of operations, extractable resource, and economic lives of the assets as follows:

1. Mine acquisition, development, licence, pre production and land use rights - on a unit of production
2. Plant and buildings - over 25 years on a straight line basis with a 10% residual value
3. Dry tailings facility held under finance lease- over 15 years on a straight line basis with no residual value
4. Mechanical equipment - over 10 years on a straight line basis with a 10% residual value
5. All other equipment, including vehicles - over 5 years on a straight line basis with a 10% residual value

ACCOUNTING POLICIES

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

MINE CLOSURE COSTS

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

INVENTORIES

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

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

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

FINANCIAL ASSETS

Financial assets held by the Group are loans and receivables.

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

Financial assets are reviewed by management individually and an assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income" respectively.

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

FINANCIAL LIABILITIES

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

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

Accounting Policies

Foreign currency transactions

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

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

Monetary assets and liabilities have been translated at rates in effect at the statement of financial position 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 15th 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.
- "Chinese statutory re-investment reserve" represents a statutory retained earnings reserve under PRC law for future investment by Hebei Hua-Ao.
- "Other reserves on acquisition of non controlling interests" represents the excess of the purchase price paid to acquire non controlling interest rights over the non controlling interests in subsidiary companies.
- "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 31st December 2013 the total expense recognised in profit or loss arising from share based transactions was $Nil (2012: $25,000).

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, property, plant and equipment (note 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 value 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 the market price of zinc to remain above $1,300 per tonne with gold, silver and lead prices remaining at current prevailing levels.
- Impairment review assumptions, exploration interests (note 13). Impairments are assessed by reference to exploration results carried out in an area of interest. Where such exploration indicates that there are no indications of mineralisation within the area of interest, provision is made for impairment in value.
- Provision for mine closure costs (note 20) have been made in accordance with the rules and regulations of the Peoples Republic of China at a rate of Rmb0.5 per tonne of estimated resources. 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 reported measured, indicated and inferred levels of resource, the term of the Hebei Hua Ao joint venture and current capability of the extractive machinery currently in use at the mine.
- Determination that investments in associates are not subsidiaries (note 14). Mladen Ninkov, Roger Goodwin and Rupert Crowe, who was appointed a director of Griffin on 11th September 2013, are non-executive directors of Spitfire Oil Ltd, resulting in Griffin gaining effective control of Spitfire from 11th September 2013. At the beginning of 2013 the directors of Griffin resolved to dispose of Griffin's interest in Spitfire Oil Limited and on 30th December 2013 Spitfire Oil Limited bought back Griffin's equity interest in Spitfire Oil Ltd. The results of Spitfire Oil Limited from date of effective control to date of disposal of Griffin's interest are not considered material to the Group requiring consolidation of Spitfire Oil Limited's results for the period.
- The division of the purchase consideration for the non controlling interests and the extension of the Hebei Hua Ao joint venture period (note 12) has been determined from forecast discounted future cash flows from Caijiaying assuming current metal prices, costs, extraction and processing rates.
- The determination of the value of Finance Leased Asset, and attributable Finance Lease Interest is assessed from future expected utilisation of the asset, assuming half of all tailings will be treated by the asset and the Group's inherent rate of interest on bank loans in China.

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.

Accounting Policies

Taxation

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

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

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

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

Segmental reporting

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

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

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

Leased Assets

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

See accounting policy on non-current assets and depreciation and note 12 for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Notes to the Financial Statements

1. Segmental Reporting

The Group has one business segment, the Caijiaying zinc gold mine in the People's Republic of China. All sales and costs of sales in 2013 and 2012 were derived from the Caijiaying zinc gold mine.

	2013	2012
	$000	$000
REVENUES		
China	71,071	76,860
Zinc concentrate	50,141	52,047
Lead concentrate with gold and silver credits	20,930	24,813
	71,071	76,860
COST OF SALES		
China	(40,078)	(34,795)
NET OPERATING EXPENSES		
China	(7,374)	(7,539)
Australia	(44)	(163)
European Union	(3,282)	(3,189)
	(10,700)	(10,891)

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

	2013	2012
	$000	$000
TOTAL ASSETS		
China	227,337	202,016
Australia	633	4,376
European Union	5,799	3,544
	233,769	209,936
CAPITAL EXPENDITURE		
China	7,492	96,546
European Union	-	3
	7,492	96,549
China - acquisition of non-controlling interests	-	29,365
	7,492	125,914

2. Profit From Operations

Profit from operations is stated after charging:

	2013	2012
	$000	$000
Staff costs	(3,796)	(4,929)
Fair values of options granted to directors and management	-	(25)

	No.	No.
Average number of persons employed by the Group in the year	368	367

Notes to the Financial Statements

3. Directors' and key management 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 2013	Fees	Salary	Pension & Social Security costs	Share based payments	Total 2012
	$000	**$000**	**$000**	**$000**	**$000**	$000	$000	$000	$000	$000
Mladen Ninkov *	**114**	**-**	**-**	**-**	**114**	112	-	-	15	127
Dal Brynelsen	**202**	**-**	**-**	**-**	**202**	154	-	-	1	155
Rupert Crowe**	**28**	**-**	**-**		**28**	-	-	-	-	-
Roger Goodwin	**114**	**473**	**129**	**-**	**716**	112	445	108	3	668
William Mulligan	**87**	**-**	**-**	**-**	**87**	88	-	-	1	89
	545	**473**	**129**	**-**	**1,147**	466	445	108	20	1,039
Key personnel	**-**	**1,271**	**-**	**-**	**1,271**	-	775	-	5	780
	545	**1,744**	**129**	**-**	**2,418**	466	1,220	108	25	1,819

Rupert Crowe was appointed on 11th September 2013 and William Mulligan resigned on 31st December 2013.

*Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $1,864,000 (2012 $1,692,000), for the provision of advisory and support services to Griffin Mining Limited and its subsidiaries during the year Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

**CSA Global Pty Ltd ("CSA Global") provides exploration services to the Group. Rupert Crowe is a director and shareholder of CSA Global Pty Ltd. CSA Global received fees of $153,746 in relation to services performed for the Group.

On 31st October 2013 options granted to the directors and management in October 2008 over 4,400,000 new ordinary shares in the Company at an exercise price of 20p per share were exercised.

The Company was informed by persons exercising options over 500,000 of these shares that they intended to sell those ordinary shares. In order to maintain an orderly market in the Company's shares, the Company agreed to buy out the options over these shares at the difference between the exercise price and the mid market value of the Company's shares at close of business on 31st October 2013 of 34.5p.

The Options were exercised by, and the new ordinary shares issued as follows:

	Number of Options held	Number of Options Exercised	Number of Options bought out	Number of Shares retained
Non Directors	3,000,000	3,000,000	-	3,000,000
Roger Goodwin (Director)	600,000	600,000	300,000	300,000
Dal Brynelsen (Director)	200,000	200,000	-	200,000
William Mulligan (Director)	200,000	200,000	-	200,000
Other management	400,000	400,000	200,000	200,000
Total	4,400,000	4,400,000	500,000	3,900,000

No share options were exercised by the directors in 2012

Notes to the Financial Statements

4. Share of Losses of Associated Company

	2013	2012
	$000	$000
Share of losses of Spitfire Oil Ltd	**-**	163

In January 2013 the directors of the Company determined to dispose of Griffin's 39.2% interest in the issued share capital of Spitfire Oil Limited ("Spitfire"). On 30th December 2013 Spitfire purchased Griffin's interest in 16,666,667 Spitfire shares for 5 UK pence per share.

Rupert Crowe, a director of Spitfire, was appointed a director of the Company on 11th September 2013 which, with Mladen Ninkov and Roger Goodwin both serving as directors of Griffin and Spitfire, gave Griffin effective control of Spitfire. The results of Spitfire from the date of effective control on 11th September 2013 to date of disposal on 30th December 2013 are not considered material to the Group requiring consolidation of Spitfire's results in that period. Griffin's share of the financial losses in 2013 to date of disposal were $79,000.

Summarised financial information on Spitfire Oil Limited

	Six months to 31st December 2013 Unaudited	Year to 30th June 2013 Audited
	$000	$000
Loss before income tax	**112**	277

5. Loss on Disposal of Interest in Associated Company

	2013	2012
	$000	$000
Loss on disposal of 39.2% interest in Spitfire Oil Limited	**2,229**	-

6. Finance Income

	2013	2012
	$000	$000
Interest on bank deposits	**145**	495

7. Finance Costs

	2013	2012
	$000	$000
Interest payable on short term bank loans	**3,297**	3,411
Finance lease interest	**354**	-
	3,651	3,411

8. Other income

	2013	2012
	$000	$000
Scrap and sundry other sales	**162**	48

Notes to the Financial Statements

9. Income tax expense

	2013	2012
	$000	$000
Profit for the year before tax	**14,827**	27,239
Expected tax expense at a standard rate of PRC income tax of 25% (2012 25%)	**3,707**	6,810
Adjustment for tax exempt items:		
- Income and expenses outside the PRC not subject to tax	**1,042**	(1,796)
- Share of associated company losses	**-**	41
Adjustments for temporary differences:		
- Other	**93**	256
Adjustments for short term temporary differences:		
- In respect of accounting differences	**(589)**	(109)
- Other	**167**	112
Withholding tax on intercompany dividends and charges	**354**	2,218
Current taxation expense	**4,774**	7,532
Deferred taxation expense		
Origination and reversal of temporary differences	**297**	-
	297	-
Total tax expense	**5,071**	7,532

The parent 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 2013 (25% in 2012) based upon the profits calculated under Chinese generally accepted accounting principals (Chinese "GAAP").

10. 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:

	2013			2012		
	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	**8,157**	**176,015,707**	**4.63**	14,835	175,456,077	8.46
Dilutive effect of securities						
Options	-	-	-	-	2,021,897	-
Diluted earnings per share	**8,157**	**176,015,707**	**4.63**	14,835	177,477,974	8.36

Notes to the Financial Statements

11. Prior Period Adjustment

$1,316,000 has been charged to profit and loss reserve, and deferred taxation in respect of financial periods to 31st December 2010. A third statement of financial position has not been presented as this does not impact the profits or losses for the years ended 31st December 2011 or 2012, and the impact of this is reflected in the statement of changes in equity and in note 21. The Statement of Financial Position at 31st December 2012 has been restated to reflect this. This charge relates to deferred taxation at 25% on accelerated depreciation for Chinese tax purposes during which time Hebei Hua Ao enjoyed advantageous tax rates in the PRC tax.

12. Property, plant and equipment

	Mineral interests	Mill and mobile mine equipment	Office furniture and equipment	Total
	$000	$000	$000	$000
At 1st January 2012	63,845	21,429	17	85,291
Foreign exchange adjustments	639	223	-	862
Additions during the year	4,206	4,129	3	8,338
Additions re extensions of joint venture period	88,094	-	-	88,094
Rehabilitation provision	1,647	-	-	1,647
Depreciation charge for the year	(3,817)	(2,934)	(11)	(6,762)
At 31st December 2012	154,614	22,847	9	177,470
Foreign exchange adjustments	1,494	645	-	2,139
Additions during the year	4,883	2,499	-	7,382
Additions under finance lease	-	12,879	-	12,879
Transfer rehabilitation deposit	758	-	-	758
Depreciation charge for the year	(4,397)	(2,782)	(5)	(7,184)
At 31st December 2013	157,352	36,088	4	193,444
At 31st December 2011				
Cost	72,652	29,463	86	102,201
Accumulated depreciation	(8,807)	(8,034)	(69)	(16,910)
Net carrying amount	63,845	21,429	17	85,291
At 31st December 2012				
Cost	167,405	33,910	86	201,401
Accumulated depreciation	(12,791)	(11,063)	(77)	(23,931)
Net carrying amount	154,614	22,847	9	177,470
At 31st December 2013				
Cost	174,810	50,209	86	225,105
Accumulated depreciation	(17,458)	(14,121)	(82)	(31,661)
Net carrying amount	157,352	36,088	4	193,444

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

At 31st December 2013 and 2012 there were no indications of impairment in the net book values of the capitalised cost.

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

During 2013 plant and equipment with a deemed value of $12,879,000 were acquired under a finance lease, upon which depreciation of $429,000 has been provided. At 31st December 2013 the net carrying amount of this equipment was $12,451,000.

Notes to the Financial Statements

12. Property, plant and equipment (continued)

On 25th June 2012 China Zinc Limited acquired a further 28.8% of the existing joint venture partner's interest in Hebei Hua Ao, and with effect from 21st May 2012 the term of the joint venture's business licence extended to 12th October 2037, by the outlay of $117,459,000. 75% of this amount has been attributed to the extension of the joint venture term and capitalised to non-current tangible assets and 25% attributed to buying out the minority interests and charged directly to reserves within other reserves on acquisition of non controlling interests. The allocation has been based upon estimated future discounted cash flows from the Caijiaying mine.

In view of the extension of Hebei Hua Ao's business licence, thereby increasing the term of the joint venture, the rehabilitation provision and depreciation rates have been revised with effect from 25th June 2012 to reflect the increased term of operations, extractable resource, and economic lives of the assets.

13. Intangible assets

China – Zinc / gold exploration interests	**$000**
At 1st January 2012	1,573
Foreign exchange adjustments	17
Additions during the year	117
At 31st December 2012	1,707
Foreign exchange adjustments	35
Additions during the year	110
At 31st December 2013	1,852

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 31st December 2013 no amounts had been provided or charged to the income statement in respect of the above exploration costs (2012 - nil).

14. Investment in associated company

	2013	2012
	$000	$000
At 1st January	**3,596**	3,759
Share of losses of Spitfire Oil Limited	-	(163)
Transfer on sale (note 5)	**(3,596)**	-
At 31st December	-	3,596

Griffin acquired 16,666,667 ordinary shares in Spitfire Oil Limited ("Spitfire"), representing a 39.2% interest in the issued share capital of Spitfire, at UK 15p per share for a total cash consideration of £2,500,000 ($4,542,000) on 27th November 2008.

In January 2013 the directors of the Company determined to dispose of Griffin 39.2% interest in the issued share capital of Spitfire. On 30th December 2013 Spitfire purchased Griffin's interest in 16,666,667 Spitfire shares for UK 5p per share equating to $1,367,000. See note 5.

Notes to the Financial Statements

15. Inventories

	2013	2012
	$000	$000
Underground ore stocks	**1,550**	1,546
Surface ore stocks	**4,489**	1,757
Concentrate ore stocks	**1**	926
Spare parts and consumables	**1,941**	2,002
	7,981	6,231

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

16. Receivables and Other current assets

	2013	2012
	$000	$000
Receivables	**258**	1,906
Amounts due on disposal of interest in Spitfire Oil Ltd (Note 14)	**1,367**	-
Advance to Zhangjiakou Guoxin Enterprise Management and Service Center	**1,431**	-
Other Receivables	**253**	904
Prepayments	**905**	1,358
	4,214	4,168

Sales of metals in concentrate are made by way of open auction in China to Chinese smelters and agents.

During the year Rmb2,913,000 ($472,000) (2012 Rmb3,000,000 ($527,000)) was incurred in service charges with Zhangjiakou Guoxin Enterprise Management and Service Center (formerly the Zhangjiakou Caijiaying Lead Zinc Mining Company), the non controlling equity holders in Hebei Hua Ao and Rmb53,355,000 ($8,655,000) (2012 - Rmb58,191,000 ($9,291,000)) 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.

17. Share capital

	2013		2012	
	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 1st January	**175,451,830**	**1,755**	175,501,830	1,755
Issued during the year	**3,900,000**	**39**	-	-
Bought back in for cancellation	**(260,000)**	**(3)**	(50,000)	-
At 31st December	**179,091,830**	**1,791**	175,451,830	1,755

During 2013 260,000 (2012 50,000) ordinary shares were bought in for cancellation from the market under a buy back programme at an average price of 29.5 UK pence ($0.445) (2012 average 29.5 UK pence ($0.475) per share).

On 31st October 2013 options granted to the directors and management in October 2008 over 4,400,000 new ordinary shares in the Company at an exercise price of 20p per share were exercised. The Company was informed by persons exercising options over 500,000 of these shares that they intended to sell those ordinary shares. In order to maintain an orderly market in the Company's shares, the Company agreed to buy out the options over these shares at the difference between the exercise price and the mid market value of the Company's shares at close of business on 31st October 2013 of 34.5p. As a result 3,900,000 new ordinary shares in the Company were issued on the exercise of options exercisable at 20p per share.

Notes to the Financial Statements

18. Share options and warrants

	At 1st January 2013 Number	(Exercised) / (lapsed) Number	At 31st December 2013 Number
Options exercisable at 20 pence per share to 31st October 2013	**4,333,333**	(4,433,333)	-
Options exercisable at 45 pence per share to 28th February 2015	**10,000,000**	-	10,000,000
	14,333,333	(4,433,333)	10,000,000

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

	2013 Number	**2013** Weighted average exercise price Pence	2012 Number	2012 Weighted average exercise price Pence
Outstanding at 1st January	**14,433,333**	**37.5**	14,433,333	37.5
Lapsed during the year	**(33,333)**	**(20.0)**	-	-
Exercised in year	**(4,400,000)**	**(20.0)**	-	-
Outstanding at 31st December	**10,000,000**	**45.0**	14,433,333	37.5

The estimated value of the options exercisable at 45p up to 28th 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 28th February 2015	Options expiring 31st October 2013
Share price	43.25p	14.0p
Exercise price	45.0p	20.0p
Expected volatility	65%	60%
Risk free yield	2.84%	3.97%
Dividend yield	0%	4%

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 $Nil (2012 $25,000) during the year ended 31st December relating to equity settled share option scheme transactions.

19. Dividends

No dividends were paid in 2013 (2012 nil).

20. Long-term provision

PROVISION FOR MINE CLOSURE COSTS	**2013** **$000**	2012 $000
At 1st January	**2,535**	806
Transfer property plant and equipment (note 12)	**-**	1,647
Foreign exchange adjustments	**56**	82
At 31st December	**2,591**	2,535

Notes to the Financial Statements

20. Long-term provision (continued)

During 2007 the Group paid two bonds under PRC regulations totalling $766,000 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.

On 25th June 2012 China Zinc Limited acquired a further 28.8% of the existing joint venture partner's interest in Hebei Hua Ao, and with effect from 21st May 2012 the term of the joint venture's business licence was extended to 12th October 2037. In view of the extension of Hebei Hua Ao's business licence, thereby increasing the term of the joint venture, the rehabilitation provision has been increased to reflect the increase in the amount of extractable ore over the period of the joint venture.

21. Deferred Taxation

	2013	2012
	$000	$000
At 1st January	**1,316**	-
Prior period adjustment	**-**	1,316
At 1st January restated	**1,316**	1,316
Foreign exchange adjustments	**33**	-
Charge for the year	**297**	-
At 31st December	**1,646**	1,316

Deferred taxation is provided in full on temporary differences under the liability method using a tax rate of 25%. The deferred taxation provision arises on accelerated depreciation in the PRC deductable for taxation purposes.

22. Finance Lease

	2013	2012
	$000	$000
Amounts falling due in more than one year	**12,012**	-
Amounts falling due within one year	**487**	-
	12,499	-

Under the terms of an agreement Hebei Hua Ao pays Rmb21.32 per wet tonne treated by a dry tailings facility at Caijiaying. At the end of the agreement term in February 2021, this facility becomes the property of Hebei Hua Ao with no further payment. In determining the total liability it is assumed that one half of future production over the term of the agreement will be treated by the dry tailings facility. In determining the value of the dry tailings facility and applicable interest a deemed interest rate of 6.6% has been applied. Hebei Hua Ao holds all the risks and rewards of ownership.

23. Trade and Other Payables

	2013	2012
	$000	$000
Trade creditors	**9,550**	5,672
Other creditors	**1,806**	3,613
Accruals	**2,859**	3,305
	14,215	12,590

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

Notes to the Financial Statements

24. Bank Loans

	2013	2012
	$000	$000
Bank loans falling due within one year	**49,205**	47,112

The bank loans are repayable within one year under revolving facilities. At 31st December 2012 the loan from Zhangjiakou Commercial Bank of $13,415,000 was secured on inventories held at Caijiaying. This loan was repaid during 2013. All other amounts were unsecured. The bank loans carried interest as follows:

	2013		2012	
	$000	**%**	$000	%
Zhangjiakou Commercial Bank	-		13,415	10.44
Bank of Communications	**16,402**	**6.6**	8,023	6.6
Bank of China	**32,803**	**6.6**	25,674	6.6
	49,205		47,112	

25. 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 31st December 2013 of $147,731,000 ($137,786,000 at 31st December 2012) divided by the number of ordinary shares in issue at 31st December 2013 of 179,091,830 (175,451,830 at 31st December 2012).

26. Risk management

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

Foreign Currency Risk

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

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

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

	2013	2012
	$000	$000
Short term bank deposits	**2,385**	1,722

NOTES TO THE FINANCIAL STATEMENTS

26. RISK MANAGEMENT (CONTINUED)

Foreign Currency risk (continued)

The following table illustrates the sensitivity of the net results for the year and equity in regards to the Group's sterling deposits and the sterling US Dollar exchange rate. It assumes a + / - 10% change in the sterling exchange rate for the year ended 31st December 2013. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31st December 2012. The sensitivity analysis is based upon the Group's sterling deposits at each reporting date.

If sterling had strengthened against the US Dollar by 10% (2012 10%) this would have had the following impact:

	2013	2012
	$000	$000
Net result for the year and on equity	**265**	191

If sterling had weakened against the US Dollar by 10% (2012: 10%) this would have the following impact:

	2013	2012
	$000	$000
Net result for the year and on equity	**(217)**	(157)

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:

	2013			2012		
	GBP	**Rmb**	**AusD**	GBP	Rmb	AusD
	$000	**$000**	**$000**	$000	$000	$000
Financial assets	**2,497**	**24,448**	**633**	1,697	15,232	739
Financial liabilities	**(130)**	**(78,398)**	**(5)**	(294)	(63,248)	(1)
Short term exposure	**2,367**	**(53,950)**	**628**	1,403	(48,016)	738

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans and 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% (2012 + 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.

	2013		2012	
	Plus 300%	**Minus 100%**	Plus 300%	Minus 100%
	$000	**$000**	$000	$000
Net result for the year	**968**	**(145)**	548	(183)

Notes to the Financial Statements

26. Risk management (continued)

Interest rate risk (continued)

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

	2013			2012		
	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	**26,278**	**-**	**26,278**	16,764	-	16,764
Other receivables	**-**	**3,309**	**3,309**	-	2,810	2,810
Total Financial Assets	**26,278**	**3,309**	**29,587**	16,764	2,810	19,574
Bank Loans	**(49,205)**	**-**	**(49,205)**	(47,112)	-	(47,112)
Finance Lease Liabilities	**(12,499)**	**-**	**(12,499)**	-	-	-
Trade and other payables	**-**	**(11,356)**	**(11,356)**	-	(9,285)	(9,285)
Total Financial Liabilities	**(61,704)**	**(11,356)**	**(73,060)**	(47,112)	(9,285)	(56,397)
Net Financial (Liabilities)	**(35,426)**	**(8,047)**	**(43,473)**	(30,348)	(6,475)	(36,823)

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. The Group did not hedge its metal production in 2013 or in 2012.

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% (2012 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.

	2013		2012	
	Plus 20% $000	**Minus 20% $000**	Plus 20% $000	Minus 20% $000
Net results for the year - zinc	**7,765**	**(7,765)**	8,025	(8,025)
Net results for the year - gold	**2,120**	**(2,120)**	1,871	(1,871)
Net results for the year - silver	**815**	**(815)**	1,401	(1,401)

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.

Notes to the Financial Statements

26. Risk management (continued)

Liquidity Risk

The Group is exposed to liquidity risk in the event that Hebei Hua Ao is unable to renew and roll over its banking facilities. As described in note 24 at 31st December 2013 the Group had bank loans outstanding under revolving credit facilities due within one year of $49,205,000 with an additional $17,580,000 in other payables due within one year whilst cash balances throughout the Group at that date were $26,278,000. During 2013 the Group generated $22,305,000 after tax and to date has been able to fully service its debts and meet all obligations. In January 2014 Hebei Hua Ao renewed banking facilities of $8.2m for a further year. The Group does not expect any acceleration in payment terms for other payables.

27. 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. The directors consider the capital of the Group to be the total equity attributable to the equity holders of the parent of $147,731,000 at 31st December 2013.

28. Financial instruments

The Group does not enter into derivative transactions such as interest rate swaps, forward rate agreements or forward currency contracts. 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.

The Group held the following investments in financial assets and financial liabilities:

	2013 $000	2012 $000
FINANCIAL ASSETS		
Loans and receivables	**4,214**	4,168
Cash and cash equivalents	**26,278**	16,764
	30,492	20,932
FINANCIAL LIABILITIES		
Loans	**61,704**	47,112
Trade and other payables	**14,215**	12,590
	75,919	59,702

Notes to the Financial Statements

29. Subsidiary companies

At 31st December 2013, 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*		88.8%**	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 originally provided that the foreign party (China Zinc) received 60% of the cash flows, in accordance with its share in the equity interest in the joint venture. With effect from 25th June 2012, when 28.8% of the local Chinese joint venture partner's equity interest in Hebei Hua Ao was acquired, China Zinc receives 88.8% of the cash flows and profits of Hebei Hua Ao. On 21st May 2012 the term of the joint venture's business licence extended to 12th October 2037.

30. Commitments

At 31st December 2013 the Group had capital commitments of $630,000 (31st December 2012 $333,000).

31. Contingent Liabilities

As described in note 29, the joint venture contract establishing the Hebei Hua' Ao Mining Industry Company Ltd provides that with effect from 24th July 2008, the cash flows were shared 60% by the foreign party and 40% by the Chinese party, and since 25th June 2012 88.8% by the foreign party and 11.2% 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 31st December 2013, the net assets of Hebei Hua' Ao amounted to $50m. The non-controlling share of the net assets at 31st December 2013 on a termination of Hebei Hua' Ao could amount to $2.6m. This liability is only trigged 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.

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