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).

Registered in Bermuda, number: 13667.

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Caijiaying Mine surface facilities winter 2017/2018

Chairman's Statement

It gives me unbridled pleasure, coupled with enormous privilege, to 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 2017 calendar and financial year. It would be an understatement unworthy of all the patience and loyalty shown by you in your Company to not state it has been a watershed year and a sign to the mining world of the arrival of Griffin as a force in the industry. If nothing else it demonstrates clearly and unequivocally that what almost everyone said or thought could not be done, can be done and has been done.

It is almost impossible to downplay what has been achieved in 2017. The Company achieved record revenues (up 91% from 2016), record operating profit (up 319% from 2016), record profit before tax (up 486% from 2016), record profit after tax (up 633% from 2016), record earnings per share (up 645% from 2016), record ore mined, record ore hauled, record ore processed, record zinc production (up 26% from 2016) and record gold production (up 62% from 2016). In essence, the Company broke every record it had ever previously set.

Specifically, Griffin and its subsidiaries (together the "Group") recorded revenues of $126,657,000, an operating profit of $63,773,000, profit before tax of $60,877,000, profit after tax of $43,321,000 and earnings per share of 24.6 cents.

Operationally, record ore mined amounted to 920,168 tonnes, hauled 980,849 tonnes and processed 968,080 tonnes. This led to record zinc metal in concentrate produced of 43,403 tonnes and gold metal in concentrate produced of 20,489 ounces.

The cash generated from these outstanding results enabled all bank loans to be repaid and leaves the Company debt free with $26.5 million in cash on hand at year end.

In addition, although the share price of a company can often be a very poor indicator of the true value of that entity, it is pleasing for the shareholders that from the first to the last trading day in 2017, the share price of the Company moved from 53p to 116.5p, a rise of 120%, a trend which has continued unabated into 2018.

The Caijiaying Mine continues to be modernized with a second electric-hydraulic development drill, second remote loader and a mechanized rock bolting machine delivered during the year. A new 20 tonne haulage truck was trialed recently and will join the underground haulage fleet in the near future.

At camp, the Company completed and settled a new accommodation block for an additional 90 people allowing all of Hebei Hua Ao's staff to now be housed on site and thereby obtaining all the benefits of existing sporting, social and transportation amenities. A new sewage plant was also commissioned at camp to continue with the Company's zero tolerance of any environmental discharge from operations or from staff at the Caijiaying Mine site.

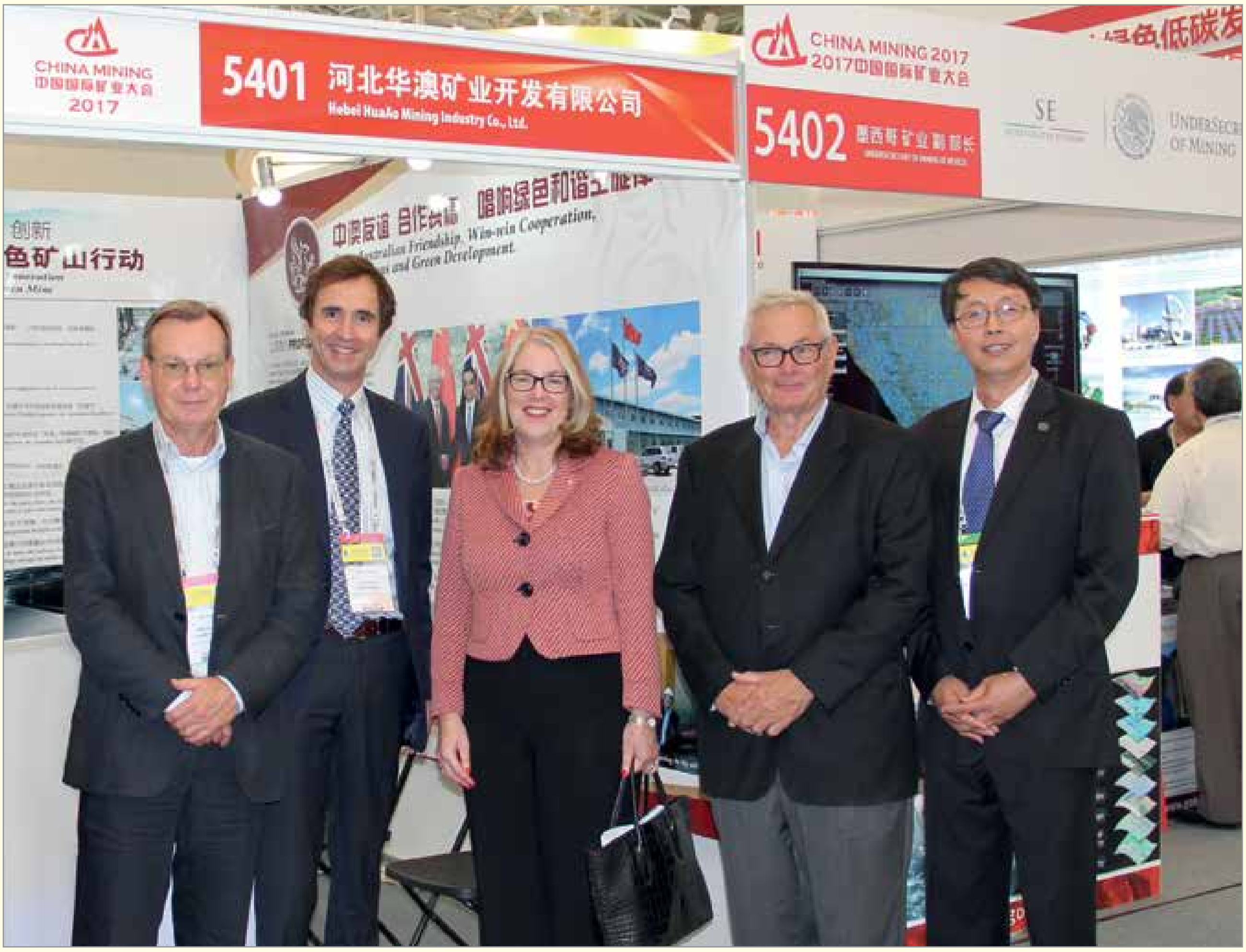
The only negative for the year, and for the past number of years, is the continuing inability to secure the new mining licence for the greater Zone II area. This is particularly frustrating considering the processing facilities have been completed to accept the doubling of ore capacity and the second portal almost completed to allow more efficient ore transportation to the mill. The economics of the Caijiaying Mine will be, yet again, significantly improved when Zone II ore can be mined and processed. I will not venture an opinion when the new mining licence will be granted, particularly in light of my previous predictions, but rest assured that every possible effort is being made to complete this process as soon as possible.

Despite all of the success outlined above, the Company refuses to rest on its laurels and continues to move on a number of fronts to increase shareholder value including rigorously exploring at its current mining operations (Zone III), adjacent to its current mining operations (Zone VIII), regionally (Sangongdi and Shitouhulun), outside Hebei Province (Inner Mongolia) and searching internationally for projects or companies that meet the predetermined rates of return that the Company has set, particularly in light of the extraordinary financial performance and life of the Caijiaying Mine.

At this stage of the Company's development, it is only just and proper to sincerely thank the multitude of people who have made the Company the success we hoped it would one day become. To the past and present directors, senior management, staff, contractors, spouses, partners and families and all others who have travelled the road less travelled and have known the trials and tribulations undertaken to make the Company what it has become today and will be in the future, thank you for your time, effort, understanding and patience.

Lastly, and most sincerely, thank you to you, the shareholders. It has been a long, difficult and time consuming journey which has now seriously begun to fulfill the promise of all those years ago. In the words of Warren Buffet, "Someone's sitting in the shade today because someone planted a tree a long time ago." I hope and expect that tree will become a forest in the near future. Please stay with us as that forest grows and flourishes.

Mladen Ninkov
Chairman
28 March 2018



Hebei Hua Ao stand at the China Mining Conference. From left to right: Roger Goodwin (Finance Director), Mladen Ninkov (Chairman), Honorable Jan Adams (Australian Ambassador to China), Daly Brynelsen (Director), Bo Zhou (Griffin Chief Representative, China).

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 ("AIM").

The major asset of the Company is an 88.8% interest in Hebei Hua Ao Mining Industry Company Limited ('Hebei Hua Ao'), which holds 6.0 square kilometres of mining and exploration licences, including the mine and processing facilities, at Caijiaying in the People's Republic of China (the "Caijiaying Mine").

The Company also holds 90% of Hebei Sino Anglo Mining Development Company Limited ("Hebei Anglo"), which holds 15.7 square kilometres of exploration licences immediately surrounding the Hebei Hua Ao Licence Area.

The Company continues to aggressively explore, expand and develop the Caijiaying Mine whilst also investigating further potential acquisitions of mining projects that are capable, through either advanced exploration or mining expertise, of being brought into production to meet historically preset, economic returns to shareholders.

Caijiaying Mine Location, Hebei Province, People's Republic of China

Caijiaying

INTRODUCTION

The Caijiaying Mine is an operating zinc, gold, silver and lead mine, together with processing plant, camp and supporting facilities, located approximately 250 kilometres by road, north-west of Beijing in Hebei Province in the People's Republic of China. The Caijiaying Mine is easily accessible by two freeways from Beijing. The site has significant water supplies, two 35 thousand volt "kv" power lines connected to the electricity grid, full connectivity to fixed and mobile tele-communications systems and broadband access for internet services. It is 63 kilometres from Chongli, the host city of the 2022 Winter Olympic Games, to which a high speed train link from Beijing is currently being constructed. Climatic conditions are not severe with warm summers and cold, dry winters, enabling the Caijiaying Mine to operate 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 ("Guoxin"), 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 "3rd Brigade").

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 subsidiary China Zinc Limited, purchased an additional 28.8% interest in Hebei Hua Ao from Guoxin in 2012. Griffin now holds an 88.8% equity interest in Hebei Hua Ao and Guoxin retains an 11.2% residual interest with a fee for services rendered, resulting in Hebei Hua Ao being in the nature of a wholly owned subsidiary of the Company with a service contract to Guoxin for accounting purposes. In addition, and as part of this purchase agreement, the term of the Hebei Hua Ao joint venture was extended to 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 Guoxin holds 10%. Griffin, through Hebei Hua Ao and Hebei Anglo, has a controlling interest in mining and exploration licences over approximately 21.7 square kilometres at Caijiaying.

The Caijiaying Mine was commissioned on time and budget in 2005 with an initial design production throughput rate of 200,000 tonnes of ore per annum. Numerous upgrades to the Caijiaying Mine and processing facilities have taken place since commissioning leading to the latest upgrade which has taken the name plate mill throughput capacity to 1.5 million tonnes of ore per annum.

Underground development continues with the expansion of the existing mining operations at Zone III down to the 1,000 RL. Access to the Zone II area to the south of Zone III has been constructed allowing for underground drilling and exploration at Zone II. The mining and development of Zone II is subject to the successful granting of a new mining licence over that area.

From left to right, Dal Brynelsen (director), Nigel Wilson (geologist), Roger Goodwin (director), Rupert Crowe (director) and Mladen Ninkov (Chairman) examining drill core at the Caijiaying Mine core shed

MINERAL RESOURCE ESTIMATE

In June 2013, a Mineral Resource Estimate for Caijiaying was reported. The continuing success of the exploration programme in conjunction with infill drilling and on-going development, is anticipated to lead to an upgrade of the Mineral Resource Estimate for the Caijiaying Mine in the foreseeable future. The 2017 Mineral Resource estimate based on the 2013 estimate at a zinc cut-off grade of 1% and, as amended for mining depletion, is summarised below:

Caijiaying Zone III Remaining Mineral Resources 31 December 2017

Grade Tonnage Reported above a Cut off Grade of 1.0% 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	12.0	4.9	0.3	26.2	0.7	586,000	36,000	10,158,000	286,000
Indicated	7.6	4.4	0.2	22.2	0.7	336,000	13,000	5,402,000	160,000
Inferred	7.6	4.2	0.2	18.5	0.5	321,000	12,000	4,529,000	128,000
Sub-Total	**27.3**	**4.6**	**0.2**	**22.9**	**0.7**	**1,244,000**	**61,000**	**20,090,000**	**574,000**

Caijiaying Zone II Remaining Mineral Resources 31 December 2017

Grade Tonnage Reported above a Cut off Grade of 1.0% 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	3,242,800	39,300
Inferred	15.6	3.3	0.8	24.5	0.3	516,000	117,000	12,276,700	124,200
Sub-Total	**19.6**	**3.3**	**0.7**	**24.6**	**0.3**	**638,000**	**144,000**	**15,519,600**	**163,500**

Caijiaying Combined Global Remaining Mineral Resources

Grade Tonnage Reported above a Cut off Grade of 1.0% 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	12.0	4.9	0.3	26.2	0.7	586,000	36,000	10,158,000	286,000
Indicated	11.6	3.9	0.3	23.1	0.5	459,000	40,000	8,645,000	199,000
Inferred	23.2	3.6	0.6	22.5	0.3	837,000	129,000	16,806,000	252,000
Total	**46.9**	**4.0**	**0.4**	**23.6**	**0.5**	**1,883,000**	**205,000**	**35,609,000**	**737,000**

Notes:

Zone II Mineral Resource includes 1.49 million tonnes at 3.09% zinc oxide material.

The Mineral Resource estimate is based on 2,470 underground diamond drill holes and 579 surface drill holes.

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 in consultation with Griffin's geologists. The resource outlines were based on mineralisation envelopes prepared on cross-sections using a nominal 1% Zn cut-off grade. The Mineral Resource has been depleted using a three-dimensional survey "As Built" wireframe which models all the mined-out voids at they stand at 31st December 2017.

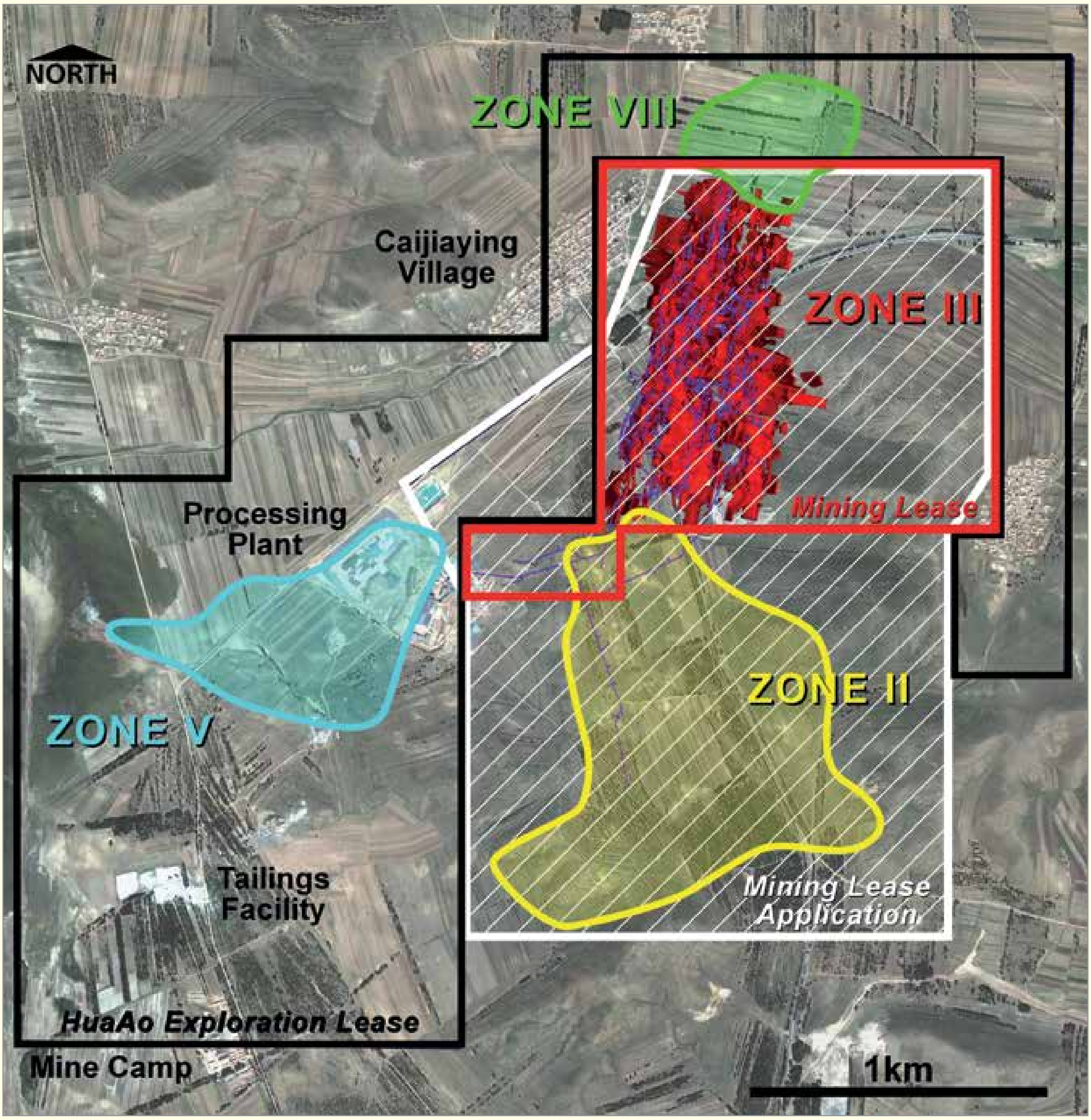
The Caijiaying Mineral Resources are based on resource modelling work completed by CSA Global Pty Ltd in 2013 and reported in accordance with JORC 2012 guidelines.

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Steve Rose, who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr. Rose is a full-time employee of CSA Global Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr. Rose consents to the inclusion of such information in this report in the form and context in which it appears.

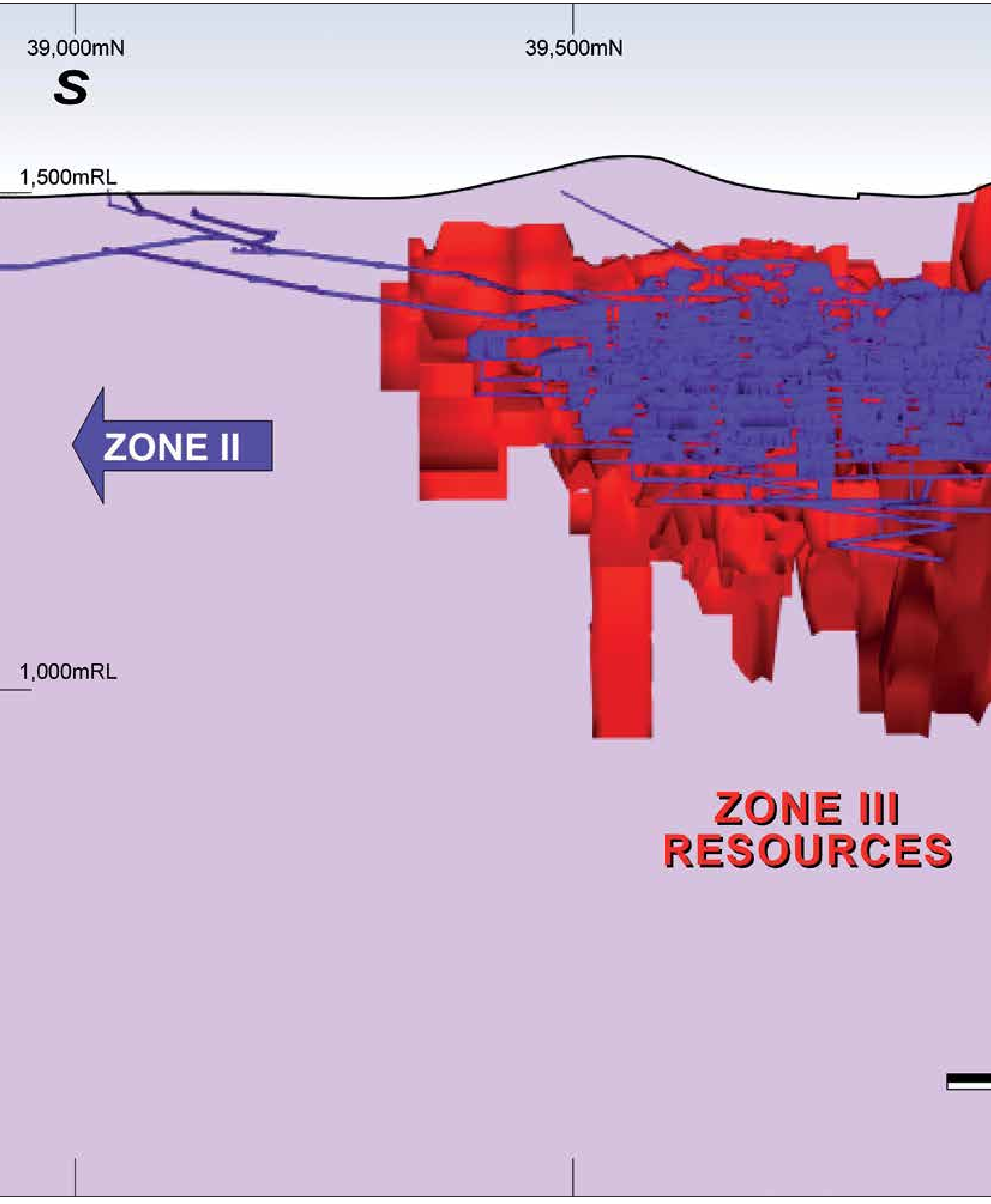
GEOLOGY

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.

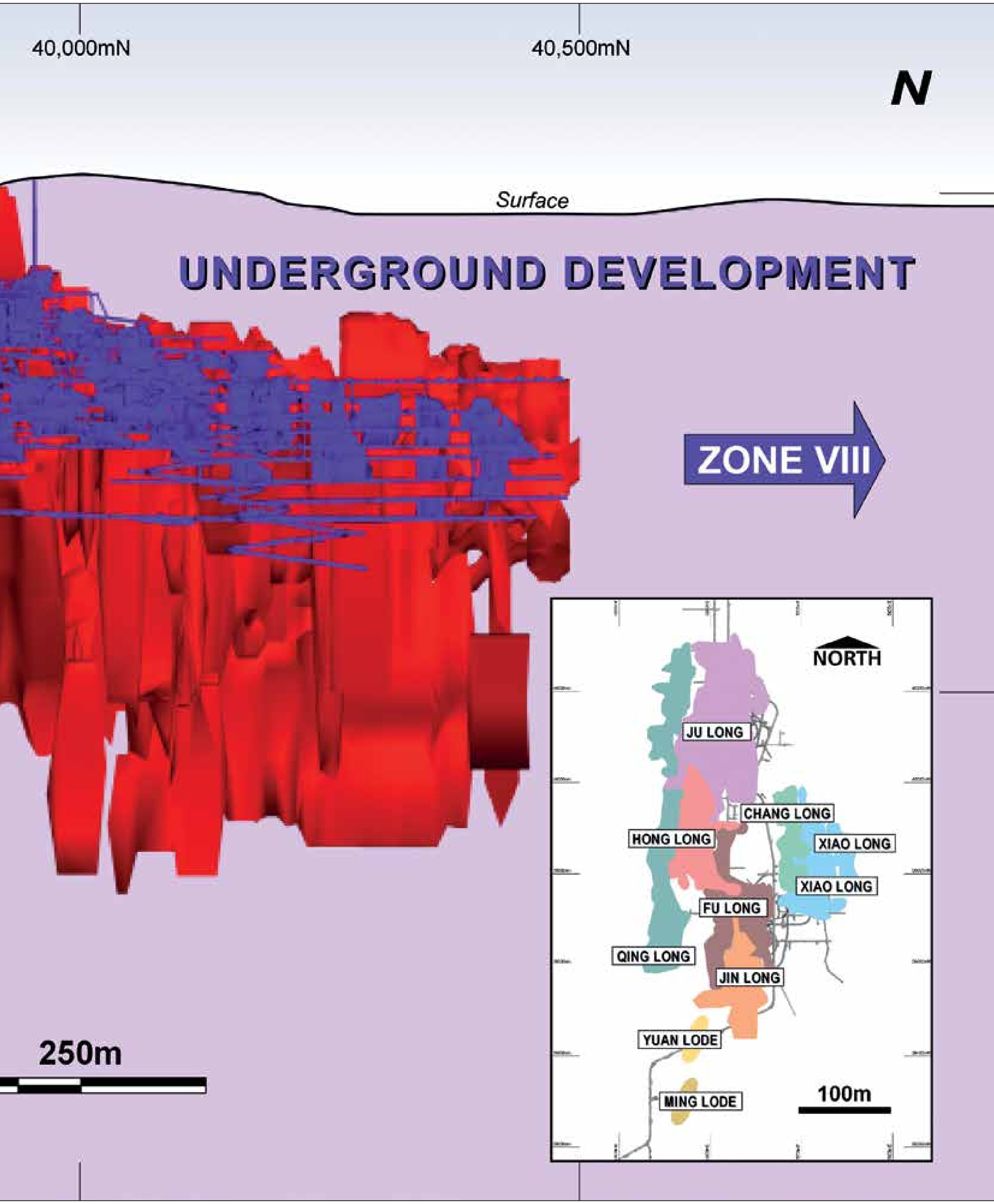
Ongoing exploration in the area surrounding the Caijiaying Mine and within Hebei Hua Ao's and Hebei Anglo's tenement boundary continues to confirm the area to be highly prospective, indicating significant potential for further base metal and gold deposits.



Plan view of Zone II, III, V and VIII and licence areas



Long section view of the Zone III Mineral Resource wireframes (red) and underground development and stoping (purple) looking west.



Plan view of Caijiaying Mine's major ore lodes in Zone III.

EXPLORATION

The exploration programme at Caijiaying in 2017 continued to expand existing areas of mineralisation providing new targets with the aim of ensuring an ongoing supply of ore. This involved prioritising targets into the following categories:

- In-mine areas between or adjacent to known orebodies;
- Near-mine targets, mainly within reach of underground drilling from existing or planned drives; and
- Regional targets both within and adjacent to existing licences.

Hebei Hua Ao Mining Area

Extensive ongoing underground diamond drilling continues to target extensions of known deposits and areas adjacent to known deposits. These near mine targets include extensions of known zinc and gold rich lodes within Zone III. In 2017, 241 underground diamond drill holes were drilled for a total of 39,782 metres, utilising three underground electric-hydraulic drill rigs. These results will be incorporated in the next resource update.

In 2017, 26 surface exploration drill holes were completed for 19,742 metres. The holes were drilled to the north of Zone III. This area, named Zone VIII, contains similar rock types and mineralisation styles already seen in Zones II and III. Two holes were also drilled from surface for geotechnical investigation of possible future ventilation shaft locations.

Significant progress was made in the application of litho-geochemical data to provide an indicator of proximity to mineralisation. Further progress was also made with improving the structural model for the deposit, leading to a better understanding of controls on higher grade mineralisation. This will lead to improved stope designs and lower dilution.

Hebei Anglo Area

Exploration in 2017 involved the drilling of two surface holes immediately to the north of the Zone VIII drilling for a total of 1,287 metres. In a similar manner to Zone VIII, the drilling intersected similar rocks and mineralisation styles to that seen in Zones II and III beneath thickening cover sequences. Results will be incorporated into various geological reports before an application is submitted to the Chinese authorities to have a portion of the Hebei Anglo exploration licence retained and upgraded to a higher level.

Shitouhulun and Sangongdi

An agreement was signed in December 2016 between Griffin's wholly owned subsidiary, China Zinc Limited, and the 3rd Brigade for co-operation in exploration at Shitouhulun (30 kilometres South West of the Caijiaying Mine) and Sangongdi (11 kilometres North West of the Caijiaying Mine) having the same geological signatures as the known orebodies at the Caijiaying Mine.

Limited field work was conducted over both these areas in 2017 whilst the necessary permits were lodged with the authorities. Once granted, it is expected that more detailed exploration of both areas will begin in the spring of 2018.

Proposed 2018 Exploration

Geochemical analysis will continue within the Caijiaying Mine to increase the understanding of the nature of the orebody. Regional exploration will continue with surface geochemical sampling and analysis to evaluate targets for further consideration and drilling. Further exploration will also be carried out in the Hebei Anglo exploration area.

OPERATIONS

The underground mine and surface processing plant operated safely and consistently setting new records in safety and production performance during 2017.

A significant improvement in safety was achieved with the year on year "Lost Time Frequency Rate" reducing from 3.5 down to 1.1 per one million hours. This improvement was also a contributor to the uplift in production performance in both the underground operations and the processing plant.

In June 2017, the development "Project Final Acceptance" was received from the various government authorities allowing the continuation of both the North and South Declines from the 1175 metre level down to the 1000 metre level. It is expected it will take 18 months to complete the necessary development down to the 1000 metre level. Work also commenced on the development of a second portal which, once completed in April 2018, will provide improved ventilation and greater flexibility for ore haulage from underground operations.

New production records for the Caijiaying Mine were established in 2017.

In summary:

- Ore mined of 920,168 tonnes (2016: 863,077 tonnes);
- Ore hauled of 980,849 tonnes (2016: 817,506 tonnes);
- Ore processed of 968,080 tonnes (2016: 874,983 tonnes);
- Zinc metal in concentrate produced of 43,403 tonnes (2016: 31,948 tonnes);
- Gold metal in concentrate produced of 20,489 ozs (2016: 12,654 ozs);
- Silver metal in concentrate produced of 394,117 ozs (2016: 310,611 ozs); and
- Lead metal in concentrate produced of 1,421 tonnes (2016: 1,439 tonnes).

Circuit improvements and de-bottlenecking in the processing plant also resulted in gold recoveries increasing from 58.2% in 2016 to 65.6% in 2017.

The programme to further modernise the mine continued throughout 2017 with a second electric-hydraulic development drill ("jumbo") on site at the end of year together with a mechanised rock bolting machine and a second remote loader equipped with tele-remotes. An order has also been placed for a twin boom electric hydraulic jumbo with delivery expected in the middle of 2018. This follows the initial purchase of a single boom jumbo and an electric hydraulic long hole production drill rig in 2016.

In addition, a new 20 tonne haulage truck was delivered to the Caijiaying Mine in March 2018. This is the first of a fleet of 20 tonne trucks expected to be delivered to replace the smaller and ageing 10 and 12 tonne fleet. This will allow more tonnes to be hauled from underground with less truck movements, more economically and with greater reliability. Underground development work was primarily focused on developing future stoping horizons between the 1245 metre and 1175 metre level. Capital development totalled 2,467 metres and operational development totalled 4,479 metres.

Long hole open stoping continues to be the predominant mining method. The resulting voids are backfilled with cemented hydraulic fill or development waste.

Significant time and capital was spent on consolidating all staff at the site camp at the Caijiaying Mine. This included the construction of a new modern accommodation block housing 90 staff. This has allowed all staff previously housed off-site in rental accommodation to be housed on site. In addition a new sewage treatment plant was constructed and commissioned in 2017 to deal with waste effluent from the site accommodation.

New mechanised rock bolter and electric-hydraulic development drill ("jumbo") at the Caijiaying Mine

COMMUNITY INVESTMENT & PARTNERSHIP

The Company, through Hebei Hua Ao, has invested heavily in the local community and continues to maintain and further implement best practices regarding the protection of the environment. This includes:

- Controls to prevent the discharge of waste into the environment;
- The completion of a sewage treatment plant at the site camp to deal with all effluent produced;
- All processed water and water from the mine being recycled;
- Boiler flue gases being treated by a dust and sulphur extraction system to prevent the emission of pollutants into the atmosphere;
- Waste rock and mill tailings being used for backfilling underground stope voids. This minimises the mine footprint by reducing the need for larger tailings and waste storages;
- Noise and dust from operations being strictly controlled;
- Commencement of rehabilitation work on Tailings Dams 1 and 2. This work included battering the waste dump slope and sheeting with soil ready for vegetation in the spring of 2018;
- The Company funding the state endorsed China "greening" project including the planting of trees by local villagers in the Caijiaying area;
- Approval from the relevant authorities to increase the capacity of the dry tailings storage facility without an increase in the footprint of the facility via modern design practices;
- A dedicated waste disposal building to store Caijiaying Mine waste prior to sorting and collection;
- Provision of coal to the local primary and secondary schools for heating during the winter; and
- Continuation of the collaboration with local brick manufactures to supply mill tailings for brick manufacturing in Zhangbei. In 2017, 32,311 cubic metres of mill tailings was provided to a Zhangbei brick manufacturer.

These environmental best practices have been recognised in the past by the Chinese Government 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.

In terms of further community interaction, Hebei Hua Ao provides a direct water supply to the local villagers, has constructed sealed roads to the Caijiaying Mine area, financed the construction of a local kindergarten, an old peoples rest home and assisted with other infrastructure projects. Hebei Hua Ao has also assisted in the upgrade of classrooms and accommodation 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. Expatriate workers from the Caijiaying Mine donate their time every week to teach English at the local township school in their off-duty hours.

Griffin, through Hebei Hua Ao, instigated 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 has to date provided the local community with 500 head of cattle and successfully created a dairy and cattle farm for the Caijiaying area.

Griffin estimates that the Caijiaying Mine currently provides direct and indirect employment to over 1,000 Chinese nationals.

During 2017, Hebei Hua Ao paid RMB 191 million ($28.4 million) in taxes, royalties, social security fees and other duties to Chinese Governmental authorities and agencies. It is recognised as the largest tax payer in the local county.

Financial

Griffin Mining Limited (the "Company") and its subsidiaries (together the "Group") recorded record revenues and profits in 2017 with;

- Revenues of $126,657,000 (2016: $66,270,000);
- Operating profit of $63,773,000 (2016: $15,201,000);
- Profit before tax of $60,877,000 (2016: $10,382,000);
- Profit after tax of $43,321,000 (2016: $5,914,000); and
- Earnings per share of 24.6 cents (2016: 3.3 cents).

Cash generated from operating activities of $77.4m enabled all bank loans to be repaid with $46m repaid in 2017 as well enabling the Group to invest $13.3m in further development of the Caijiaying Mine, exploration and equipment purchases.

Record tonnes of ore were mined, hauled and processed in 2017 with:

- Ore mined of 920,168 tonnes (2016: 863,077 tonnes);
- Ore hauled of 980,849 tonnes (2016: 817,506); and
- Ore processed of 968,080 tonnes (2016: 874,983).

With record throughput and improved grades, record amounts of zinc and gold in concentrate were produced in 2017.

- Zinc metal in concentrate produced of 43,403 tonnes (2016: 31,948 tonnes);
- Gold metal in concentrate produced of 20,489 ozs (2016: 12,654 ozs);
- Silver metal in concentrate produced of 394,117 ozs (2016: 310,611 ozs); and
- Lead metal in concentrate produced of 1,421 tonnes (2016: 1,439 tonnes).

Record turnover was achieved in 2017 with metal in concentrate sales of $132,644,000 (2016: $69,546,000) before royalties and resource taxes.

Zinc metal in concentrate prices received were significantly higher in 2017 than in 2016 up 51.6%. This reflects higher market prices and a tightening of concentrate supply in China.

In summary:

- Zinc metal in concentrate sold of 43,342 tonnes (2016: 31,864 tonnes);
- Gold in concentrate sold of 20,489 ozs (2016: 12,654 ozs);
- Silver in concentrate sold of 394,117 ozs (2016: 310,611 ozs); and
- Lead metal in concentrate sold of 1,421 tonnes (2016: 1,439 tonnes).

Cost of sales in 2017 of $44,360,000 were up on that incurred in 2016 of $37,851,000. This reflects increased tonnage mined, hauled and processed. Additional costs were incurred extracting ore from greater depth and backfilling waste material and tailings to minimise surface storage of tailings.

Administration expenses (including those of the Caijiaying Mine site) have risen from $13,218,000 in 2016 to $18,524,000 in 2017. This increase arises mainly from increased service fees to the Group's Chinese partners, Guoxin, up from $1,983,000 in 2016 to $5,900,000 in 2017, representing 11.2% of Hebei Hua Ao's profits. Administration costs outside of China in 2017 were in line with 2016. Administration costs within China have increased with higher fees and costs in dealing with stricter environmental, health and safety regulations and in applying for the mining licence over Zone II.

With the repayment of all bank loans during the year, interest costs fell from $4,286,000 in 2016 to $2,219,000 in 2017.

Foreign exchange gains of $87,000 (2016 losses $532,000) were recorded in 2017 primarily due to an increase in the value of the Renminbi.

Following the latest upgrade to the processing facilities, losses on the disposal of redundant plant and equipment of $1,067,000 were recorded in 2017 compared to $224,000 in 2016.

Income taxes of $17,556,000 (2016: $4,468,000) were charged in 2017. This includes a deferred taxation provision of $95,000 (2016: $151,000).

Basic earnings per share in 2017 was 24.63 cents (2016: 3.3 cents) and diluted earnings per share was 22.97 cents (2016: 3.26 cents).

Attributable net assets per share at 31st December 2017 was 113 cents (2016: 80 cents).

Strategic Review

In view of the significant potential of the Caijiaying Mine and surrounding areas and given the Company's knowledge and expertise in China, the directors and management have focused on the further development of Caijiaying, investigation of prospective areas near to Caijiaying and other potential projects in China.

Nevertheless, significant time continues to be spent on the evaluation of mining companies and projects worldwide to ascertain whether any successful acquisition can be made which has the possibility of matching the extraordinary returns provided by the Caijiaying Mine.

CAIJIAYING

Caijiaying's short and long term metal production capability has been augmented with the expansion of the grinding and flotation circuits, ongoing underground infrastructure development and exploration work. Exploration has been focussed on identifying geological targets and evaluating the potential for significant additional resources. Whilst the existing Mineral Resource Estimate (see page 10) confirms the availability of extensive resources at the Caijiaying Mine for increased production, further resource additions will also provide an opportunity to further increase production at the Caijiaying Mine. This will require further licences and permits from various Chinese authorities, an increasingly time-consuming process.

Currently with the 1.5 million tonne upgrade completed, every effort is being made to obtain permits to enhance production and obtain a new mining licence at Zone II. This will allow all the known resources in Zones II and III to be extracted at a higher and more economic rate. Development work underground from the main Zone III area towards Zone II has enabled further resource definition underground drilling to be undertaken.

A new haulage drive was completed during 2016 with the dual purpose of improving ventilation and removing previous bottlenecks caused by having only a single haulage decline to surface. Development work at Zone II is planned to begin as soon as the new mining licence is received. It is expected that this work will be completed in 2018 and that this will enable significant production increases from 2019 onwards.

The two declines accessing the lower sections of Zone III terminate on the 1175 metre level. These declines will be extended to the 1000 metre level during 2018 in order to access the Mineral Resource between the 1175 metres and 1000 metre horizons to provide long term mill feed.

ACQUISITIONS AND FURTHER PROJECTS

Whilst the Company continues to develop the Caijiaying Mine and explore the surrounding area, the directors and management continue to search for, and investigate the potential acquisition of base metals projects that may be brought into long term, economic production for a capital cost that provides a substantial and justifiable return on equity to shareholders, particularly in a rising commodity price market.

In March 2016 an agreement was entered into between the 3rd Brigade and Hebei Hua Ao, to examine the 3rd Brigade's extensive database for existing known deposits and prospective mining areas and enter into commercial arrangements on those projects. A further agreement was entered into in December 2016 with the 3rd Brigade to specifically investigate and explore the Shitouhulun licence area (held by the 3rd Brigade) and the Sangongdi area. Both of these areas have considerable potential for mineralisation and are proximal to the Caijiaying Mine.

The company also continues to evaluate other mines and assets in China outside the Hebei Province and in particular Inner Mongolia.

Furthermore, a large number of potential projects have been analysed worldwide. None have been successfully consummated for many reasons including negative findings during due diligence, an insufficient return calculated for the risk shareholders would need to accept in funding the project to production, overall risk profile and various other deficiencies in grade, tonnes, metallurgy, depth and difficulty in mining.

From left to right directors Adam Usdan, Roger Goodwin, Mladen Ninkov (Chairman), Rupert Crowe and Dal Brynelsen at the new second portal under construction at the Caijiaying Mine

Directors

Mladen Ninkov, Chairman, Australian, aged 56, holds a Master of Law Degree from Trinity Hall, Cambridge and Bachelor of Laws (with Honours) and Bachelor of Jurisprudence Degree from the University of Western Australia. He is the principal of Keynes Capital. He has a mining, legal, fund management and investment banking background and is admitted as a barrister and solicitor of the Supreme Court of Western Australia. He was the Chairman and Managing Director of the Dragon Capital Funds management group, a director and Head of International Corporate Finance at ANZ Grindlays Bank Plc in London and a Vice President of Prudential-Bache Securities Inc. in New York. He also worked at Skadden Arps Slate Meagher & Flom in New York and Freehill Hollingdale & Page in Australia. He has been chairman and director of a number of both public and private mining and oil and gas companies.

Roger Goodwin, Finance Director, British, aged 62, 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 71, 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, Director, Australian, aged 69, 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.

Adam Usdan, Director, USA, aged 56, 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. He is the President of Trellus Management Company LLC, an equity hedge fund based in the USA. 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.

Senior Executives

Mark Hine, Chief Operating Officer, Australian, aged 59, is a mining engineer having graduated from the Western Australia School of Mines, a member of the Australian Institute of Company Directors and a member of the Australian Institute of Mining and Metallurgy. He has extensive mining experience with over 25 years of senior management roles in both surface and underground mining operations. He is a non-executive director of Ausdrill Limited and has held a number of senior positions in the mining industry including Chief Operating Officer at Focus Minerals Ltd, Chief Executive Officer at Golden West Resources Ltd, Executive General Manager Mining at Macmahon Contractors Pty Ltd, Chief Executive Officer at Queensland Industrial Minerals Ltd, Chief Executive Officer at Consolidated Rutile Ltd and General Manager Pasminco, Broken Hill / Elura Mines.

Wendy Zhang, Chief Financial Officer, Hebei Hua Ao, aged 44, holds a Master of Accounting degree from Macquarie University, a member of the Certified Practising Accountants of Australia and a qualified member of the Chinese Institute of Certified Public Accountants for 11 years. Prior to joining Griffin she spent the previous 4 years as Financial Controller for Golden Tiger Mining's joint venture operations in China. Previously she was Chief Accountant for Shanghai Silk Group and subsequently Ann Taylor Shanghai.

Dr Bo Zhou, General Manager China, Australian, aged 55, 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 ASX 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, an ASX listed company. He has also worked as the Senior Geologist for Silk Road Resources (A Toronto listed company), responsible for evaluating various gold properties in Gansu Province in central western China. Dr Zhou has considerable experience in the Chinese resources sector.

New accommodation block for Chinese personnel at the Caijiaying Mine camp site

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Griffin Mining Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2017.

Financial Results

The Group profit before taxation for 2017 amounted to US$60,877,000 (2016: US$10,382,000). Taxation of US$17,556,000 (2016: US$4,468,000) has been provided. No dividends were paid in 2017 (2016: nil). US$43,321,000 has been credited to reserves (2016: credited US$5,914,000). The basic earnings per share amounted to 24.63 cents (2016: 3.30 cents). The attributable net asset value per share at 31 December 2017 amounted to 113 cents (2016: 80 cents).

In anticipation of the need for funds for the development of Zone II at Caijiaying, the directors do not recommend the payment of a dividend at this time.

Principal Activities

The principal activity of the Group is that of mining and exploration. A review of the Group's operations for the year ended 31 December 2017 and the indication of likely future developments are set out on pages 4 to 21.

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*

Adam Usdan – *American (USA)*

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

The beneficial interests of the Directors holding office at 31 December 2017 and their immediate families in the share capital of the Company were as follows:

Name	*At 31 December 2017*			*At 1 January 2017*		
	Ordinary shares, number	*Options over ordinary shares, number exercisable at*		*Ordinary shares, number*	*Options over ordinary shares, number exercisable at*	
		30 pence	*40 pence*		*30 pence*	*40 pence*
Mladen Ninkov	33,001	-	-	33,001	-	-
Dal Brynelsen	397,001	900,000	-	382,001	900,000	-
Rupert Crowe	1	900,000	-	1	900,000	-
Roger Goodwin	877,830	1,500,000	500,000	877,830	1,500,000	500,000
Adam Usdan	30,359,556	3,500,000	-	30,584,556	3,500,000	-

All of the Directors' interests detailed are beneficial.

Directors' Report

On 13 February 2014 options (the "40 pence 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 40 pence option entitles the holder to subscribe for new ordinary shares in the Company at an exercise price of £0.40 per share on or before 31 December 2018. One third of these options vested on 31 December 2014, one third vested on 31 December 2015, and one third vested on 31 December 2016.

On 6 February 2015 the Board resolved to adopt a new share option scheme (the "30 pence options") over a total of 20,000,000 new ordinary shares in the Company in order to retain and incentivise the Company's directors and management.

Each 30 pence option entitles the holder to subscribe for new ordinary shares in the Company at an exercise price of 30 pence per new ordinary share on or before 31 December 2020. One third of these options vested immediately upon being granted, one third of these options vested on 31 December 2016, and a further third of each holder's options will vest on the granting of a new mining licence over Zone II at the Caijiaying Mine.

The 30 pence options will not vest if an employee or a director resigns or leaves the Company for cause prior to the vesting event taking place.

All the 30 pence options will vest immediately upon a takeover offer being made or a substantial change in the business of the Company or its subsidiaries or the sale of a substantial asset of the Company or by its subsidiaries, or a change in substantial control of the Company taking place prior to the options expiring.

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.

Directors' Report

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are set out below, together with details of how these are currently mitigated. Further information on how the Group manages risk is given on pages 61 to 64.

Risk	Comment	Business Impact	Mitigation
Economic Risk			
Exposure to a fall in zinc, gold and to a lesser extent silver and lead metal prices.	Revenue is dependent upon metal prices.	High	In common with other mining companies operating in China the Group sells its products by auction to local smelters and agents, however, Griffin continues to review the appropriateness of hedging and indicative cost of put options.
Exposure to fluctuations in the Renminbi / US dollar exchange rate.	A fall in the value of the Renminbi would reduce the US dollar value of revenues, whilst an increase in the value of Renminbi would increase operating cost.	Moderate	The Renminbi is loosely pegged to the US dollar.
Exposure to increases in the market prices of materials, equipment and services the Group uses.	The Group is subject to increases in the market prices for materials, services and equipment.	Moderate	The Group seeks to agree long term contracts for all major services and goods supplied.
Country risks			
Exposure to political and social risks in the People's Republic of China ("the PRC").	Griffin's assets are located in the PRC and therefore exposed to any adverse changes in the political and social situations there.	Low	The Group has operated in the PRC for 20 years in which time the country has been relatively stable.
Exposure to changes in fiscal and regulatory regime.	In addition to political/social risks, the Group is exposed to changes in permitting, environmental, health and safety, and tax regulations in the PRC which may result in a more challenging, or costly, operating environment.	High	Griffin actively engages with the local PRC authorities and agencies to identify and minimise the impact of changes in PRC regulations.

Directors' Report

Risk	Comment	Business Impact	Mitigation
Operational Risk			
Reliance on Third Party Contractors	Griffin uses a number of unrelated contractors, particularly for its mining, haulage and drilling activities. Each of these activities has inherent risk, including injury or death to the contractor's employees. Such events could cause a total shutdown of all operational activities which may take a substantial time to recommence.	Moderate	Griffin has an extensive occupational Health and Safety Department in conjunction with a Mining Manager and his team of underground foreman who constantly oversee all contractors' activities.
Exposure to mining hazards	The Group is exposed to a number of risks and hazards typically associated with mining for example rock falls, flooding and mechanical breakdowns.	Moderate	Griffin's operational teams continually monitor mining and other risks, and report to senior management who report to the Board of directors, taking immediate and appropriate measures to minimise any such risks and hazards identified. In addition, the Group's operations are regularly monitored by the PRC Safety Bureaus.
Reliability of Mineral Resources and Ore Reserves	The calculation of Mineral Resources and Ore Reserves involves significant assumptions and estimates that may prove inaccurate.	Low	Griffin's Mineral Resources and Ore Reserve estimates are prepared by third party consultants, based in Australia, who are deemed "experts" under the JORC Code.
Other			
Exposure to a single operation	Griffin is reliant upon a single operation, being the Caijiaying zinc gold mine in the PRC. Factors affecting operations at Caijiaying have an impact upon the Group.	Moderate	It is the Company's policy to pursue growth opportunities through expansion in the Caijiaying area, as well as reviewing acquisition opportunities which can be shown to be value accretive.
Licence administration	Griffin, through its subsidiary companies, holds a number of mining, exploration and other licenses and permits to operate. These normally include conditions for ongoing operation and require periodic renewal. Renewals are not guaranteed.	High	All licensing requirements are kept under review with operational staff liaising with local PRC authorities to ensure conditions are adhered to and applications made timely and in good order.

Directors' Report

Principal Risks and Uncertainties (continued)

Other (continued)

Key management	The management of Caijiaying is reliant on a small number of key executives, both inside and outside of China. Their death, retirement or departure may have significant effect on the operations of the Company.	Moderate	Griffin has contractual arrangements with all key employees which are renewed on a regular basis.
Geological and Historical Information	The loss of historical and/or geological information would have a very significant impact on the operations of the Company.	Low	Griffin has instituted a complete back up system relating to all geological and operational data in Perth with CSA Global. It is updated on a daily basis.

Corporate Governance

Although the Company is not required to comply with the UK Corporate Governance Code, it attempts to follow best practice as far as possible within the limitations of 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, with the exception of Adam Usdan, 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.

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

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

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

Roger Goodwin

Finance Director and Company Secretary

28 March 2018

Report of the Independent Auditor

Independent Auditor's Report To The Members Of Griffin Mining Limited

Opinion

Our opinion on the financial statements is unmodified.

We have audited the group financial statements of Griffin Mining Limited for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the group financial statements give a true and fair view of the state of the group's affairs as at 31 December 2017 and of its profit for the year then ended in accordance with IFRSs as adopted by the European Union.

Basis for opinion:

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to:

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.

Conclusions relating to principal risks, going concern and viability statement:

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report of the Independent Auditor

Overview of our audit approach:

- Overall materiality: $ 3,043,850, which represents 5% of the company's profit before taxation
- Key audit matters were identified as carrying value of the mine and exploration assets
- We performed a full scope audit of the financial information in respect of the parent company and the group consolidation, and directed a component auditor for the Chinese mining operations (Hebei Hua' Ao Mining Industry Company Ltd) which covers 100% of revenue.

Key audit matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Carrying value of the mine and exploration assets

The mine at Caijaying is the single most significant asset owned by the group in terms of both its carrying value and its importance in the Group's business activities.

Management are required to review the carrying value of the mine for indications of impairment in accordance with IAS36 and to consider the carrying value of exploration assets in accordance with IFRS 6. We therefore identified the carrying value of the mine and exploration assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Challenging management's assessment of the carrying value of the Caijaying mine by assessing the key assumptions against externally sourced forecasts of metal prices, against previous production levels, plant capacity and available resources per the third party resource statement
- Obtaining confirmation and documentation to support that licences are held to support current operations and discussed with management and obtained representation from the directors as to the likely renewal of permits
- Testing of additions on a sample basis and agreed to supporting documentation and physical verification of significant plant and machinery acquired during the year along with a review of existing plant and machinery for indications of impairment and continued existence

The group's accounting policy on the carrying value of the mine and exploration cost is shown in the accounting policies to the financial statements and related disclosures are included in notes 10 & 11.

Report of the Independent Auditor

Key audit matters: (continued)

Key observations

Although there is exposure to political and social risks in the People's Republic of China (PRC) as discussed in the Directors' report, the directors believe this to be a low risk. We have not identified anything in our testing or reviews to contradict management's assessment that the carrying values remain unimpaired.

Our application of materiality:

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be $3,043,850 (2016: $1,169,000), which was approximately 5% of the group's earnings before taxes in the year to 31 December 2017 (2016: 0.5% of total assets). This benchmark is considered appropriate because, as an operating company, this is an important measure of performance. No revision to the materiality determined at the planning stage of our audit was necessary as we judged that it remained appropriate in the context of the group's actual financial results for the year ended 31 December 2017.

Materiality for the current year is higher than the level that we determined for the year ended 2016 to reflect the full year of production, increased zinc prices and a significant increase in earnings before taxation.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% (2016: 75%) of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be $100,165 (2016: $58,450). In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit:

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. For example, significance as a percentage of the group's total assets, revenues and profit before taxation or significance based on qualitative factors, such as specific issues or concerns over specific components;

Report of the Independent Auditor

- our approach was based on a thorough understanding of Griffin Mining Limited's business and is risk based. We identified and concentrated our resources on areas of higher risk, including those areas of concern to the directors. We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

- the overall approach to the group audit included the group audit team performing a full scope audit of the financial information in respect of the parent company and the group consolidation, and directed the component auditor in China of the mining operations site in China, which covers 100% of revenue. Specified audit procedures were performed by the group audit team on certain immaterial balances and transactions within the Group based on analytical review; and

- we provided detailed instructions to the auditors of Hebei Hua Ao Industry Company Ltd, performed site visits in China and communication through the planning, fieldwork and completion stages of the audit.

Other information:

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors for the financial statements:

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Report of the Independent Auditor

Auditor's responsibilities for the audit of the financial statements:

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 March 2018

Consolidated Income Statement

For the year ended 31 December 2017
(expressed in thousands US dollars)

	Notes	2017 $000	2016 $000
Revenue	1	**126,657**	66,270
Cost of sales	1	**(44,360)**	(37,851)
Gross profit		**82,297**	28,419
Administration expenses	1	**(18,524)**	(13,218)
Profit from operations	2	**63,773**	15,201
Losses on disposal of plant and equipment	4	**(1,067)**	(224)
Foreign exchange profits / (losses)		**87**	(532)
Finance income	5	**143**	178
Finance costs	6	**(2,219)**	(4,286)
Other income	7	**160**	45
Profit before tax		**60,877**	10,382
Income tax expense	8	**(17,556)**	(4,468)
Profit after tax		**43,321**	5,914
Basic earnings per share (cents)	9	**24.63**	3.30
Diluted earnings per share (cents)	9	**22.97**	3.26

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(expressed in thousands US dollars)

	2017 $000	2016 $000
Profit for the year	**43,321**	5,914
Other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	**5,004**	(3,299)
Other comprehensive income for the period, net of tax	**5,004**	(3,299)
Total comprehensive income for the period	**48,325**	2,615

Consolidated Statement of Financial Position

As at 31 December 2017
(expressed in thousands US dollars)

	Notes	2017 $000	2016 $000
ASSETS			
Non-current assets			
Property, plant and equipment	10	214,695	204,491
Intangible assets – Exploration interests	11	2,035	1,792
		216,730	206,283
Current assets			
Inventories	12	5,868	6,148
Receivables and other current assets	13	4,374	8,232
Cash and cash equivalents		26,518	13,218
		36,760	27,598
Total assets		253,490	233,881
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	1,700	1,790
Share premium		67,295	71,310
Contributing surplus		3,690	3,690
Share based payments		2,072	2,072
Shares held in treasury	15	-	(3,875)
Chinese statutory re-investment reserve		2,204	1,583
Other reserve on acquisition of non controlling interests		(29,346)	(29,346)
Foreign exchange reserve		9,777	4,871
Profit and loss reserve		133,972	91,174
Total equity attributable to equity holders of the parent		191,364	143,269
Non-current liabilities			
Long-term provisions	18	2,418	2,277
Deferred taxation	19	2,865	2,607
Finance lease	20	712	3,791
		5,995	8,675
Current liabilities			
Trade and other payables	21	52,437	34,466
Finance lease	20	3,694	2,783
Bank loans	22	-	44,688
Total current liabilities		56,131	81,937
Total equities and liabilities		253,490	233,881
Attributable net asset value per share to equity holders of parent	23	$1.13	$0.80

The accounts on pages 39 to 65 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

28 March 2018

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(expressed in thousands US dollars)

	Share capital	Share premium	Contributing surplus	Share based payments	Shares held in Treasury	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
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 31 December 2015	**1,790**	**71,310**	**3,690**	**1,363**	**(3,875)**	**1,595**	**(29,346)**	**8,068**	**85,350**	**139,945**
Regulatory transfer for future investment	-	-	-	-	-	90	-	-	(90)	-
Cost of share based payments	-	-	-	709	-	-	-	-	-	709
Transaction with owners	-	-	-	709	-	90	-	-	(90)	709
Profit for the year	-	-	-	-	-	-	-	-	5,914	5,914
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	(102)	-	(3,197)	-	(3,299)
Total comprehensive income	-	-	-	-	-	(102)	-	(3,197)	5,914	2,615
At 31 December 2016	**1,790**	**71,310**	**3,690**	**2,072**	**(3,875)**	**1,583**	**(29,346)**	**4,871**	**91,174**	**143,269**
Regulatory transfer for future investment	-	-	-	-	-	523	-	-	(523)	-
Purchase of shares held in treasury	-	-	-	-	(230)	-	-	-	-	(230)
Cancellation of shares held in treasury	(90)	(4,015)	-	-	4,105	-	-	-	-	-
Transaction with owners	(90)	(4,015)	-	-	3,875	523	-	-	(523)	(230)
Profit for the year	-	-	-	-	-	-	-	-	43,321	43,321
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	98	-	4,906	-	5,004
Total comprehensive income	-	-	-	-	-	98	-	4,906	43,321	48,325
At 31 December 2017	**1,700**	**67,295**	**3,690**	**2,072**	**-**	**2,204**	**(29,346)**	**9,777**	**133,972**	**191,364**

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(expressed in thousands US dollars)

	Notes	2017 $000	2016 $000
Net cash flows from operating activities			
Profit before taxation		**60,877**	10,382
Foreign exchange (profits) / losses		**(87)**	532
Finance income	**5**	**(143)**	(178)
Finance costs	**6**	**2,219**	4,286
Adjustment in respect of share based payments	**16**	**-**	709
Depreciation, depletion and amortisation	**10**	**9,783**	8,526
Losses on disposal of equipment		**1,067**	224
Decrease in inventories		**280**	1,034
Decrease / (increase) in receivables and other current assets		**3,928**	(6,251)
Increase in trade and other payables		**7,621**	3,280
Taxation paid		**(8,108)**	(641)
Net cash inflow from operating activities		**77,437**	21,903
Cash flows from investing activities			
Interest received	**5**	**143**	178
Proceeds on disposal of equipment		**184**	-
Payments to acquire – mineral interests	**10**	**(9,330)**	(7,361)
Payments to acquire – plant and equipment	**10**	**(4,125)**	(3,776)
Payments to acquire – office equipment	**10**	**(2)**	(102)
Payments to acquire intangible fixed assets – exploration interests	**11**	**(128)**	(43)
Net cash outflow from investing activities		**(13,258)**	(11,104)
Cash flows from financing activities			
Purchase of shares for treasury		**(230)**	-
Interest paid		**(1,773)**	(3,684)
Finance lease repayments		**(2,943)**	(2,935)
Repayment of bank loans		**(46,024)**	(14,891)
Net cash outflow from financing activities		**(50,970)**	(21,510)
Increase / (decrease) in cash and cash equivalents		**13,209**	(10,711)
Cash and cash equivalents at the beginning of the year		**13,218**	24,062
Effects of exchange rates		**91**	(133)
Cash and cash equivalents at the end of the year		**26,518**	13,218
Cash and cash equivalents comprise bank deposits			
Bank deposits		**26,518**	13,218

Included within net cash flows of $13,209,000 (2016: $10,711,000) are foreign exchange gains of $87,000 (2016: losses $532,000) 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.

New And Revised Standards That Are Effective For Annual Periods Beginning On Or After 1 January 2017

The Group has not adopted any new standards or amendments that have a significant impact on the Group's results or financial position. The amendments to IFRS11 'Accounting for Acquisitions of Interests in Joint Operations' have not had any impact on the Group.

Standards, Amendments And Interpretations To Existing Standards That Are Not Yet Effective And Have Not Been Adopted Early By The Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 9 'Financial Instruments'

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Although this is not expected to have a significant impact on the Group's financial statements, management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- if the Group continues to elect the fair value option for certain financial liabilities (see Note 20), fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Accounting Policies

Standards, Amendments And Interpretations To Existing Standards That Are Not Yet Effective And Have Not Been Adopted Early By The Group (continued)

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

Management do not consider that this will have a significant impact on the Group's financial statements.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 and three related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information.

However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.
- assessing the additional disclosures that will be required.

IFRS 16 is effective from periods beginning on or after 1 January 2019.

Going Concern

The financial statements have been prepared on a going concern basis. Having considered the cash resources, banking facilities and forecasts for the remainder of the Hebei Hua Ao contract term, the directors do not anticipate any going concern issues.

Consolidation Basis

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

Management has assessed its involvement in Hebei Hua Ao and Hebei Sino Anglo in accordance with IFRS 10's revised control definition and guidance. It concluded that it has significant influence but not outright control.

Accounting Policies

Consolidation Basis (continued)

In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings.

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.

Non controlling interests, presented as part of equity, represent the excess of the purchase price paid to acquire rights over the non-controlling interests in subsidiary companies.

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 delivery / collection basis and are recognised on agreement following open auction of metals in concentrate and where delivery is taken and cash received within 30 days of the agreement.

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 10).

Residual values

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

Accounting Policies

Non Current Assets (continued)

Depreciation

Depreciation rates reflect the 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

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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Estimate and assumptions used in the determining whether an asset has become impaired are set out in note 10.

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

Estimates / Assumptions	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:

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

Accounting Policies

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".

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.

Accounting Policies

Foreign Currency Transactions (continued)

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:

1. “Share capital” represents the nominal value of equity shares.
2. “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.
3. “Contributing surplus” is a statutory reserve for the maintenance of capital under Bermuda company law and was created on a reduction in the par value of the Company’s ordinary shares on 15 March 2001.
4. “Share based payments” represents equity-settled share-based remuneration until such share options are exercised.
5. “Foreign exchange reserve” represents the differences arising from translation of investments in overseas subsidiaries.
6. “Chinese statutory re-investment reserve” represents a statutory retained earnings reserve under PRC law for future investment by Hebei Hua-Ao.
7. “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.
8. “Profit and loss reserve” represents retained profits and losses.

Equity Settled Share Based Payments

All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, production upgrades).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to “Share based payments” in the statement of financial position.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital.

For the financial year ended 31 December 2017 the total expense recognised in profit or loss arising from share based transactions was nil (2016: $709,000).

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 10). 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 Group requires the market price of zinc to be above $2,380 per tonne with gold, silver and lead prices remaining at current prevailing levels, to avoid an impairment charge. Non-impairment of all assets is conditional upon continued mining licences and permits which the directors consider will be maintained or obtained as appropriate.
- Impairment review assumptions, exploration interests (note 11). 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. There were no indicators of impairment in the Group's areas of interest. Non-impairments of all assets is conditional upon continued mining licences and permits which the directors consider will be maintained or obtained as appropriate.
- Provision for mine closure costs (note 18) 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 business licence and current capability of the extractive machinery currently in use at the mine.
- The determination of the value of Finance Leased Asset (note 10), and attributable Finance Lease Interest (note 20) 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.
- Non-controlling interests (note 27) are determined by reference to the underlying agreements and practice, with the allocation of the purchase consideration on acquisition of non-controlling interests and extension of the Hebei Hua Ao business licence between that capitalised to mineral interests and that charged to reserves by reference to the impact of future cash flows. Following the acquisition of Griffin's Chinese partner's equity interests in the Hebei Hua Ao Joint Venture in 2012 and a reappraisal of the arrangements with the Chinese partners, the relationship with them is now in the nature of a service provider facilitating Hebei Hua Ao's operations in China rather than that of non-controlling interests. In line with this new arrangement an annual service charge is paid to the Chinese partners, however, due to the potential variables the Directors are unable to estimate what this will be in any future year.

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.

Accounting Policies

Dividends

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

Taxation

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

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

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.

Segment 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.

Accounting Policies

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 10 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 2017 and 2016 were derived from the Caijiaying zinc gold mine.

	2017	2016
	$000	$000
REVENUES		
China	**126,657**	66,270
Zinc concentrate sales	**99,886**	48,430
Lead and precious metals concentrate sales	**32,758**	21,116
Royalties and resource taxes	**(5,987)**	(3,276)
	126,657	66,270
COST OF SALES		
China	**(44,360)**	(37,851)
ADMINISTRATION EXPENSES		
China	**(13,819)**	(8,410)
Australia	**(434)**	(474)
European Union	**(4,271)**	(4,334)
	(18,524)	(13,218)

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

	2017	2016
TOTAL ASSETS		
China	**250,809**	231,894
Australia	**641**	499
European Union	**2,040**	1,488
	253,490	233,881
CAPITAL EXPENDITURE		
China	**13,455**	11,137
European Union	**2**	102
	13,457	11,239

2. Profit From Operations

Profit from operations is stated after charging

	2017	2016
	$000	$000
Fees for the audit of the Company	**64**	64
Fees for the audit of subsidiaries	**79**	55
Tax compliance	-	2
Other non-audit fees	-	8
Staff costs	**7,439**	6,444
Fair values of options granted to directors and management	**-**	709
	No.	No.
Average number of persons employed by the Group in the year	**390**	385

Notes to the Financial Statements

3. Directors' And Key Personnel Remuneration

The following fees and remuneration were receivable by the Directors holding office and key personnel engaged during the year:

	Fees	**Salary**	**Pension & social security costs**	**Share based payments**	**Total 2017**	Fees	Salary	Pension & social security costs	Share based payments	Total 2016
	$000	**$000**	**$000**	**$000**	**$000**	$000	$000	$000	$000	$000
Mladen Ninkov*	**125**	**-**	**-**	**-**	**125**	105	-	-	430	535
Dal Brynelsen	**199**	**-**	**-**	**-**	**199**	186	-	-	30	216
Rupert Crowe	**97**	**-**	**-**	**-**	**97**	82	-	-	30	112
Roger Goodwin	**125**	**440**	**97**	**-**	**662**	105	440	100	54	699
Adam Usdan	**86**	**-**	**-**	**-**	**86**	82	-	-	116	198
	632	**440**	**97**	**-**	**1,169**	560	440	100	660	1,760
Key personnel	**-**	**1,544**	**15**	**-**	**1,559**	-	1,248	11	49	1,308
	632	**1,984**	**112**	**-**	**2,728**	560	1,688	111	709	3,068

*Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of $2,235,000 (2016: $1,868,000), 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.

No share options were exercised by the directors in 2017 or 2016.

4. Loss On Disposal Of Plant And Equipment

	2017	2016
	$000	$000
Loss on disposal of plant and equipment	**1,067**	224

5. Finance Income

	2017	2016
	$000	$000
Interest on bank deposits	**143**	178

6. Finance Costs

	2017	2016
	$000	$000
Interest payable on short term bank loans	**447**	3,684
Finance lease interest	**1,772**	602
	2,219	4,286

7. Other Income

	2017	2016
	$000	$000
Scrap and sundry other sales	**160**	45

Notes to the Financial Statements

8. Income Tax Expense

	2017 $000	2016 $000
Profit for the year before tax	**60,877**	10,382
Expected tax expense at a standard rate of PRC income tax of 25% (2016: 25%)	**15,219**	2,596
Adjustment for tax exempt items:		
- Income and expenses outside the PRC not subject to tax	**854**	843
Adjustments for short term timing differences:		
- In respect of accounting differences	**(490)**	(545)
- Other	**162**	135
Adjustments for permanent timing differences re prior year costs disallowed	**-**	573
Adjustments for permanent timing differences other	**1,678**	695
Withholding tax on intercompany dividends and charges	**38**	20
Current taxation expense	**17,461**	4,317
Deferred taxation expense		
Origination and reversal of temporary timing differences	**95**	151
	95	151
Total tax expense	**17,556**	4,468

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 2017 (25% in 2016) based upon the profits calculated under Chinese generally accepted accounting principals (Chinese "GAAP").

9. Earnings Per Share

The calculation of the basic earnings per share is based upon the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliation of the earnings and weighted average number of shares used in the calculations are set out below:

	2017			2016		
	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	**43,321**	**175,894,007**	**24.63**	5,914	179,091,830	3.30
Dilutive effect of securities						
Options	**-**	**12,703,367**	**(1.66)**	-	2,248,862	(0.04)
Diluted earnings per share	**43,321**	**188,597,374**	**22.97**	5,914	181,340,692	3.26

Notes to the Financial Statements

10. Property, Plant And Equipment

	Mineral interests	Mill and mobile mine equipment	Office furniture & equipment	Total
	$000	$000	$000	$000
At 31 December 2015	160,619	49,622	11	210,252
Foreign exchange adjustments	(5,113)	(3,164)	-	(8,277)
Additions during the year	7,361	3,776	102	11,239
Transfer rehabilitation deposit	27	-	-	27
Disposals	-	(224)	-	(224)
Depreciation charge for the year	(4,750)	(3,772)	(4)	(8,526)
At 31 December 2016	158,144	46,238	109	204,491
Foreign exchange adjustments	4,976	2,805	-	7,781
Additions during the year	9,330	4,125	2	13,457
Disposals	-	(1,250)	(1)	(1,251)
Depreciation charge for the year	(5,404)	(4,351)	(28)	(9,783)
At 31 December 2017	167,046	47,567	82	214,695
At 31 December 2015				
Cost	184,078	67,676	101	251,855
Accumulated depreciation	(23,459)	(18,054)	(90)	(41,603)
Net carrying amount	160,619	49,622	11	210,252
At 31 December 2016				
Cost	185,252	67,009	133	252,394
Accumulated depreciation	(27,108)	(20,771)	(24)	(47,903)
Net carrying amount	158,144	46,238	109	204,491
At 31 December 2017				
Cost	200,708	72,366	134	273,208
Accumulated depreciation	(33,662)	(24,799)	(52)	(58,513)
Net carrying amount	167,046	47,567	82	214,695

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 together with the end of life restoration costs.

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

During 2013 plant and equipment with a deemed value of $12,880,000 were acquired under a finance lease, upon which depreciation of $3,428,000 (2016: $2,466,000) has been provided. At 31 December 2017 the net carrying amount of this equipment was $8,723,000 (2016: $8,980,000).

Notes to the Financial Statements

10. Property, Plant And Equipment (continued)

The Group assesses the carrying value of the mineral interests, mill and mobile mine equipment at least annually, and more frequently in the event of any indications of impairment, by reference to discounted cash flow forecasts of future revenue and expenditure for each business segment. These forecasts are based upon both past and expected future performance, available resources and expectations for future markets. The directors have reassessed the net carrying value of capitalised costs at 31st December 2017 and in estimating the discounted future cash flows from the continuing operations at the Caijiaying mine the following principal assumptions were made:

Future market prices for zinc of $2,500 per tonne and gold of $1,150 per troy ounce;

Mine life to end of the business licence in 2037 with ore mined and processed with grades based upon the 2015 depleted mineral resource estimate summarised on page 10;

Costs based upon past performance and that budgeted for 2018;

Discount interest rate of 6.14%; and

Continued maintenance and grant of applicable licences and permits.

Non impairment of all assets is conditional upon continued mining licences and permits which the directors consider will be maintained or obtained as appropriate.

11. Intangible Assets

China – Zinc / gold exploration interests	**$000**
At 1 January 2016	**1,870**
Foreign exchange adjustments	**(121)**
Additions during the year	**43**
At 31 December 2016	**1,792**
Foreign exchange adjustments	**115**
Additions during the year	**128**
At 31 December 2017	**2,035**

Intangible assets represent cost on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work. Where expenditure on an area of interest is determined as unsuccessful such expenditure is written off to profit or loss. The recoverability of these assets depends, initially, on successful appraisal activities, details of which are given in the report on operations. The outcome of such appraisal activity is uncertain. Upon economically exploitable mineral deposits being established, sufficient finance will be required to bring such discoveries into production. At 31 December 2017 $nil (2016: $nil) had been provided and charged to the income statement in respect of the above exploration costs.

12. Inventories

	2017	2016
	$000	$000
Underground ore stocks	**2,147**	3,192
Surface ore stocks	**708**	236
Concentrate ore stocks	**225**	188
Spare parts and consumables	**2,788**	2,532
	5,868	6,148

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

Notes to the Financial Statements

13. Receivables And Other Current Assets

	2017	2016
	$000	$000
Receivables	-	3,677
Advance to Zhangjiakou Guoxin Enterprise Management and Service Center	2,613	2,461
Other receivables	276	343
Prepayments	1,485	1,751
	4,374	8,232

During the year $6,286,000 was charged (2016: $1,983,000) for service charges with Zhangjiakou Guoxin Enterprise Management and Service Centre, the Group's joint venture partner in Hebei Hua Ao.

14. Share Capital

	2017		2016	
	Number	$000	Number	$000
AUTHORISED:				
Ordinary shares of US$0.01 each	1,000,000,000	10,000	1,000,000,000	10,000
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US$0.01 each				
At 1 January	179,041,830	1,790	179,041,830	1,790
Cancellation of shares held in treasury during the year	(9,048,103)	(90)	-	-
At 31 December	169,993,727	1,700	179,041,830	1,790

15. Shares Held In Treasury

	2017		2016	
	Number	$000	Number	$000
At 1 January	8,703,103	3,875	8,703,103	3,875
Bought back in during the year	345,000	230	-	-
Cancelled during the year	(9,048,103)	(4,105)	-	-
At 31 December	-	-	8,703,103	3,875

During the year 345,000 of the Company's ordinary shares were purchased at an average price of 53.2p per share.

16. Share Options And Warrants

	At 1 January 2017	Granted/ (Exercised) / (lapsed)	At 31 December 2017
	Number	Number	Number
Options exercisable at 30 pence per share to 31 December 2020	20,000,000	-	20,000,000
Options exercisable at 40 pence per share to 31 December 2018	5,000,000	-	5,000,000
	25,000,000	-	25,000,000

Notes to the Financial Statements

16. Share Options And Warrants (continued)

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

	2017		2016	
	Number	**Weighted average exercise price Pence**	Number	Weighted average exercise price Pence
Outstanding at 1 January	**25,000,000**	**32.2**	25,000,000	32.2
Lapsed during the year	**-**	**-**	-	-
Granted during the year	**-**	**-**	-	-
Outstanding at 31December	**25,000,000**	**32.2**	25,000,000	32.2

The estimated value of the options exercisable at 40p up to 31 December 2018, which vested in 3 tranches of 1,666,667 each, were 7.4p, 7.9p and 8.4p.
The estimated value of the options exercisable at 30p up to 31 December 2020, which vested in 3 tranches of 6,666,666 each, were 6.2p, 7.2p and 6.8p.

Inputs into the Binomial valuation model were as follows:

	Options expiring 31 December 2020	Options expiring 3 December 2018
Share price	26.5p	33.0p
Exercise price	30.0p	40.0p
Expected volatility	35%	36%
Risk free yield	0.9%	1.3%
Dividend yield	0%	0%

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

The Group recognised a total expense of $nil (2016: $709,000) during the year ended 31 December relating to equity settled share option scheme transactions.

17. Dividends

No dividends were paid in 2017 (2016: nil).

18. Long-Term Provisions

PROVISIONS FOR MINE CLOSURE COSTS	**2017**	2016
	$000	$000
At 1 January	**2,277**	2,433
Transfer property plant and equipment (note 10)	**-**	27
Foreign exchange adjustments	**141**	(183)
At 31 December	**2,418**	2,277

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

Notes to the Financial Statements

19. Deferred Taxation

	2017	2016
	$000	$000
At 1 January	**2,607**	2,630
Foreign exchange adjustments	**163**	(174)
Charge for the year	**95**	151
At 31 December	**2,865**	2,607

Deferred taxation is provided in full on temporary timing 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.

20. Finance Lease

	2017	2016
	$000	$000
Amounts falling due in more than one year	**712**	3,791
Amounts falling due within one year	**3,694**	2,783
	4,406	6,574

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.

21. Trade And Other Payables

	2017	2016
	$000	$000
Trade creditors	**12,904**	14,946
Other creditors	**7,902**	4,527
Taxation payable	**12,349**	2,549
Due to Zhangjiakou Guoxin Enterprise Management and Service Centre	**12,418**	5,968
Accruals	**6,864**	6,476
	52,437	34,466

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

22. Bank Loans

	2017	2016
	$000	$000
Bank loans falling due within one year	-	44,688

The bank loans were repayable within one year under revolving facilities and were unsecured. The bank loans carried interest as follows:

		2016
	$000	%
Zhangjiakou Commercial Bank	8,649	8.7
Bank of Communications	15,857	4.785
Bank of China	20,182	5.22
	44,688	

23. Attributable Net Asset Value / Total Equity Per Share

The attributable net asset value / total equity per share has been calculated from the consolidated net assets / total equity of the Group at 31 December 2017 of $191,364,000 ($143,269,000 at 31 December 2016) divided by the number of ordinary shares in issue at 31 December 2017 of 169,993,727 (179,041,830 at 31 December 2016).

24. 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 Chinese 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 formal foreign currency hedging policy but retains foreign currency to meet future requirements. The management monitors foreign exchange exposure and considers hedging significant foreign currency exposure should the need arise. 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 Peoples Republic of China.

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

	2017	2016
	$000	$000
Short term bank deposits	290	168

Notes to the Financial Statements

24. 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 + / - 15% (2016: 15%) change in the sterling exchange rate for the year ended 31 December 2016. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2017. The sensitivity analysis is based upon the Group's sterling deposits at each reporting date.

If sterling had strengthened against the US Dollar by 15% (2016: 15%) this would have had the following impact:

	2017	2016
	$000	$000
Net result for the year and on equity	**51**	30

If sterling had weakened against the US Dollar by 15% (2016: 15%) this would have the following impact:

	2017	2016
	$000	$000
Net result for the year and on equity	**(38)**	(22)

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:

		2017			2016	
	GBP	**Rmb**	**AusD**	GBP	Rmb	AusD
	$000	**$000**	**$000**	$000	$000	$000
Financial assets	**592**	**27,455**	**821**	885	15,065	501
Financial liabilities	**(145)**	**(44,040)**	**(13)**	(213)	(79,493)	(54)
Short term exposure	**447**	**(16,585)**	**808**	672	(64,428)	447

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits with floating interest rates. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the net results for the year and equity to a reasonably possible change in interest rates of + 300% and - 100% (2016: + 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.

Notes to the Financial Statements

24. Risk Management (continued)

Interest rate risk continued

The sensitivity analysis is based upon the Group's deposits at each balance sheet date:

	2017		2016	
	Plus 300%	**Minus 100%**	Plus 300%	Minus 100%
	$000	**$000**	$000	$000
Net result for the year	**618**	**(206)**	313	(178)

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

	2017			2016		
	Floating interest rate	**Non interest bearing**	**Total**	Floating interest rate	Non interest bearing	Total
	$000	**$000**	**$000**	$000	$000	$000
Financial Assets						
Cash at bank	**26,518**	**-**	**26,518**	13,218	-	13,218
Other receivables	**-**	**4,374**	**4,374**	-	8,322	8,322
Total Financial Assets	**26,518**	**4,374**	**30,892**	13,218	8,322	21,540
Bank loans	**-**	**-**	**-**	(44,688)	-	(44,688)
Finance lease liabilities	**(4,406)**	**-**	**(4,406)**	(6,574)	-	(6,574)
Trade and other payables	**-**	**(52,437)**	**(52,437)**	-	(34,466)	(34,466)
Total Financial Liabilities	**(4,406)**	**(52,437)**	**(56,843)**	(51,262)	(34,466)	(85,728)
Net Financial (liabilities)	**22,112**	**(48,063)**	**(25,951)**	(38,044)	(26,144)	(64,188)

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 2017 or in 2016.

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% (2016: 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.

	2017		2016	
	Plus 20%	**Minus 20%**	Plus 20%	Minus 20%
	$000	**$000**	$000	$000
Net result for the year – zinc	**14,686**	**(14,686)**	7,120	(7,120)
Net result for year – gold	**3,636**	**(3,636)**	2,190	(2,190)
Net result for year – silver	**799**	**(799)**	617	(617)

Notes to the Financial Statements

24. Risk Management (continued)

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. Investment of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed 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.

25. 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 $191,364,000 at 31 December 2017.

26. 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 Australi a, 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.

Notes to the Financial Statements

26. Financial Instruments (continued)

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

	2017	2016
	$000	$000
FINANCIAL ASSETS		
Loans and receivables	**4,374**	8,232
Cash and cash equivalents	**26,518**	13,218
	30,892	21,450
FINANCIAL LIABILITIES		
Loans and finance lease	**4,406**	51,262
Trade and other payables	**52,437**	34,466
	56,843	85,728

27. Subsidiary Companies

At 31 December 2017, 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 and service 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 25 June 2012, China Zinc receives 88.8% of the cash flows and profits of Hebei Hua Ao. On 21 May 2012 the term of the joint venture's business licence extended to 12 October 2037.

Under the terms of the agreement dated 21 May 2012, Griffin's Chinese Partners are obliged to provide various services to facilitate Hebei Hua Ao's operations in China and as such the amounts payable of $5,900,000 (2016: $1,983,000) are included in net operating costs rather than attributable to non-controlling interests. Likewise the amounts due at 31st December 2017 of $12,418,000 (2016: $5,968,000) are included in other payables rather than due to non-controlling interests within equity within the Consolidated Statement of Financial Position.

28. Commitments

At 31 December 2017 the Group had capital commitments of $345,000 (31 December 2016: $556,000).

New 20 tonne haulage truck with, left to right, Yong Jun Xue (Deputy Mining Manager), Mark Hine (Chief Operating Officer) and Paul Benson (Geology Manager).

Corporate Information

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Company Secretary:	Roger Goodwin
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