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

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

Registered in Bermuda, number: 13667.

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CHAIRMAN'S STATEMENT

I present to you, the shareholders and owners of Griffin Mining Limited ("Griffin" or the "Company"), the Annual Report and Accounts of the Company for the 2018 calendar and financial year (the "Annual Report"). By the measure of almost any other mining company, 2018 would be considered a monumentally, outstanding success. \$3 billion of in situ metal was added to the resource base, an operating profit of \$36 million and a net profit after tax of \$25.5 million was generated, major above and below ground capital developments were undertaken to position the Caijiaying Mine operationally for the next 10 years and all this whilst remaining debt free and self-funding from operations.

In terms of long term value added to the Company, over 3 million tonnes of zinc metal and 1.16 million ounces of gold have been defined by the Company since the start of mining in 2005 emphasizing the success of the Company's exploration efforts and the extraordinary size and nature of the orebody contained at the Caijiaying Mine.

Nevertheless, and reversing a well known proverb, perhaps every silver lining has a cloud, with the mining licence over Zone II still failing to be granted. In effect, this means constructed and commissioned infrastructure lies idle waiting for this new source of ore to be mined and processed to substantially increase the Company's metal production. I am not sure I have any remaining credibility in crystal ball gazing and my days as a seer may well and truly be over, but I sincerely believe the new mining licence will be granted in 2019.

The stand-out achievement of the year was the Company increasing its resource base by 78.5%, all from Zone III, including adding 807,000 tonnes of zinc metal, 311,000 ounces of gold and 13.6 million ounces of silver. Modelling of the other "zones" at the Caijiaying Mine has been progressing well with all concerned very excited on the possible size of the revised Zone II resource model as well as the maiden estimate for Zone VIII, both expected by the end of the northern summer.

Financially, the Company and its subsidiaries had a good year in light of falling zinc metal prices, higher treatment charges and lower concentrate production. Revenues of \$99 million were recorded with an Operating Profit of \$35.6 million, Profit Before Tax of \$34.8 million, Profit

After Tax of \$25.5 million and Basic Earnings of 14.83 cents per share.

Operationally, ore mined amounted to 872,069 tonnes whilst ore processed was 930,472 tonnes amounting to metal in concentrate produced of 37,112 tonnes of zinc, 16,230 ounces of gold, 280,712 ounces of silver and 1,030 tonnes of lead.

With the development of Zone II awaiting the new mining licence, the decision was taken to institute a programme to further modernise the Caijiaying Mine. Underground development work was primarily focused on developing future stoping horizons between the 1175 metre and 1000 metre level, a much larger development than previously undertaken at the Caijiaying Mine. A twin boom electric hydraulic development drill and three 20 tonne, fully enclosed cabin, haulage trucks were added by the contractors to the fleet allowing more material being hauled from deeper in the Caijiaying Mine with less truck movements and greater reliability. Further fleet upgrades continue on an ongoing basis.

As a responsible citizen of both China and Planet Earth, the Company continues to maintain and further implement best practices regarding the protection of the environment and has invested heavily in the local community. The Company believes these to be moral, humane, community and planetary obligations. I would urge shareholders to read of our practices and contributions in this Annual Report and obtain the sense of pride from the contributions the Company has made in this area.

In spite of all the above achievements, the Company does not rest on its laurels. In the words of Mark Twain, "To stand still is to fall behind." Firstly, it continues to explore areas surrounding the Caijiaying Mine, including the prospective Sangongdi area. The scope of that work can be seen in the Exploration section of this Annual Report. Secondly, in 2018, the Company expanded the scope and activities of its wholly owned subsidiary China Zinc Limited to create a data base of the geology, exploration and mining activities in China to search for potential acquisitions of base metals projects that meet the Company's pre-set economic criteria. Any such projects found not to meet this criteria will be either ignored, or if seemingly of value, sold, joint ventured or offered in a separate vehicle to existing



Griffin shareholders. Thirdly, the Company continues to investigate potential mining projects located outside of China on the same objective investment basis as historically has been the case.

Traditionally, I am afforded the privilege to thank all those individuals who have worked professionally, tirelessly and anonymously to achieve the results seen above. Believe me when I state that nothing would give me greater satisfaction than to list all of them individually with a record of the service they have provided. But, sadly, the size and complexity of the Company now precludes such a possibility. So let me just say, on your behalf, thank you to all the directors, employees, contractors, consultants, officials, spouses, children, families and friends associated in whatever means with the Company. To paraphrase the words of Ricky Gervais in *The Office*, every one of them makes a difference, every single day and usually in a very distant country, on a demanding schedule, far away from family and friends.

Lastly, and as always, my greatest thanks goes to you, the shareholders and owners of the Company. Without you, none of this would be possible. From the first, unbelievably patient and supremely loyal shareholder, Adam Usdan, to the small, longstanding, retail shareholder, to the latest, large US institutional shareholders, it is insufficient to say thank you. Your support, and just as importantly, patience, is the reason this Company continues to flourish and is driven to succeed substantially further where all others have failed. It sounds trite, and I expect not to be believed, but we push ourselves beyond normal boundaries to repay that loyalty and that belief that you have shown in the Company. In the well-known phrase, “May you be repaid in spades”.

Mladen Ninkov
Chairman
29 April 2019



Hebei Hua Ao Joint Venture Meeting, London, November 2018

From left to right: Sun Huiguang (Director Hebei Hua Ao); He Yuqing (Captain of the 3rd Geological Brigade of Hebei Province); He Xi (Deputy Chief of Hebei Bureau of Geology and Mineral Resources); Mladen Ninkov (Chairman); Jin Shengchang (Director Hebei Hua Ao); Dal Brynelsen (Director); Roger Goodwin (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 8.1 square kilometres of mining and exploration tenements, 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 potential acquisitions of mining projects that are capable, through either advanced exploration or mining expertise, of being brought into production to meet the Company’s 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 35,000 volt power lines connected to the electricity grid, full connectivity to fixed and mobile telecommunications 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 Yuanrun Enterprise Management Consulting Service Co., Ltd ("Yuanrun"), the shareholders of which are the Zhangjiakou City People's Government and the Third Geological Brigade of Hebei Province.

The initial operating term of Hebei Hua Ao was 25 years and was due to expire in 2019. In light of the continuing increase in the resources base and production profile of the Caijiaying Mine, the Company, through its wholly owned Hong Kong subsidiary China Zinc Limited, purchased an additional 28.8% interest in Hebei Hua Ao from Yuanrun in 2012. Griffin now holds an 88.8% equity interest in Hebei Hua Ao and Yuanrun retains an 11.2% residual interest compensated via 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 Yuanrun 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 Yuanrun holds 10%. Griffin, through Hebei Hua Ao and Hebei Anglo, has a controlling interest in mining and exploration licences over approximately 23.8 square kilometres in the Caijiaying area.

The Caijiaying Mine was commissioned on time and budget in 2005. Numerous upgrades to the Caijiaying Mine have taken place since commissioning leading to the current name plate mill throughput capacity of 1.5 million tonnes of ore per annum. This throughput capacity will not be fully utilized until the granting of the new mining licence over Zone II and enhanced safety production permit.

Underground development continues with the expansion of the existing mining operations at Zone III down to the 1,000 Relative Level ("RL" which in this report shall refer to mean sea level).

Drive access to the Zone II area 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 the new mining licence over that area.





*Griffin Directors at the New Caijiaying Mine Second Portal with new 20 Tonne Haulage Truck.
From left to right: Roger Goodwin (Finance Director); Adam Usdan (Director); Rupert Crowe (Director);
Mladen Ninkov (Chairman); and Dal Brynelsen (Director).*

**MINERAL RESOURCE ESTIMATES**

An update of the Mineral Resource estimates for Zone III has been carried out, incorporating new drilling and the results of geological and structural studies. The Zone II Mineral Resource estimate remains the same as last year. Geological and structural studies are currently underway on Zone II, which should allow an update to this Mineral Resource

estimate to be published once the studies are completed. Further studies on the results of drilling in Zone VIII should result in a new Mineral Resource estimate. Mineralisation at Caijiaying comprises zinc domains and gold domains. The zinc domains are reported at a cut off of 1% Zn. The gold domains are reported above 0.5 g/t Au.

Caijiaying Zone III Mineral Resources 31 December 2018
Zinc Domain 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 (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	19.9	4.6	0.2	23.0	0.7	917	44	14,739	413
Indicated	10.1	4.0	0.2	18.2	0.6	404	17	5,907	187
Inferred	18.0	4.0	0.2	21.5	0.4	724	36	12,455	211
Sub-Total	48.0	4.3	0.2	21.5	0.5	2,045	98	33,100	812

Caijiaying Zone III Mineral Resources 31 December 2018
Gold Domain Grade Tonnage Reported above a Cut off Grade of 0.5 g/t Au

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-
Inferred	0.8	0.8	0.1	19.9	3.0	6	1	483	73
Sub-Total	0.8	0.8	0.1	19.9	3.0	6	1	483	73

Caijiaying Zone II Mineral Resources 31 December 2018
Zinc Domain 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 (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	-	-	-	-	-	-	-	-	-
Indicated	4.1	3.0	0.7	24.9	0.3	123	27	3,243	39
Inferred	15.6	3.3	0.8	24.5	0.3	516	117	12,277	124
Total	19.6	3.3	0.7	24.6	0.3	638	144	15,520	164

Caijiaying Total Mineral Resources

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	19.9	4.6	0.2	23.0	0.6	917	44	14,739	413
Indicated	14.2	3.7	0.3	20.1	0.5	527	44	9,150	227
Inferred	34.3	3.6	0.4	22.9	0.4	1,246	154	25,215	409
Total	68.4	3.9	0.4	22.3	0.5	2,689	243	49,103	1049

Notes:

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

The Mineral Resource estimate is based on 3,837 underground diamond drill holes and 624 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 or 0.5 g/t Au 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 31 December 2018.

The Caijiaying Mineral Resources are based on resource modelling work completed by CSA Global Pty Ltd in 2013 and 2019 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 Exploration Results, 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. Mr Steve Rose's work has been peer reviewed in part as he holds options over 37,500 Griffin Mining Ltd Shares exercisable at 30 pence per share.



The New Mineral Resource estimate for Zone III provides a substantial resource upgrade to the operating mine area at Zone III at the Caijiaying Mine. The Measured, Indicated and Inferred Mineral Resources has increased to 48.8 million tonnes at 4.2% Zinc, 0.2% Lead, 21.4 grammes/tonne Silver and 0.6 grammes/tonne Gold, a 78.5% increase in tonnes from the previously reported Measured, Indicated and Inferred Mineral Resources of 27.3 million tonnes at 4.6% Zinc, 0.2% Lead, 22.9 grammes/tonne Silver and 0.7 grammes/tonne Gold. The results lift the estimate of the contained metal at Zone III from approximately 1.22 to 2.051 million tonnes of zinc metal, from 0.574 to 0.885 million ounces of gold and from 20 to 33.6 million ounces of silver.

This increase comes after some 4.5 million tonnes of ore being mined at Zone III since the previous 2013 Resource Estimate. The full extraction of the new Mineral Resources will require the extension of the business licence beyond 2037 or increase in production capacity and enhanced permits.

It should be stressed that this new resource is not the total 'Global Resource' for the Caijiaying tenement area. The big increase in resources at Zone III has been due to the combination of additional drilling and far improved understanding of the controls and the distribution of ore within the deposit. Modelling of the resources of other 'zones' at Caijiaying has been progressing with work well advanced on a revised Zone II resource model as well as the maiden estimate for Zone VIII (the recently identified northern resource extension of the Zone III deposit). Resource announcements for those zones should be forthcoming in the near future.

GEOLGY

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 calcisilicates 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.

EXPLORATION

The 2018 exploration programme at Caijiaying continued to expand existing areas of mineralisation whilst providing and testing new targets designed to increase the resource inventory and extend the existing mine life. This involved ongoing technical targeting studies applying advanced geochemical, structural and modelling techniques to deliver prioritised targets in 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

In 2018, due to the Zone II mining licence continuing to be delayed in being issued, the focus was on aggressive underground diamond drilling activity to target extensions of known zinc and gold lodes within Zone III. 320 underground diamond drill holes were drilled for a total of 38,112 metres utilising four underground electric-hydraulic drill rigs. These results have been incorporated into the new Zone III resource update.

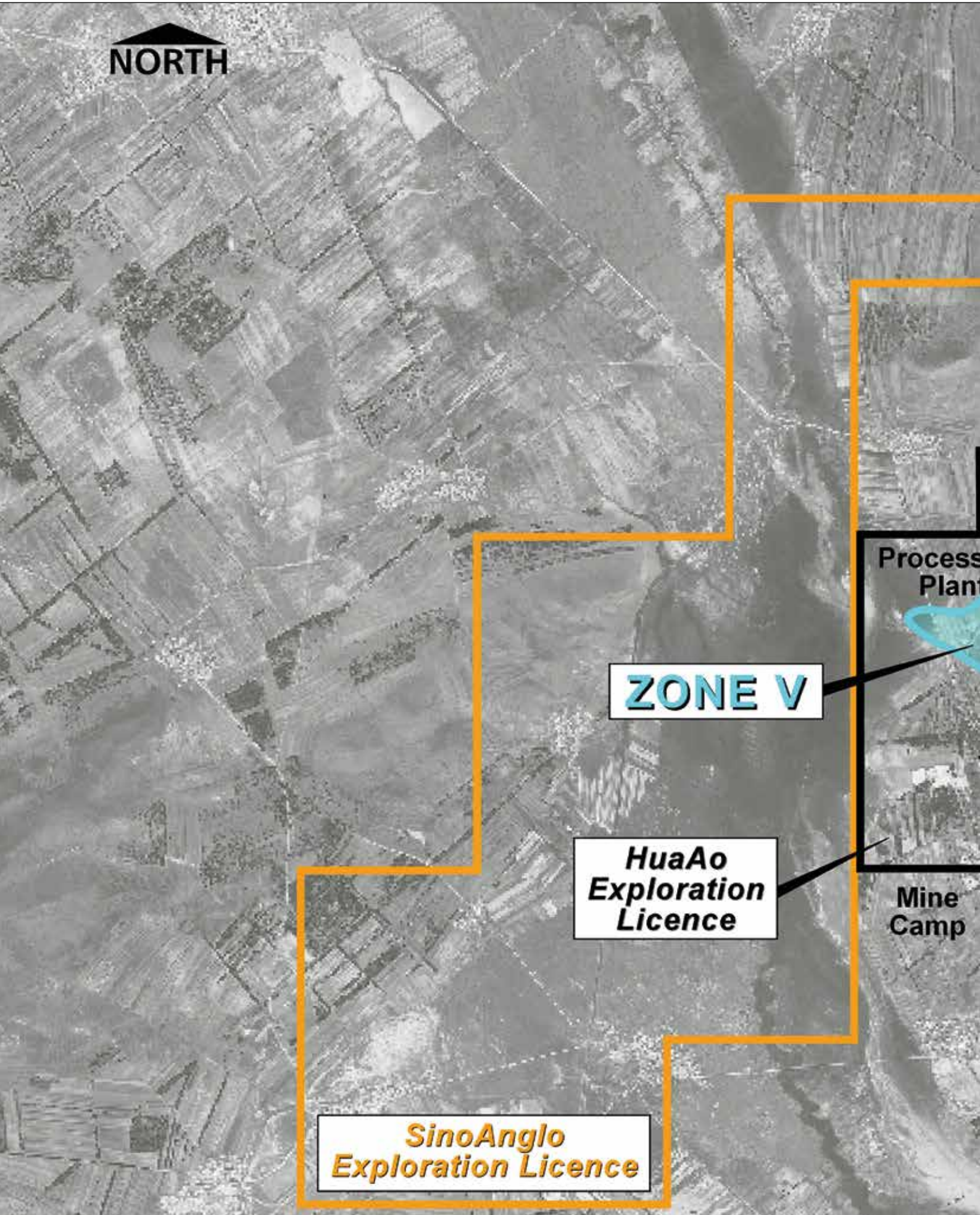
Whilst there was no surface drilling conducted in 2018, the results of the major surface drilling programme undertaken in Zone VIII in 2017 were integrated into an updated 3D geological and mineralisation model for the area and a non-JORC Chinese Resource (a license retention requirement of the Chinese government) was completed for Zone VIII. Zone VIII contains similar rock types and mineralisation styles already seen in Zones II & III and drilling confirmed that mineralisation not only continues along strike from Zone III into Zone VIII, but that mineralisation remains open to the north of the Zone VIII drilling.

Significant progress continues to be made in the application of litho-geochemical data to provide an indicator of proximity to mineralisation. The litho-geochemical indices developed for Zone III have been applied to Zone VIII, regional exploration targeting and prospect generation.

A major update to the 3D structural model was completed for Zone III which has directly impacted the effectiveness of exploration targeting, grade control drill design and ore block modelling and has resulted in improved stope designs.



NORTH



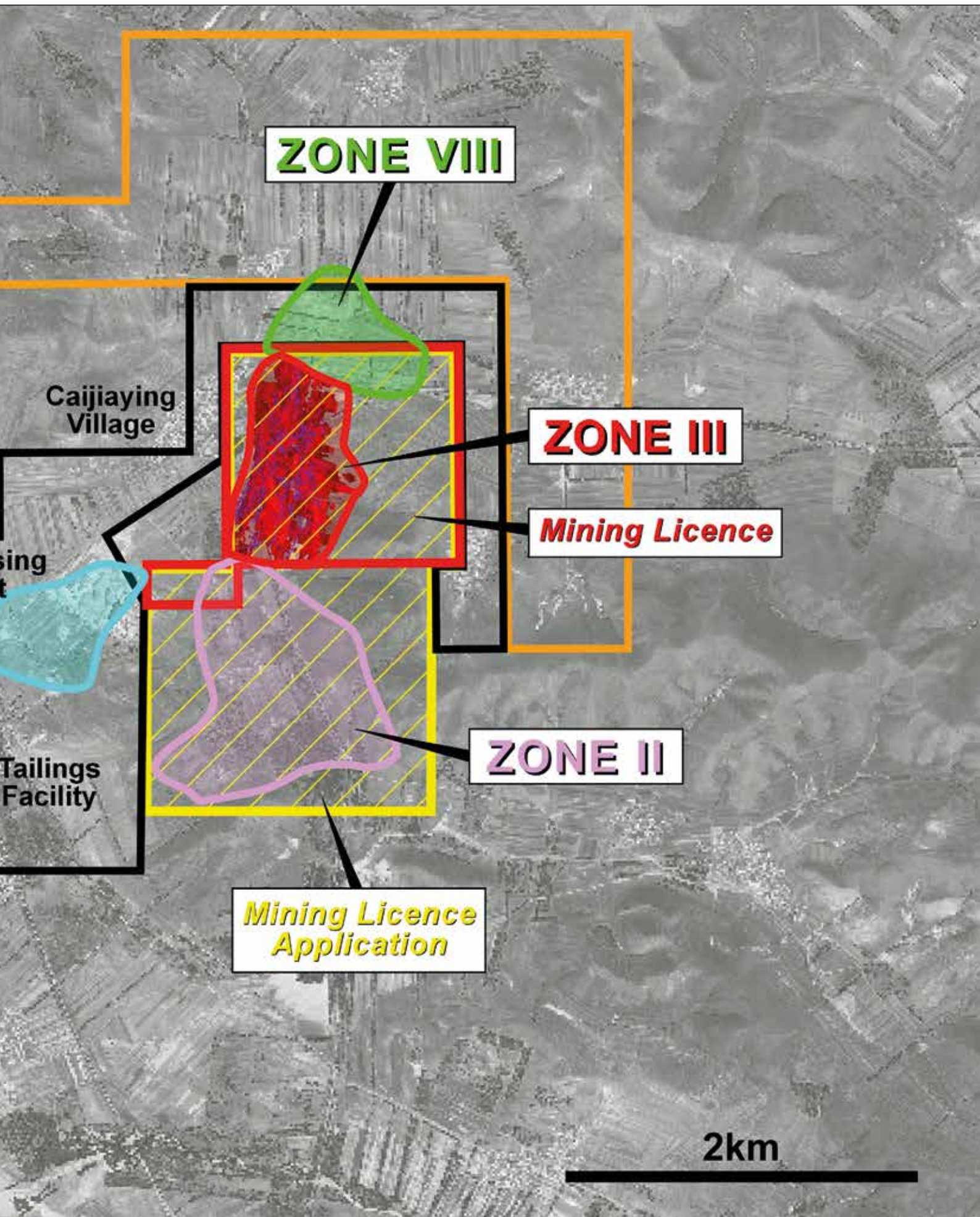
ZONE V

**HuaAo
Exploration
Licence**

**SinoAnglo
Exploration Licence**

**Process
Plant**

**Mine
Camp**





EXPLORATION (CONTINUED)

A major programme of relogging and litho geochemistry sampling has commenced for Zone II. This is to ensure that the knowledge obtained from Zone III litho geochemistry and structural geological modelling advances can be applied to Zone II ahead of the granting of the Zone II mining licence.

Hebei Anglo Area

Following the results of the 2017 surface drilling programme, Hebei Anglo was granted a 2-year extension to its exploration licence, which contains the possible northern strike extension of mineralisation observed in Zones III & VIII. This licence extension expires in July 2020 and an exploration strategy is currently being formulated to optimise this opportunity.

Shitouhulun and Sangongdi

Regional exploration focused on the Sangongdi prospect, 11 kilometres northwest of the Caijiaying Mine, where surface geochemical exploration in 2015-2017 (using the litho geochemistry indicators developed for Zone III) identified a significant mineralisation indicator anomaly. This work was followed up in 2018 by two surface geophysics programmes aimed at improving the geological understanding of the Sangongdi prospect ahead of the granting of approvals to conduct drilling at the area.

A static seismic survey was completed in April 2018 that successfully defined the depth of recent wind-blown cover sediments at Sangongdi. This survey also highlighted several major structural trends that appear to have controlled recent basin architecture and may have implications for mineralisation in the area.

A detailed ground magnetic survey was also completed over the prospect during 2018. The data collected has helped define the major geological structures in the area and modelling of the magnetic data has also provided an indication of the depth to the prospective Proterozoic basement rocks (that hosts the mineralisation at the Caijiaying Mine). The combination of the geophysics, litho geochemistry and surface mapping has facilitated the development of a solid geology interpretation and a structural map upon which the geochemical anomalies have been overlain. The work has culminated in a prioritised exploration target map for the Sangongdi prospect which will form the basis for further exploration.

Whilst Griffin retains an exclusive right for exploration at Shitouhulun and Sangongdi, further work is being minimised until such time as exploration licences over these areas are received.

PROPOSED 2019 EXPLORATION

Geochemical analysis and detailed structural mapping and 3D modelling will continue within the Caijiaying Mine to increase the understanding of the nature of the orebody. Regional exploration will continue with additional surface geophysics, surface geochemical sampling and analysis to evaluate targets for further consideration and drilling. Exploration will also be carried out in the Hebei Anglo exploration area.



OPERATIONS

The underground mine and surface processing plant operated safely and consistently during 2018.

A continued focus on safety and training of the Chinese workforce resulted in a “Lost Time Frequency Rate” of 2.2 (2017: 1.1) per one million hours being reported for the year while the “Total Recordable Injury Frequency Rate” of 13.3 per one million hours was maintained in line with the previous year.

A key focus for 2018 was the development of the North and South Declines from the 1175 metre level down to the 1000 metre level. By year end, both declines had been advanced to the 1060 metre level with an interlink drive connecting the declines at the 1100 metre level and only requiring a further 70 metres of additional development to connect the drives. Work also commenced on the establishment of a new 5 metre diameter, 300 metre deep, main exhaust shaft and a 5 metre diameter, 180 metre deep, fresh air intake shaft. Previously reported work on the development of a second portal was successfully completed in April 2018.

Compared to 2017, ore mined, hauled and processed for 2018 were impacted by the planned focus on the near term development of Zone III from the 1175 metre level down to the 1000 metre level. Capital development in 2018 was significantly higher than in 2017.

Production results for the Caijiaying Mine in 2018 can be summarised as follows:

- Ore mined of 872,069 tonnes (2017: 920,168 tonnes);
- Ore hauled of 922,424 tonnes (2017: 980,849 tonnes);
- Ore processed of 930,472 tonnes (2017: 968,080 tonnes);

Whilst metal in concentrate recoveries were broadly maintained, optimising underground stope scheduling, pillar recovery and maximising economic extraction resulted in a planned fall in the zinc equivalent head grade to 5.4% in 2018 from 6.3% in 2017. As a result:

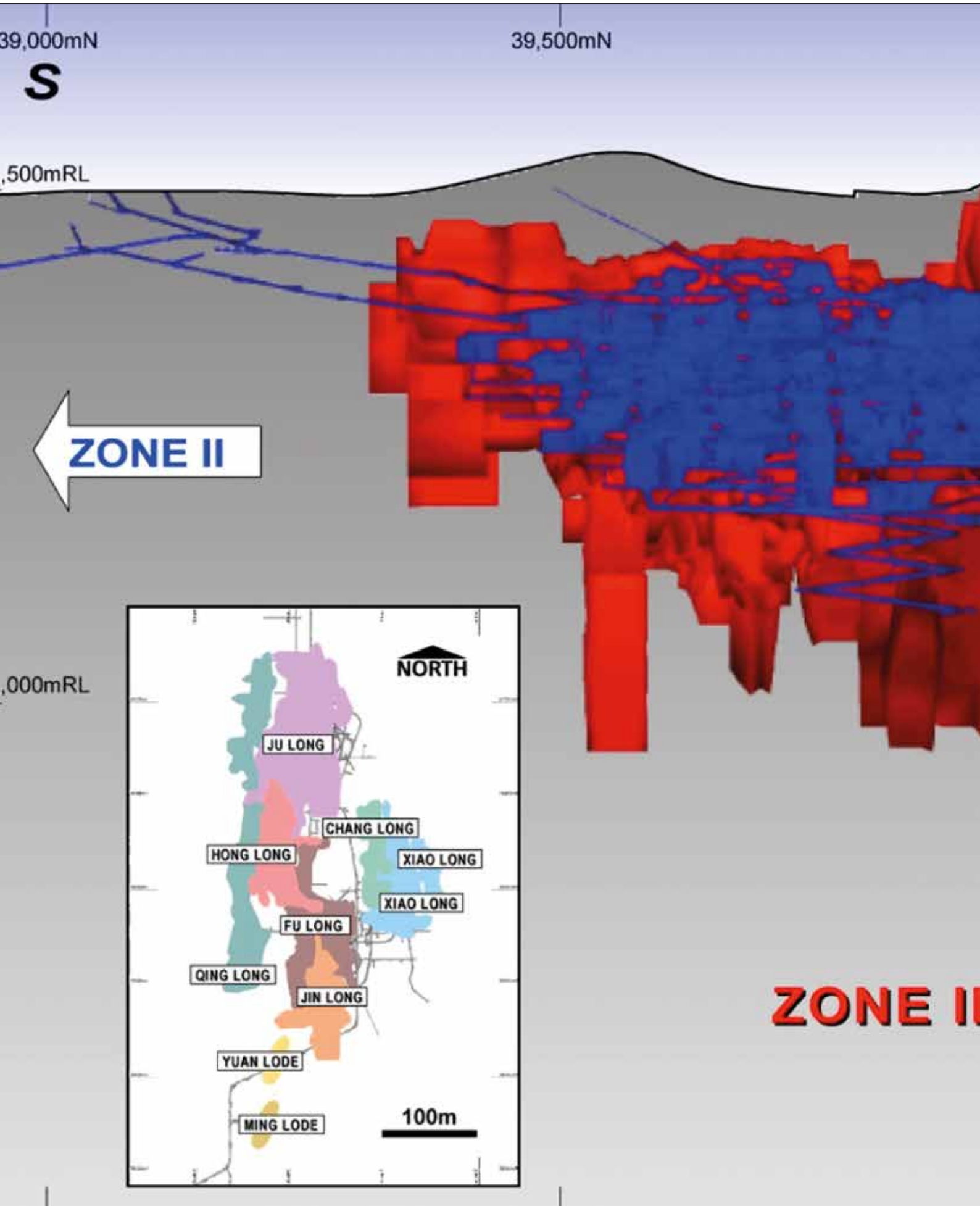
- Zinc metal in concentrate produced was 37,112 tonnes (2017: 43,403 tonnes);
- Gold metal in concentrate produced was 16,230 ozs (2017: 20,489 ozs);
- Silver metal in concentrate produced was 280,712 ozs (2017: 394,117 ozs); and

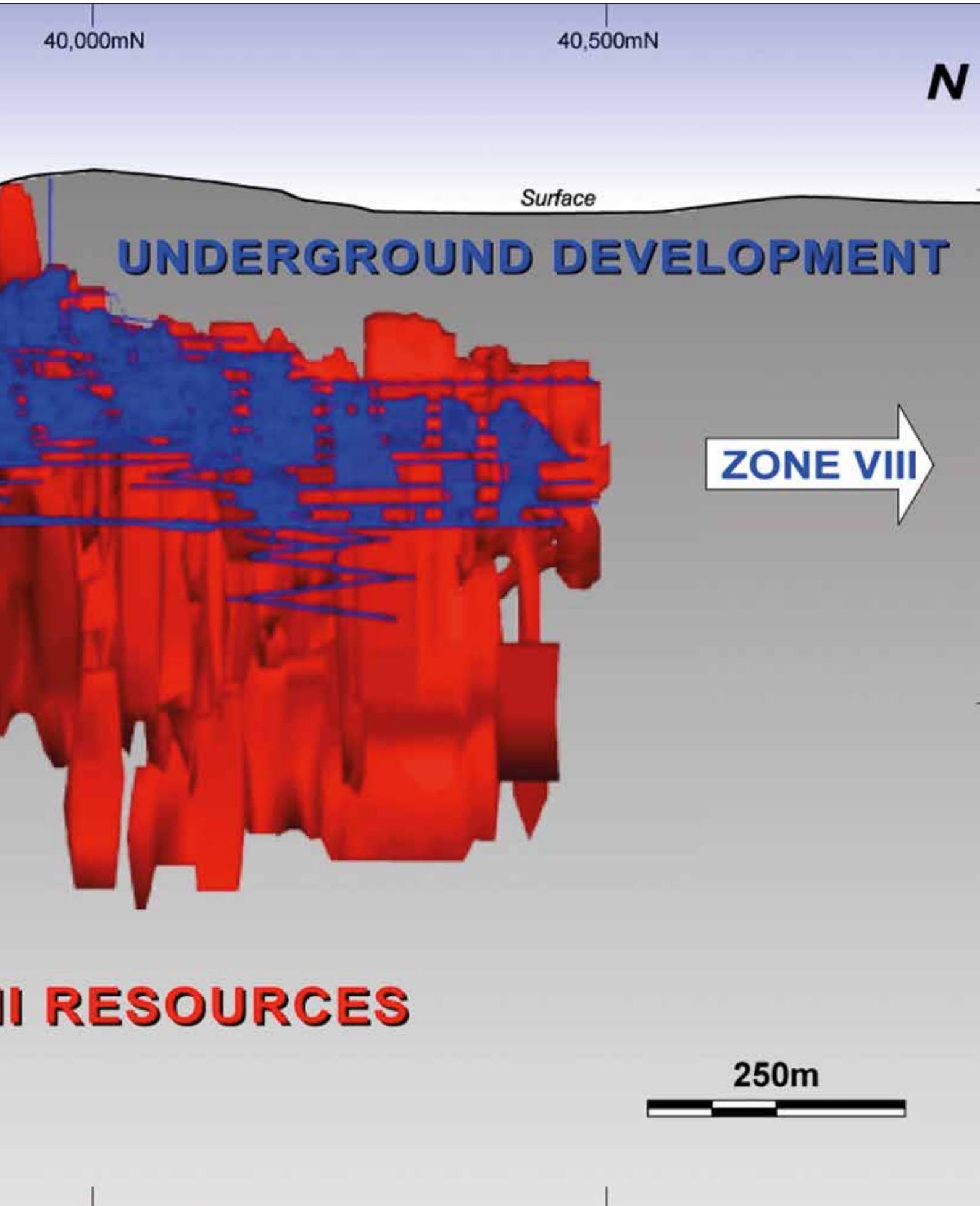
- Lead metal in concentrate produced was 1,030 tonnes (2017: 1,421 tonnes).

The programme to further modernise the Caijiaying Mine continued throughout 2018 with a twin boom electric hydraulic development drill and three fully enclosed cabin, 20 tonne haulage trucks, added to the fleet by the haulage contractor. The addition of the larger capacity haulage trucks has already had a positive benefit with more material being hauled from deeper in the Caijiaying Mine with less truck movements and greater reliability.

Underground development work was primarily focused on developing future stoping horizons between the 1175 metre and 1000 metre level. Capital development totalled 5,312 metres and operational development totalled 4,047 metres.

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





Long Section of Zone III Mineral Resource wireframes (red) and Underground Development and Stoping (purple) 17



ENVIRONMENTAL SAFEGUARDS & CONTRIBUTIONS

The Company, through Hebei Hua Ao, continues to maintain and further implement best practices regarding the protection of the environment. The Company believes this to be a moral, humane, community and planetary obligation. This includes:

- Controls to prevent the discharge of waste into the environment;
- Sewage treatment plants at the mine and camp sites to deal with all effluent produced;
- All water from the Caijiaying Mine and accommodation site 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 & 2. This work has included battering the waste dump slope and sheeting with soil ready for vegetation;
- 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;
- Maximum recycling of dry tailings by transportation to a local brickworks for use as base material in brick manufacturing;
- A dedicated waste collection building to accumulate Caijiaying Mine waste prior to sorting, collection and recycling where possible;

These environmental best practices have been recognised in the past by the Chinese Government with Hebei Hua Ao being presented with the Environmental Award and the Mine Development Outstanding Achievement Award at successive China Mining Conferences.

These practices were further augmented in 2018 with:

- 1,507 Poplar and 170 Pine trees planted around the Caijiaying Mine;
- 3 Total Suspended Particles (“TSP”) online monitoring systems being installed and continually monitored by the Municipal Environmental Protection Authority Information Centre;
- The Heavy Metal on-line monitoring equipment being replaced by more modern systems and monitored on-line by the Municipal Environmental Protection Authority Information Centre;
- The implementation of stage 1 of the ROM pad dust suppression project with dust suppression meshes and water spray system installed effectively controlling dust on the ROM pad;
- An upgrade of the dust collection system in the screening house with new dust collectors effectively reducing fine ore loss and dust discharge;
- The completion and acceptance of the 2018 clean production targets with the targeted reduction in heavy metal confirmed;
- The purchase of mist cannon and vacuum trucks for dust suppression leading to a substantial improvement in dust control at the Caijiaying Mine;
- The blending of semi-coke coal with common coal for use in boilers to reduce the discharge of smoke, sulphur dioxide and nitric oxide. The site boiler chimney was also waterproofed to ensure no irregular discharge and safety of operation;
- The planting of 570 Spruce trees around the new carpark at the entrance to the Caijiaying Mine gate;
- The accommodation camp courtyard has been expanded and the hardened area enlarged with further greening continuing including substantial vegetable gardens and flower beds; and
- Tailings recycling being further enhanced with 73,672.82 cubic metres of tailings shipped to a local brickworks which reduced the pressure of tailings storage and environmental encroachment.



COMMUNITY RELATIONS

The Company, through Hebei Hua Ao, has invested heavily in the local community with Hebei Hua Ao providing:

- In 2018, the drilling, construction and operation of a new water bore at Caijiaying village providing abundant and excellent quality water whilst maintaining the original water bore as a standby water supply;
- Construction and maintenance of sealed and reinforced roads in the greater Caijiaying area;
- Construction of a pedestrian and traffic bridge into the west side of Caijiaying Village;
- Finance for the construction of a local Kindergarten and Primary school, an Old Age Care Home and other infrastructure projects in the Caijiaying greater area;
- Winter coal supplies to the local primary and secondary schools;
- Establishment of “Project Hope” to provide scholarships to local students for ongoing study at primary, secondary and tertiary levels, including scholarships to overseas tertiary institutions;
- Donating the time of expatriate workers from the Caijiaying Mine every week to teach English at the local township school;
- Supplementary pension payments to the elderly in the Caijiaying area;
- Financial hardship alleviation support to local village residents;
- Entertainment allowances for local cultural events;
- Traditional local specialties for annual cultural events such as the Chinese Lunar New Year, Dragon Boat Festival and the mid-Autumn Festival; and
- 500 head of cattle to Caijiaying village to successfully create a dairy and cattle farm to ensure a more sustainable annual income less reliant on the seasonality of crops grown in the short summer months.

It is estimated that the Caijiaying Mine currently provides direct and indirect employment to over 1,000 Chinese nationals.

During 2018, Hebei Hua Ao paid RMB234m (\$34.8m) (2017: RMB191 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 Zhangbei County and one of the largest in Zhangjiakou City prefecture.







FINANCIAL RESULTS

In 2018, the Company and its subsidiaries (together the “Group”) recorded;

- Revenues of \$99,067,000 (2017: \$126,657,000);
- Operating profits of \$35,555,000 (2017: \$63,773,000);
- Profit before tax of \$34,798,000 (2017: \$60,877,000);
- Profit after tax of \$25,477,000 (2017: \$43,321,000); and
- Basic earnings per share of 14.83 cents (2017: 24.63 cents).

Lower profits in 2018 from the record results in 2017 resulted primarily from falling zinc metal prices received and lower metal in concentrate production from lower head grades.

Zinc metal in concentrate sales before royalties and resource taxes in 2018 amounted to \$78,821,000 compared with \$99,886,000 in 2017. Lead and precious metal in concentrate sales amounted to \$24,920,000 compared with \$32,758,000 in 2017.

In 2018, metal in concentrate sales were:

- Zinc 36,672 tonnes (2017: 43,342 tonnes);
- Gold 16,206 ounces (2017: 20,489 ounces);
- Silver 279,632 ounces (2017: 310,611 ounces); and
- Lead 1,027 tonnes (2017: 1,421 tonnes).

Average prices achieved in 2018 were:

- Zinc metal per tonne of \$2,149 (2017: \$2,305);
- Gold metal per ounce of \$1,173 (2017: \$1,183);
- Silver metal per ounce of \$12.60 (2017: \$13.50); and
- Lead metal per tonne of \$2,250 (2017: \$2,242).

Cost of sales of \$45,798,000 in 2018 were up 3.2% on that incurred in 2017 of \$44,360,000. This increase may be attributed to inflation in China with consequent wage increases, higher costs incurred extracting ore from greater depth, higher costs incurred backfilling waste material and tailings to minimise surface storage of tailings, higher power charges and changes in the recoverability of Chinese VAT inputs.

Administration expenses (including those of the Caijiaying Mine) have fallen 4.4% to \$17,714,000 from \$18,524,000 in 2017. This reduction was mainly due to lower service fees paid to Hebei Hua Ao’s Chinese shareholder, Yuanrun, of \$3,732,000 in 2018 compared with \$5,900,000 in 2017. Otherwise, administration costs were up reflecting inflationary pressures in China, the pursuit of the mining licence over Zone II and the expansion of activities of China Zinc Limited, the Company’s wholly owned Hong Kong investment and services subsidiary, in investigating potential ventures elsewhere in China. Central Company costs incurred outside China have been reduced.

Foreign exchange gains of \$42,000 (2017: \$87,000) were recorded in 2018.

Following the repayment of all bank loans in 2017, interest of \$223,000 was received on bank deposits in 2018 compared with \$143,000 in 2017.

Following the latest upgrade to the processing facilities, losses on the disposal of redundant plant and equipment of \$939,000 were recorded in 2018 compared to \$1,067,000 in 2017.

No bank loan interest was incurred in 2018 compared with \$1,772,000 in 2017. Finance costs on the lease of the dry tailings facility at Caijiaying of \$283,000 were incurred in 2018 compared with \$447,000 in 2017.

Income taxes of \$9,321,000 (2017: \$17,556,000) have been charged in 2018. This includes a deferred taxation credit of \$343,000 (2017: charge \$95,000).

Basic earnings per share in 2018 was 14.83 cents (2017: 24.63 cents) and diluted earnings per share was 13.35 cents (2017: 22.97 cents).

Cash generated from operations has been used to reduce liabilities resulting in net cash flow from operating activities of \$20,439,000, \$16,884,000 of which has been expended in further development of the Caijiaying Mine including equipment and exploration. In addition, 540,000 shares in the Company were bought in at a cost of \$917,000.

Attributable net assets per share at 31 December 2018 was \$1.22 (2017: \$1.13).



STRATEGIC REVIEW

The objective of the directors and management is to ensure the long term sustainability of the Company and its business to benefit its shareholders and other stakeholders. To achieve this objective, the directors and senior executives seek to add value, manage risks and minimise costs whilst pursuing economic returns commensurate to the risk taken pursuing the following strategy.

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 the Caijiaying Mine, investigation of prospective areas near the Caijiaying Mine and other potential projects in other provinces of China. In addition, the directors and senior executives evaluate other mining companies and projects worldwide to ascertain whether any acquisition can be made which has the possibility of matching the extraordinary returns provided by the Caijiaying Mine.

CAIJIAYING

The Caijiaying Mine's metal production capability has been augmented with continued extensive exploration, expansion of the mill processing facilities including grinding and flotation circuits and ongoing underground infrastructure development. Exploration has been focussed on identifying geological targets and evaluating the potential for significant additional resources. Whilst the existing Mineral Resource estimate confirms the availability of extensive resources at the Caijiaying Mine for increased production, further resource additions will provide an opportunity to further increase the Caijiaying Mine's production profile. This includes more extensive exploration not only at Zones II & III, but also at Zones V & VIII, which require extensive further drilling to fully understand the size and nature of these orebodies. Whilst the grant of a mining licence over Zone II will permit production to be raised to 1.5 million tonnes per annum, further expansion of operations will require further licences and permits from various Chinese authorities which are proving increasingly complex and time consuming to obtain.

ACQUISITIONS AND FURTHER PROJECTS

Whilst the Company continues to develop the Caijiaying Mine and explore the surrounding area, it also continues to search for, and investigate, other potential acquisitions 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. This does not include virgin, exploration ground, which requires long term exploration techniques, planning and licencing prior to any possible construction and commissioning of an operating mine. Any such projects found which match this criteria will be either ignored, or if seemingly of value, sold, joint ventured or offered in a separate vehicle to existing Griffin shareholders.

To effect this strategy, in 2018, the Company expanded the scope and activities of China Zinc Limited to encompass this new corporate goal. A China Development Manager and a local Hong Kong director were appointed with briefs to investigate mining tenements and projects in China and create a data base of the geology, exploration and mining activities in China. To date, this strategy has proved successful and an extensive data base has been created and numerous projects evaluated. No binding agreement has yet been executed with any property, person or Chinese entity.

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







CORPORATE GOVERNANCE

Griffin is incorporated in Bermuda, a jurisdiction which does not have a formal overarching corporate governance code. Under common law in Bermuda, shareholders are entitled to have the affairs of the Company conducted in accordance with general law and the Company's memorandum of association and bye-laws. The Company and its directors having reviewed and considered the various corporate governance codes and have adopted the Corporate Governance Code published by the UK Quoted Company Alliance ("QCA") and the principles contained therein. In effect, the directors continue to seek to add value, manage risks and minimise costs to ensure the long term sustainability of the Company and its business.

The board of directors (the "Board") includes a number of non-executive directors who, with the exception of Adam Usdan, 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.

The Board has formally established an audit committee and a remuneration committee. The audit committee and remuneration committee reports are given on pages 28 to 32. In view of the size of the Company and stability of the Board of directors and senior executives, a nomination committee has not been established but will be appointed as the need arises.

As required by Bermuda company law, all the directors are shareholders in the Company to align their interests with that of the shareholders.

Various safeguards and checks have been instigated as part of the Company's system of financial controls. 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; and
- Regular review of commodity prices and assessment of hedging requirements.

The directors recognise the principles in the QCA code and unless explained below have applied these principles where appropriate. In this regard:

- **Strategy:** 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 are focused on the further development of the Caijiaying Mine, investigation of prospective areas near the Caijiaying Mine and other potential projects in China. In addition the Company's directors and management continue to evaluate other mining companies and projects worldwide for potential acquisitions.
- **Shareholder expectations:** The Chairman and Finance Director maintain regular contact with significant shareholders and the Company retains an office in London as a point of contact for all shareholders and potential shareholders in order to gauge the needs and expectations of shareholders in the Company.
- **Stakeholders:** The Company through Hebei Hua Ao has invested heavily in the local community in China and continues to maintain and further implement best practices for the protection of the environment and for the benefit of the local community. Further details are given on pages 18 to 19.
- **Risks:** The Company and its directors have identified and keep under consideration the risks facing the Company and its subsidiaries ("the Group"). These risks and how they are managed are detailed in the directors' report on pages 39 to 41.
- **Board of directors, structure:** The board of directors is headed by a Chairman, who whilst not employed by the Company, spends a significant part of his time on the Company's business thereby acting in the nature of an Executive Chairman of the Company. The Company has no Chief Executive Officer. Accordingly the roles of Chief Executive Officer and Chairman have not



been separated as recommended by the QCA code for the above reason. The board also includes a full time executive Finance Director as well as two independent non executive directors.

- **Board of directors, skills:** The existing board of directors brings a balance of skills and experience to the Company, including legal, financial, mining, geological and market expertise. Details of each director are given in the biographies of each director on page 34.
- **Board performance:** The independent directors regularly consider the effectiveness and performance of the Chairman and Finance Director and vice-versa. A remuneration committee has been appointed with a brief to set performance criteria. All nominations are considered by the main board of directors of the Company.
- **Corporate culture:** Both the Chairman and Finance Director regularly visit the Group's operations to meet with management and other personnel. The Board of directors meets at least once a year at the Caijiaying Mine and elsewhere during the year. The safety of all personnel working at the Group's operations is a priority with formal procedures in place to prevent and report any safety and environmental issues. The Group will not deal with any organization or individual which it believes to be involved with slavery. The Company has formal procedures regarding the avoidance of bribery and corruption. The Group engages personnel regardless of race or gender.
- **Governance structures:** The Company has appointed a Chief Operating Officer who reports directly to the Chairman, who in turn reports directly to the board of directors. The Chief Operating officer oversees the Group's operations with individual department heads reporting directly to him. The Company has appointed a Chief Financial Officer in China who reports to both the Chief Operating Officer and directly to the Finance Director, who in turn reports to the board of directors. Individual department managers are able to communicate directly to the Chairman concerning any issues of concern. The board of directors has responsibility for setting the overall strategy of the Group, its performance, management and financial matters including, inter alia, the approval of budgets, significant capital expenditure and financial reports.

- **Shareholder communications:** In addition to the publication of annual and interim reports, regulatory news releases and maintaining a web site, as aforementioned, the Company communicates directly with major shareholders and maintains an office in London, in part, as a point of contact with shareholders.

Further details are provided on the Company's website.



REPORT OF THE AUDIT COMMITTEE

To comply with Corporate Governance requirements set by AIM in 2018 an audit committee was formed comprising the non-executive directors Dal Brynelsen, Rupert Crowe and Adam Usdan.

The Role of the Audit Committee

The Audit Committee assists the Board in its oversight of the Company's financial reporting, internal control and risk management. In this regard, the Audit Committee is charged with carrying out the following.

Financial Reporting

The Audit Committee monitors the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results and any other formal announcement relating to its financial performance whilst reviewing significant financial reporting issues and judgements contained within those announcements. The Audit Committee also reviews summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Audit Committee reviews and challenges where necessary:

- (a) The consistency of, and any changes to, accounting policies, both on a year on year basis and across the Company and its Group;
- (b) The methods used to account for significant or unusual transactions where different approaches are possible;
- (c) Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) The clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) All material information presented with the financial statements, such as the Operations and Financial Results and the corporate governance statement (insofar as it relates to the audit and risk management).

Internal Controls and Risk Management Systems

The Audit Committee:

- (a) Keeps under review the effectiveness of the Company's internal controls and risk management systems; and
- (b) Reviews and approve the statements to be included in the Annual Report concerning internal controls and risk management.

Whistle blowing

The Audit Committee reviews the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

External Audit

The Audit Committee:

- (a) Considers and makes recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Audit Committee oversees the selection process for new auditors and if an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) Oversees the relationship with the external auditors including (but not limited to):
 - (i) Approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) Assesses annually the auditors' independence and objectivity taking into account relevant national, professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;



- (iv) Satisfies that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
 - (v) Agree with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (vi) Monitors the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) Assesses annually the auditors' qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (c) Meets regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Audit Committee is required to meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (d) reviews and approves the annual audit plan and ensures that it is consistent with the scope of the audit engagement;
- (e) Reviews the findings of the audit with the external auditors. This includes but is not limited to, the following:
- (i) Discussion of any major issues which arose during the audit,
 - (ii) Any accounting and audit judgements, and
 - (iii) Levels of errors identified during the audit.
- (e) Reviews the effectiveness of the audit;
- (f) Reviews the representation letter(s) requested by the external auditors before they are signed by management;
- (g) Reviews the management letter and management's response to the auditors' findings and recommendations; and

- (h) Develops and implements a policy on the supply of non audit services by the external auditors, taking into account any relevant ethical guidance on the matter.

In order to fulfil these duties, the Audit Committee receives regular financial and other reports from management and has unfettered access to employees of the Company and its subsidiaries.

Having been formed during 2018, the Audit Committee has yet to fulfil a full year of its duties and as a result has only met on two occasions since being formed.

Rupert Crowe
Chairman of the Audit Committee

29 April 2019



REPORT OF THE REMUNERATION COMMITTEE

To comply with Corporate Governance requirements set by AIM in 2018, a remuneration committee (the “Remuneration Committee”) was formed comprising the non executive directors Dal Brynelsen and Adam Usdan.

The Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the broad policy for the remuneration and employment terms of the executive directors, Chairman and other senior executives and, in consultation with the Chairman, for determining the remuneration packages of such other members of the executive management of the Group, as it is designated to consider. The Committee is also responsible for the review of, and making recommendations to, the Board in connection with share option plans and performance related pay and their associated targets and for the oversight of employee benefit structures across the Group.

Apart from the one executive director, all the other Company executives are either employed by operating subsidiaries or independent contractors (contracting through professional service companies). Almost all of these executives or service companies are employed or retained by Hebei Hua Ao. As such, and as an operating mining company, Hebei Hua Ao has always applied remuneration standards commensurate with local and international mining industry standards and, far more importantly, the legal and cultural traditions of the People’s Republic of China.

The remuneration of non executive directors is a matter for the Board. No director may be involved in any decision as to their own remuneration.

This Remuneration Committee report includes a summary of the remuneration policy and the Annual Report on Remuneration.

Directors’ Remuneration Policy

With only one executive director in the Group, it would be inflexible, bureaucratically cumbersome and therefore inappropriate to have an extensive and prescriptive formula for determining one employee’s total compensation package. Accordingly the executive director’s remuneration is considered by the Remuneration Committee, with the assistance of outside executive compensation consultants, on a year by year basis.

Nevertheless, having been formed in 2018, the Remuneration Committee is currently assessing various remuneration policies to attract and retain future high-calibre executives and motivate them to develop and implement the Group’s business strategy in order to optimise long-term shareholder value. It is the intention that this policy will build on past practice and apply in the future.

The policy is being framed around the following key principles:

- Total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high-calibre executives;
- Total incentive-based rewards will be earned through the achievement of performance conditions consistent with shareholder interests;
- The design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk;
- In considering the market positioning of reward elements, account will be taken for the performance of the Group and of each individual executive director; and
- Reward practice will conform to best practice standards as far as reasonably practicable.

When formulating the scale and structure of remuneration, the Remuneration Committee considers a number of different factors including market practice and external market data of the level of remuneration offered to directors of similar type and seniority in other companies of the size and activities of the Company.

In addition, the pay and employment conditions of employees are also considered when determining directors’ remuneration. The Remuneration Committee may also seek advice from external consultants where appropriate and the services of FIT Remuneration Consultants were retained during 2018/2019. No director was involved in deciding the level and composition of their own remuneration.

The executive director receives an amount of fixed pay made up of a base salary, fixed fees from subsidiary companies and pension contribution.



No bonuses in recognition of short term performance were paid by the Company to any of the directors in 2018 but may do so in the future depending on various factors outlined above.

Long-term performance is incentivised by way of the grant of share options.

The Board seeks to strengthen the alignment of director, employee and shareholder interests.

Executive Directors' Remuneration for 2018

The executive directors' base salary was last increased with effect from 1 January 2014.

No bonus was paid to the executive director in 2018.

In 2018, Roger Goodwin (Finance Director and Company Secretary) received a basic salary of £315,000 (2017: £315,000) and pension contributions of £30,000 (2017: £30,000). In addition, he received director's fees of \$138,000 (2017: \$125,000) from subsidiary companies.

The service contract between the Company and Roger Goodwin provides for three months notice by either side or six months in the event of a change of control of the Company.

Chairman

The Chairman has dedicated a significant portion of his time to the Group and its operations and, as such, substantially fulfils the role of a Chief Executive Officer. His services are provided through a service entity, Keynes Capital, being the registered business name of Keynes Investments Pty Ltd as trustee for the Keynes Trust. In addition to the services of the Chairman, Keynes Capital provides supporting services

to the Company in Australia, including support staff and offices. The Chairman, Mladen Ninkov, is a director and employee of Keynes Investments Pty Ltd.

Under a consultancy agreement with the Company, Keynes Capital received fees of \$2,137,000 (2017: \$2,235,000), for the provision of advisory and support services to Griffin and its subsidiaries in 2018. This consultancy agreement runs from 1 July 2017 to 30 June 2019.

In addition to the above, the Chairman received directors fees from subsidiary companies of \$138,000 in 2018 (2017: \$125,000).

Long Term Incentives

In November 2018, with the unanimous agreement of all the issued option holders, the exercise periods were extended for outstanding share purchase options over:

- 4,350,000 new ordinary shares (vested) exercisable at 40 pence per new ordinary share;
- 10,732,500 new ordinary shares (vested) exercisable at 30 pence per new ordinary share; and
- 6,666,667 new ordinary shares (currently not vested) exercisable at 30 pence per new ordinary share.

This is from 31 December 2018 in respect of the options exercisable at 40 pence per share and from 31 December 2020 in respect of the options exercisable at 30 pence per share, to the 31 December 2022. This was aimed at preventing the need, in the short-term, for the majority of the option holders, once exercising their options, to sell a significant portion of the resulting issued shares to meet the associated subscription costs and personal income tax liabilities imposed on such exercise.

The following directors and senior executives agreed to the extension of options in which they have an interest:

Name	Number of options exercisable at 40 pence per new ordinary share.	Number of options exercisable at 30 pence per new ordinary share.	Number of options Vested at 40 pence per new ordinary share.
	Vested	Vested	Unvested
Roger Goodwin <i>Finance director</i>	500,000	1,000,000	500,000
Dal Brynelsen <i>Director</i>	-	600,000	300,000
Rupert Crowe <i>Director</i>	-	600,000	300,000
Adam Usdan <i>Director</i>	-	-	1,166,666
Mark Hine <i>Chief Operating Officer</i>	-	125,000	125,000

**REPORT OF THE REMUNERATION COMMITTEE (CONTINUED)**

As detailed in the Director's Report on pages 38 and 39, the options exercisable into new ordinary shares of the Company at an exercise of £0.40 per share were granted on 13 February 2014 and have all now vested.

As detailed in the Director's Report on page 39, the options exercisable into new ordinary shares of the Company at an exercise of £0.30 per share were granted on 6 February 2015, two thirds of which have vested with a further third of each holder's options vesting on the granting of a new mining licence over Zone II at the Caijiaying Mine.

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

Performance Incentives

Having been formed in 2018, the Remuneration Committee is consulting on short term bonus payments and a long term incentive plan in order to incentivise directors and senior executives. This will take account of the financial and operational performance of the Group.

Non Executive Directors

The non-executive Directors' fees were reviewed with effect from 1 July 2017 to take account of the time commitment and responsibilities of the non executive Directors. In order to compensate the non executive directors who are based outside the UK for the fall in the value of sterling, their fees were increased from £57,500 per annum to £66,125 per annum with effect from 1 July 2017.

In addition to the above Mr Dal Brynelsen received fees of \$114,000 (2017: \$113,000) for acting as a director of Hebei Hua Ao.

Total Directors' Remuneration

The table below sets out the total remuneration payable to the Directors:

	2018				2017			
	Fees	Salary	Pension Contributions	Total	Fees	Salary	Pension Contributions	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mladen Ninkov*	138	-	-	138	125	-	-	125
Dal Brynelsen	203	-	-	203	199	-	-	199
Rupert Crowe	89	-	-	89	97	-	-	97
Roger Goodwin	138	424	40	602	125	440	38	603
Adam Usdan	89	-	-	89	86	-	-	86
Total	657	424	40	1,121	632	440	38	1,110

*Keynes Capital, the registered business name of Keynes Investments Pty Ltd as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,137,000 (2017: \$2,235,000) for the provision of advisory and support services to Griffin and its subsidiaries during the year. Mladen Ninkov is a director and employee of Keynes Investments Pty Ltd.

Dal Brynelsen
Chairman of the Remuneration Committee
29 April 2019

Details of the share options and shares held by the directors are given on page 38.

No share options were granted to the directors in 2018 or 2017. In 2018, Adam Usdan exercised options over 2,333,333 new ordinary shares in the Company at an exercise price of £0.30 per share. Otherwise, no other options were exercised by the directors in 2018 and 2017.



Dust Suppressor in Operation at the Caijiaying Mine



DIRECTORS

Mladen Ninkov, Chairman, Australian, 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, is a Fellow of the Institute of Chartered Accountants in England and Wales. 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, 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 was the President and a director of Vangold Resources Limited.

Rupert Crowe, Director, Australian, 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, 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, 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 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 Pasmaenco, Broken Hill / Elura Mines

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

Dr Bo Zhou, General Manager China, Australian, 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.

Damian Houseman, General Manager Caijiaying Mine, Australian, holds a diploma in mining from the School of Science and Engineering, Ballarat University, Victoria, Australia (now Federal University of Australia). He has over 23 years' experience in the underground mining industry from underground operator to senior management roles. Prior to joining Griffin he was underground mine manager at Centamin's Sukari Gold Mine in Egypt. Previously he was with; Ausino Drilling Services Pty Ltd in China; RH Mining

Limited in China; Bariq Mining Ltd in Saudi Arabia; Downer Mining Limited in Papua New Guinea; Eldorado in China; and Xstrata in Australia.

Glenn Sheldon, China Zinc Business Development Manager, Australian, is a geologist holding a BSc from Adelaide University. He is a Fellow of the AusIMM and AIG, Member of SocEcGeol. He is fluent in Mandarin Chinese with special emphasis on geological and mineral industry Chinese. Prior to joining Griffin he was Principal Geologist for Mining Associates, providing competent person services to inter alia the Hong Kong Stock Exchange. Prior to that he was Vice President Exploration for RH Mining Resources Ltd in Hong Kong; Business Development Manager Exploration East Asia for Sandvik Mining and Construction; JV General Manager Dragon Mountain Gold in China; Exploration Manager, Lotus Resources plc in Mongolia; Chief Representative for Centerra Gold Inc in China; President and Exploration Manager for TVI Pacific's China WOFE - Hunan Pacific Geological Exploration Inc; Site Manager Jinfeng for Sino Gold Limited; Exploration and Business Development Manager for Newmont China Limited.

Shirley Tsang, Director, China Zinc Limited, British, is a Chartered Management Accountant (United Kingdom) and a CPA (Hong Kong & Australia). She holds a MBA (Finance) from the City University Business School, United Kingdom. She started her career as an auditor with Ernst & Whinney, and moved on to business advisory practice for international clients with Arthur Young. She had witnessed the global merger of Ernst & Whinney and Arthur Young, forming Ernst & Young in 1990 and sale of business in 2002 and 2017 respectively, of the Tricor Group. She was head of the China and Hong Kong business advisory practice from 2003 to 2017 in the Tricor Group. She has considerable experience in corporate restructuring for international clients, and best practice in corporate governance. She is currently Managing Director of SEAJA Consultancy Limited.



*Left to Right, Front Row:
Fusheng Li, Chief Mining Engineer; Mark Hine, Chief Operating Officer; Jack Jia, Mill Manager;
Jinsban Liu, Community Liaison Manager; Shikao Li, Administration Manager;*



*Second Row: Ian Lin, Mill Deputy Manager; John Zhang, Safety Manager;
Bo Zhou, Griffin Chief China Representative;
Dal Brynelsen, Director, Griffin; Susan, Executive Assistant to the Operations Manager;
Wendy Zhang, Chief Financial Officer; Cathy Jia, Human Resources Manager;
Adam Usdan, Director, Griffin; Graham Younge, Paul Benson, Geology Manager;*

*Back Row: Rupert Crowe, Director, Griffin; Mladen Ninkov, Chairman, Griffin;
Roger Goodwin, Finance Director, Griffin.*



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 2018.

FINANCIAL RESULTS

The Group profit before taxation for 2018 amounted to US\$34,798,000 (2017 US\$60,877,000). Taxation of US\$9,321,000 (2017 US\$17,556,000) has been provided. No dividends were paid in 2018 (2017 nil). US\$25,477,000 has been credited to reserves (2017 credited US\$43,321,000).

The basic earnings per share amounted to 14.83 cents (2017 24.63 cents). The attributable net asset value per share at 31 December 2018 amounted to 122 cents (2017 113 cents).

In view of the need for funds for the development of Zone II at Caijiaying, additional land for tailings facilities and upgrade of facilities to comply with environmental requirements in China, 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 2018 and the indication of likely future developments are set out on pages 6 to 23.

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 2018 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2018		At 1 January 2018			
	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	-	397,001	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	33,242,890	1,166,667	-	30,359,556	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 will entitle the holder to subscribe for new ordinary shares in the Company at an exercise price of £0.40 per share on or before 31 December 2018 subsequently extended to 31 December 2022. 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 will entitle 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 subsequently extended to 31 December 2022. 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.

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.

Risk	Comment	Business Impact	Mitigation
Economic Risks			
Exposure to a fall in zinc, gold, 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 costs.	Moderate	The Renminbi is loosely pegged to the US dollar. Griffin keeps under review the appropriateness of hedging the Renminbi.
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.



DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Comment	Business Impact	Mitigation
Country Risks			
Exposure to political and social risks in the Peoples 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 over 20 years in which time the country has been relatively stable, and anticipates near term stability in the country.
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.
Operational Risks			
Reliance on Third Party Contractors	Griffin uses a number of related and 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 foremen who constantly oversee all contractors' activities, inter alia, punishing and fining construction for safety breaches. Griffin keeps under consideration moving to owner operated 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.



DIRECTORS' REPORT

Risk	Comment	Business Impact	Mitigation
Other Risks			
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.
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. Sufficient suitably qualified senior management are retained at the Caijiaying mine to provide for back up and roster rotation with additional support from external consultants
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.
Bribery and Corruption	Whilst strict internal policies and procedures to ensure compliance with applicable laws are applied to prohibit all forms of bribery and corruption the risk remains that employees or contractors have circumvented these policies and procedures which could result in prosecution of the Group and its officers.	Moderate	The Group prohibits bribery and corruption in any form by directors, employees or by those working for and/or connected with the business. With the advice and support of the Group's lawyers the Group has implemented anti bribery and corruption policies and procedures including: Anti-bribery instruction to staff and third party contractors; On-going monitoring, including setting up reporting channels; and Regular review of anti-bribery reporting policies and procedures.



DIRECTORS' REPORT

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP were appointed auditors after a formal tender at a Special General Meeting of the Company held on 26 September 2018 and have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their appointment will be put to the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable law and regulation.

The Bermuda Companies Act 1981 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The directors must not approve the financial statements unless they are satisfied that the financial statements 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 the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors 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 keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure the financial statements comply with applicable law and regulation.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Roger Goodwin

Finance Director and Company Secretary

29 April 2019



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, Griffin Mining Limited's consolidated financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Report and Accounts 2018 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 December 2018; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended; and the Notes To The Financial Statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

Overview



- Overall Group materiality: \$1.7 million, based on 5% of profit before tax.
- We conducted full scope audits of three components out of the Group's nine entities which were selected due to their size and risk characteristics.
- This enabled us to obtain coverage of 100% of consolidated revenue, 100% coverage of consolidated profit before tax and 99% coverage of total assets for the Group.
- The Group audit team visited the China operations as part of our audit in order to have sufficient oversight of the work of our component auditors in China. This included a site visit to the Caijiaying zinc mine.
- Recoverability of resources and impact on property, plant and equipment carrying value and depreciation; and
- Completeness and valuation of the decommissioning provision.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Recoverability of resources and impact on property, plant and equipment carrying value and depreciation

See page 58 Significant Judgements and Estimates and note 10 Property, Plant and Equipment.

The assets of the operating mine are owned by Hebei Hua Ao Mining Industry Company Limited in which the Group has an 88.8% interest through a business licence.

In 2012 the previous business licence was extended to 2037 in a transaction that included increasing the Group's interest from 60% to 88.8%. The cost to the Group of the transaction was \$110 million.

Management expect that they will be able to renew the business licence before 2037, however the cost and terms of renewal are not known. As the current mine life extends beyond 2037, due to the uncertainty surrounding extending the business licence, management has restricted recovered resources, for the purposes of calculating depreciation and assessing the appropriateness of the carrying value of property, plant and equipment, to those resources expected to be mined before 2037 in the life of mine plan.

The life of mine plan is used in unit of production depreciation calculations and for impairment testing purposes.

We have obtained management's life of mine plan and tested the key inputs used in the model which we consider are reasonable.

For impairment testing and depreciation a key assumption is volumes processed before expiry of the current licence in 2037.

We have reviewed management's production forecasts in the life of mine plan and concur with the estimate of the amount of resources which can be recovered before 2037.

We have agreed these production forecasts to those used in the impairment testing and depreciation calculations.

Finally we considered the adequacy of management's disclosure of the key judgements and sensitivities in relation to recoverable resources in the Resource statement on page 10 and in the significant estimates and judgements on page 58.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

KEY AUDIT MATTER

Completeness and valuation of the decommissioning provision

See page 59 Significant Judgements and Estimates and note 18 Long-Term Provisions.

A provision of \$2.3 million has been made for the decommissioning of the Group's Caijiaying Mine based on a rate of RMB 0.5 per tonne of estimated resources recovered (in accordance with the laws and regulations of China) multiplied by the expected recoverable resource to 2037 when the business licence expires.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have recalculated the decommissioning provision based on the statutory rate through agreeing the cost per tonne to statutory laws and the tonnes mined to the life of mine plan.

In addition we have tested management's internal estimate of future costs through considering the completeness of the work program and tested the reasonableness of cost estimates through comparing them to actuals previously incurred for similar works.

We concur with management that the provision calculated using the rate in accordance with the laws and regulations of China is therefore an appropriate estimate of the decommissioning provision.

Finally we considered the adequacy of management's disclosure of the key judgements in relation to the decommissioning liability in the Significant Estimates and Judgements on page 59 and in note 18 to the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

Griffin Mining Limited is a Bermuda company listed on AIM. The Group's principal operation is the Caijiaying zinc mine in China.

Our group audit scope focused primarily on the Caijiaying zinc mine in China, which was subject to a full-scope audit by our component team in China. A full scope audit was also performed over the exploration company in China by the component team and the parent company by the Group team. The above gave us coverage of 100% of consolidated revenue, 100% coverage of consolidated profit before tax and 99% coverage of total assets for the Group.

The Group team's involvement also comprised of conference calls, review of component auditor work papers, attendance at component audit clearance meetings and other forms of communication as considered necessary. In addition, senior members of the Group audit team performed a site visit to the operating asset in China. The Group engagement team directly performed the audit of the consolidation. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	\$1.7 million
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We have assessed profit before tax as being the most appropriate benchmark as it is the key indicator of the Group's performance.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$38,000 and \$1.4 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$85,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities In Respect Of The Financial Statements set out on page 42, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The engagement partner on the audit resulting in this independent auditors' report is Timothy McAllister.

PricewaterhouseCoopers LLP
Chartered Accountants
Embankment Place

29 April 2019

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2018

(expressed in thousands US dollars)

	Notes	2018 \$000	2017 \$000
Revenue	1	99,067	126,657
Cost of sales	1	<u>(45,798)</u>	<u>(44,360)</u>
Gross profit		53,269	82,297
Administration expenses	1	<u>(17,714)</u>	<u>(18,524)</u>
Profit from operations	2	35,555	63,773
Losses on disposal of plant and equipment	4	(939)	(1,067)
Foreign exchange gains		42	87
Finance income	5	223	143
Finance costs	6	(283)	(2,219)
Other income	7	<u>200</u>	<u>160</u>
Profit before tax		34,798	60,877
Income tax expense	8	<u>(9,321)</u>	<u>(17,556)</u>
Profit for the year		<u><u>25,477</u></u>	<u><u>43,321</u></u>
Basic earnings per share (cents)	9	<u><u>14.83</u></u>	<u><u>24.63</u></u>
Diluted earnings per share (cents)	9	<u><u>13.35</u></u>	<u><u>22.97</u></u>

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

(expressed in thousands US dollars)

	2018	2017
	\$000	\$000
Profit for the year	<u>25,477</u>	<u>43,321</u>
Other comprehensive (expenses) / income that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	<u>(5,856)</u>	<u>5,004</u>
Other comprehensive (expenses) / income for the year, net of tax	<u>(5,856)</u>	<u>5,004</u>
Total comprehensive income for the year	<u><u>19,621</u></u>	<u><u>48,325</u></u>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018
(expressed in thousands US dollars)

	Notes	2018 \$000	2017 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	10	213,140	214,695
Intangible assets – exploration interests	11	2,016	2,035
		<u>215,156</u>	<u>216,730</u>
Current assets			
Inventories	12	4,951	5,868
Receivables and other current assets	13	2,819	4,374
Cash and cash equivalents		28,452	26,518
		<u>36,222</u>	<u>36,760</u>
Total assets		<u><u>251,378</u></u>	<u><u>253,490</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	1,727	1,700
Share premium		68,442	67,295
Contributing surplus		3,690	3,690
Share based payments		2,072	2,072
Shares held in treasury	15	(917)	-
Chinese statutory re-investment reserve		2,386	2,204
Other reserve on acquisition of non controlling interests		(29,346)	(29,346)
Foreign exchange reserve		4,027	9,777
Profit and loss reserve		159,161	133,972
Total equity attributable to equity holders of the parent		<u>211,242</u>	<u>191,364</u>
Non-current liabilities			
Long-term provisions	18	2,302	2,418
Deferred taxation	19	2,393	2,865
Finance lease	20	258	712
		<u>4,953</u>	<u>5,995</u>
Current liabilities			
Trade and other payables	21	33,632	52,437
Finance lease	20	1,551	3,694
Total current liabilities		<u>35,183</u>	<u>56,131</u>
Total equities and liabilities		<u><u>251,378</u></u>	<u><u>253,490</u></u>
Attributable net asset value per share to equity holders of parent	22	\$1.22	\$ 1.13

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The financial statements on pages 48 to 73 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

29 April 2019



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(expressed in thousands US dollars)

	Share capital	Share premium	Share based payments	Contributing surplus	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 2016	1,790	71,310	2,072	3,690	(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
<i>Other comprehensive income:</i>										
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	2,072	3,690	-	2,204	(29,346)	9,777	133,972	191,364
Regulatory transfer for future investment	-	-	-	-	-	288	-	-	(288)	-
Issue of shares on exercise of options	27	1,147	-	-	-	-	-	-	-	1,174
Purchase of shares held in treasury	-	-	-	-	(917)	-	-	-	-	(917)
Transaction with owners	27	1,147	-	-	(917)	288	-	-	(288)	257
Profit for the year	-	-	-	-	-	-	-	-	25,477	25,477
<i>Other comprehensive income:</i>										
Exchange differences on translating foreign operations	-	-	-	-	-	(106)	-	(5,750)	-	(5,856)
Total comprehensive income	-	-	-	-	-	(106)	-	(5,750)	25,477	19,621
At 31 December 2018	1,727	68,442	2,072	3,690	(917)	2,386	(29,346)	4,027	159,161	211,242

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED CASH FLOW STATEMENT**For the year ended 31 December 2018
(expressed in thousands US dollars)

	Notes	2018 \$000	2017 \$000
Cash flows from operating activities			
Profit before taxation		34,798	60,877
Foreign exchange gains		(42)	(87)
Finance income	5	(223)	(143)
Finance costs	6	283	2,219
Depreciation	10	10,328	9,783
Losses on disposal of equipment		939	1,067
Decrease in inventories		917	280
(Increase) / decrease in receivables and other current assets		(1,059)	3,928
(Decrease) / increase in trade and other payables		(12,917)	7,621
Taxation paid		(12,585)	(8,108)
Net cash inflow from operating activities		<u>20,439</u>	<u>77,437</u>
Cash flows from investing activities			
Interest received	5	223	143
Proceeds on disposal of equipment		351	184
Payments to acquire – mineral interests	10	(10,669)	(9,330)
Payments to acquire – plant and equipment	10	(6,134)	(4,125)
Payments to acquire – office equipment	10	-	(2)
Payments to acquire intangible fixed assets – exploration interests	11	(81)	(128)
Net cash outflow from investing activities		<u>(16,310)</u>	<u>(13,258)</u>
Cash flows from financing activities			
Issue of ordinary shares on exercise of options		1,174	-
Purchase of shares held in treasury		(917)	(230)
Interest paid		-	(1,773)
Finance lease repayments		(2,728)	(2,943)
Repayment of bank loans		-	(46,024)
Net cash outflow from financing activities		<u>(2,471)</u>	<u>(50,970)</u>
Increase in cash and cash equivalents		1,658	13,209
Cash and cash equivalents at the beginning of the year		26,518	13,218
Effects of foreign exchange rates		276	91
Cash and cash equivalents at the end of the year		<u>28,452</u>	<u>26,518</u>
Cash and cash equivalents comprise bank deposits			
Bank deposits		<u>28,452</u>	<u>26,518</u>

Included within net cash flows of \$1,658,000 (2017 \$13,209,000) are foreign exchange gains of \$42,000 (2017 gains \$87,000) which have been treated as realised.

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union and in accordance with the Bermuda Companies Act. The significant accounting policies adopted are detailed below: These policies have been consistently applied to all years unless otherwise stated.

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9, 'Financial Instruments'; and
- IFRS 15, 'Revenue from Contracts with Customers';

These accounting policies have not had any material impact on the Group's financial position or financial performance.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' and its related interpretations. It will result in almost all leases being recognised on the Balance Sheet as, from a lessee perspective, the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of \$451,000 as detailed in Note 27 on page 73. These commitments are all within the scope of IFRS and relate to the Group's property leases. The Group expects to recognise right-of-use assets of approximately \$350,000 and lease liabilities of approximately \$445,000 on 1 January 2019. Net current assets will be approximately \$137,000 lower due to the presentation of a portion of the liability as a current liability. The Group expects that profit before tax will increase by approximately \$14,000 for 2019 as a result of adopting the new rules. Depreciation of property, plant and equipment and finance costs are expected to increase by approximately \$124,000 and \$22,000 respectively. Cash flows from operating activities are expected to increase by approximately \$160,000 because repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

GOING CONCERN

The financial statements have been prepared on a going concern basis. Having considered the cash resources, banking facilities and forecasts for 12 months from the date of this report, the directors do not anticipate any going concern issues.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

CONSOLIDATION BASIS

The Group financial statements consolidate the financial statements 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 and concluded that it has significant control.

In making its judgment, 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.

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 the performance obligations are satisfied and are recognised following open auction of metals in concentrate and where delivery is taken and cash received within 30 days of the agreement. There has been no impact on revenue recognition by the Group following the introduction of IFRS 15.

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. Until such time intangible assets are not depreciated. 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.

DEPRECIATION

Depreciation rates reflect the term of operations, extractable resource, and economic lives of the assets as follows:

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



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

IMPAIRMENT

A review for impairment indicators at each reporting date is undertaken. In the event of impairment indicators being identified, an impairment test is carried out to assess whether the net book value of the capitalised costs in each area of interest is covered by the discounted future cash flows from reserves within that area of interest. 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 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	Measured and indicated 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

Further details are given in note 10.

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 financial statements in accordance with local requirements which is anticipated to be greater than the actual costs of site restoration.

INVENTORIES

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

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

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

FINANCIAL ASSETS

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

FINANCIAL ASSETS (CONTINUED)

Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

From 1 January 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 13 for further details.

Accounting policies applied until 31 December 2017

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.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above. Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

FINANCIAL ASSETS (CONTINUED)

If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment would be recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

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 financial statements 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 financial statements of overseas subsidiary undertakings are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and income statement items are translated at the average rate for the year. The exchange difference arising on the retranslation of opening net assets is recognised in other comprehensive income and accumulated in the foreign exchange reserve.

All other translation differences are taken to profit or loss.

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

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Contributing surplus" is a statutory reserve for the maintenance of capital under Bermuda company law and was created on a reduction in the par value of the Company's ordinary shares on 15 March 2001.
- "Share based payments" represents equity-settled share-based remuneration until such share options are exercised.
- "Foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Chinese statutory re-investment reserve" represents a statutory retained earnings reserve under PRC law for future investment by Hebei Hua-Ao.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

EQUITY (CONTINUED)

- “other reserves on acquisition of non controlling interests” represents the excess of the purchase price paid to acquire non controlling interest rights over the non controlling interests in subsidiary companies.
- “Profit and loss reserve” represents retained profits and losses.

Non-controlling interests are determined by reference to the underlying agreements, 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.

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 2018 the total expense recognised in profit or loss arising from share based transactions was nil (2017: nil).

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:

Judgements

- In assessing potential impairment adjustments and depreciation, reference is made to measured, indicated, and inferred mineral resources and future production to 2037 when Hebei Hua Ao’s current business licence expires with all future production from Zone III at Caijiaying. It is further assumed that all necessary permits will be obtained.

Estimates

- 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 forecast production uplifted to 1.5Mt per annum of ore and costs, the directors have determined that the Group requires the market price of zinc to be above \$2,230 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.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

- 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 and indicated 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.

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 financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

DIVIDENDS

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

TAXATION

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

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

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.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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.

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 revenue and costs of sales in 2018 and 2017 were derived from the Caijiaying zinc gold mine. All revenue is recognised at a point in time.

	2018	2017
	\$000	\$000
REVENUE		
China	<u>99,067</u>	<u>126,657</u>
Zinc concentrate sales	78,821	99,886
Lead and precious metals concentrate sales	24,920	32,758
Royalties and resource taxes	(4,674)	(5,987)
	<u>99,067</u>	<u>126,657</u>
COST OF SALES: CHINA		
Mining costs	16,680	16,630
Haulage costs	8,374	8,130
Processing costs	10,423	9,681
Depreciation (excluding depreciation in administration expenses)	9,652	9,182
Stock movements	669	737
	<u>45,798</u>	<u>44,360</u>
ADMINISTRATION EXPENSES		
China	13,122	13,819
Australia	442	434
UK / Bermuda	4,150	4,271
	<u>17,714</u>	<u>18,524</u>

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

TOTAL ASSETS

China	245,505	250,809
Australia	924	641
UK / Bermuda	4,949	2,040
	<u>251,378</u>	<u>253,490</u>

CAPITAL EXPENDITURE

China	16,884	13,455
UK / Bermuda	-	2
	<u>16,884</u>	<u>13,457</u>

2. PROFIT FROM OPERATIONS

	2018	2017
	\$000	\$000
Profit from operations is stated after charging		
Fees for the audit of the Company	88	64
Fees for the audit of subsidiaries	110	79
Staff costs	9,410	7,439
Service fees to Zhangjiakou Yuanrun Enterprise Management	4,120	6,286
	<u>4,728</u>	<u>14,068</u>
	No.	No.
Average number of persons employed by the Group in the year	<u>421</u>	<u>390</u>



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 contributions	Total 2018	Fees	Salary	Pension contributions	Total
2017	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mladen Ninkov*	138	-	-	138	125	-	-	125
Dal Brynelsen	203	-	-	203	199	-	-	199
Rupert Crowe	89	-	-	89	97	-	-	97
Roger Goodwin	138	424	40	602	125	440	38	603
Adam Usdan	89	-	-	89	86	-	-	86
	657	424	40	1,121	632	440	38	1,110
Key personnel	114	1,473	15	1,602	-	1,544	-	1,544
	771	1,897	55	2,723	632	1,984	38	2,654

*Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,137,000 (2017 \$2,235,000), 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 granted to the directors in 2018 or 2017. In 2018 Adam Usdan exercised options over 2,333,333 new ordinary shares in the Company at an exercise price of 30 pence per share. Otherwise, no other options were exercised by the directors in 2018 and 2017.

4. LOSSES ON DISPOSAL OF PLANT AND EQUIPMENT

	2018	2017
	\$000	\$000
Loss on disposal of plant and equipment	<u>939</u>	<u>1,067</u>

5. FINANCE INCOME

	2018	2017
	\$000	\$000
Interest on bank deposits	<u>223</u>	<u>143</u>

6. FINANCE COSTS

	2018	2017
	\$000	\$000
Interest payable on short term bank loans	-	1,772
Finance lease interest	<u>283</u>	<u>447</u>
	<u>283</u>	<u>2,219</u>

7. OTHER INCOME

	2018	2017
	\$000	\$000
Scrap and sundry other sales	<u>200</u>	<u>160</u>



NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	2018	2017
	\$000	\$000
Profit for the year before tax	<u>34,798</u>	<u>60,877</u>
Expected tax expense at a standard rate of PRC income tax of 25% (2017 25%)	8,699	15,219
<i>Adjustment for tax exempt items:</i>		
- Income and expenses outside the PRC not subject to tax	629	854
<i>Adjustments for short term timing differences:</i>		
- In respect of accounting differences	(704)	(490)
- Other	-	162
Adjustments for permanent timing differences re prior year adjustments	(185)	-
Adjustments for permanent timing differences other	1,154	1,678
Withholding tax on intercompany dividends and charges	71	38
Current taxation expense	<u>9,664</u>	<u>17,461</u>
Deferred taxation (credit)/expense		
Correction of provision brought forward	(674)	-
Origination and reversal of temporary timing differences	331	95
Total tax expense	<u>9,321</u>	<u>17,556</u>

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 2018 (25% in 2017) based upon the profits calculated under Chinese Generally Accepted Accounting Principles (Chinese “GAAP”).

Withholding tax is recognised as a current tax charge when paid. As the Company can control the timing of payments giving rise to withholding tax, deferred tax liabilities for unpaid withholding taxes on unremitted earnings and undistributed dividend payments are recognised using a ‘probable’ threshold (based on the recognition threshold in IAS 12), and are reflected at the amount expected to be paid to taxation authorities. Unremitted earnings and undistributed dividend payments from the Groups Chinese mining operation total US\$98m.

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:

	2018			2017		
	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	25,477	171,842,166	14.83	43,321	175,894,007	24.63
Dilutive effect of securities						
Options	-	16,494,541	(1.48)	-	12,703,367	(1.66)
Diluted earnings per share	<u>25,477</u>	<u>188,336,707</u>	<u>13.35</u>	<u>43,321</u>	<u>188,597,374</u>	<u>22.97</u>



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 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
Foreign exchange adjustments	(4,450)	(2,291)	-	(6,741)
Additions during the year	10,669	6,134	-	16,803
Disposals	-	(1,289)	-	(1,289)
Depreciation charge for the year	(5,927)	(4,374)	(27)	(10,328)
At 31 December 2018	167,338	45,747	55	213,140
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
At 31 December 2018				
Cost	205,840	72,028	134	278,002
Accumulated depreciation	(38,502)	(26,281)	(79)	(64,862)
Net carrying amount	167,338	45,747	55	213,140

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

Property, plant and equipment includes \$15,034,000 (2017: \$13,170,000) of assets under construction yet to be depreciated.

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 \$4,035,000 (2017: \$3,428,000) has been provided. At 31 December 2018 the net carrying amount of this equipment was \$7,534,000 (2017: \$8,723,000).

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.



NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The directors have reassessed the net carrying value of capitalised costs at 31 December 2018 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 \$2,700 per tonne and gold of \$1,300 per troy ounce;
- Future production from Zone III at Caijiaying to end of the business licence in 2037 with ore mined and processed rising to 1.5 million tonnes of ore per annum;
- Costs based upon past performance and that budgeted for 2019;
- Discount interest rate of 10%; and
- Continued maintenance and grant of applicable licences and permits.

11. INTANGIBLE ASSETS - EXPLORATION INTERESTS

China – Zinc / gold exploration interests	\$000
At 1 January 2017	1,792
Foreign exchange adjustments	115
Additions during the year	128
At 31 December 2017	<u>2,035</u>
Foreign exchange adjustments	(100)
Additions during the year	81
At 31 December 2018	<u>2,016</u>

Intangible assets represent cost on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work in respect to regional exploration incurred by Hebei Sino Anglo. 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 2018 \$nil (2017: \$nil) had been provided and charged to the income statement in respect of the above exploration costs.

12. INVENTORIES

	2018	2017
	\$000	\$000
Underground ore stocks	979	2,147
Surface ore stocks	458	708
Concentrate ore stocks	843	225
Spare parts and consumables	2,671	2,788
	<u>4,951</u>	<u>5,868</u>

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

13. RECEIVABLES AND OTHER CURRENT ASSETS

	2018	2017
	\$000	\$000
Advance to Zhangjiakou Yuanrun Enterprise Management and Service Centre	-	2,613
Other receivables	558	276
Prepayments	2,261	1,485
	<u>2,819</u>	<u>4,374</u>

Any expected credit losses on the recoverability of receivables is not expected to be material.



NOTES TO THE FINANCIAL STATEMENTS

14. SHARE CAPITAL

	2018		2017	
	Number	\$000	Number	\$000
AUTHORISED:				
Ordinary shares of US\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US\$0.01 each				
At 1 January	169,993,727	1,700	179,041,830	1,790
Cancellation of shares held in treasury during the year	-	-	(9,048,103)	(90)
Shares issued in the year on exercise of share purchase options	2,755,001	27	-	-
At 31 December	<u>172,748,728</u>	<u>1,727</u>	<u>169,993,727</u>	<u>1,700</u>

During the year share purchase options over 166,667 new ordinary shares were exercised at 40 pence per share and share purchase options over 2,588,334 new ordinary shares were exercised at 30 pence per share.

15. SHARES HELD IN TREASURY

	2018		2017	
	Number	\$000	Number	\$000
At 1 January	-	-	8,703,103	3,875
Bought back in during the year	540,000	917	345,000	230
Cancelled during the year	-	-	(9,048,103)	(4,105)
At 31 December	<u>540,000</u>	<u>917</u>	<u>-</u>	<u>-</u>

During the year 540,000 (2017: 345,000) of the Company's ordinary shares were purchased at an average price of 126.2p (2017: 53.2p) per share.

16. SHARE OPTIONS

	At 1 January 2018 Number	Granted/ (exercised) Number	At 31 December 2018 Number
Options exercisable at 30 pence per share to 31 December 2022 (2017: 31 December 2020)	20,000,000	(2,588,334)	17,411,666
Options exercisable at 40 pence per share to 31 December 2012 (2022: 31 December 2018)	5,000,000	(166,667)	4,833,333
	<u>25,000,000</u>	<u>(2,755,001)</u>	<u>22,244,999</u>

During the year share purchase options over 166,667 new ordinary shares were exercised at 40 pence per share and share purchase options over 2,588,334 new ordinary shares were exercised at 30 pence per share.

In November 2018 and with the unanimous agreement of all the issued option holders, the exercise periods of the share purchase options were extended from 31 December 2018 in respect of the options exercisable at 40 pence per share and 31 December 2020 in respect of the options exercisable at 30 pence per share, to the 31 December 2022.



NOTES TO THE FINANCIAL STATEMENTS

16. SHARE OPTIONS (CONTINUED)

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

	2018		2017	
	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
Exercised during the year	(2,755,001)	(30.6)	-	-
Outstanding at 31 December	<u>22,244,999</u>	<u>32.5</u>	<u>25,000,000</u>	<u>32.2</u>

The estimated value of the options exercisable at 40p up to 31 December 2022, 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 2022, which vest 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 2022	Options expiring 31 December 2022
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 (2017: \$nil) during the year ended 31 December relating to equity settled share option scheme transactions.

17. DIVIDENDS

No dividends were paid in 2018 (2017: nil).

18. LONG-TERM PROVISIONS

PROVISIONS FOR MINE CLOSURE COSTS	2018	2017
	\$000	\$000
At 1 January	2,418	2,277
Foreign exchange adjustments	(116)	141
At 31 December	<u>2,302</u>	<u>2,418</u>

Provision for mine closure and rehabilitation costs has been made in accordance with the laws and regulations of China at a rate of RMB0.5 per tonne of estimated resources.



NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED TAXATION

	2018	2017
	\$000	\$000
At 1 January	2,865	2,607
Foreign exchange adjustments	(129)	163
Charge for the year	331	95
Credit with respect to prior years	(674)	-
At 31 December	<u>2,393</u>	<u>2,865</u>

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 deductible for taxation purposes.

20. FINANCE LEASE

	2018	2017
	\$000	\$000
Amounts falling due in more than one year	258	712
Amounts falling due within one year	<u>1,551</u>	<u>3,694</u>
	<u>1,809</u>	<u>4,406</u>

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

	2018	2017
	\$000	\$000
Trade creditors	9,684	12,904
Other creditors	3,935	7,902
Taxation payable	9,428	12,349
Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd	4,542	12,418
Accruals	6,043	6,864
	<u>33,632</u>	<u>52,437</u>

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

22. ATTRIBUTABLE NET ASSET VALUE PER SHARE TO TOTAL EQUITY PER HOLDERS OF PARENT SHARES

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 2018 of \$211,242,000 (\$191,364,000 at 31 December 2017) divided by the number of ordinary shares in issue at 31 December 2018 of 172,748,728 (169,993,727 at 31 December 2017).



NOTES TO THE FINANCIAL STATEMENTS

23. 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, Hong Kong Dollars and Australian Dollar 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. 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:

	2018	2017
	\$000	\$000
Short term bank deposits	<u>488</u>	<u>290</u>

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

	2018	2017
	\$000	\$000
Short term bank deposits	<u>919</u>	<u>636</u>

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

	2018	2017
	\$000	\$000
Short term bank deposits	<u>22,085</u>	<u>23,388</u>

The table below illustrates the sensitivity of the net results for the year and equity with regards to the Group's sterling deposits and the sterling US Dollar exchange rate. It assumes a + / - 15% (2017 15%) change in the sterling exchange rate for the year ended 31 December 2018. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2018. 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% (2017 15%) this would have had the following impact:

	2018	2017
	\$000	\$000
Net result for the year and on equity	<u>54</u>	<u>51</u>

If sterling had weakened against the US Dollar by 15% (2017: 15%) this would have the following impact:

	2018	2017
	\$000	\$000
Net result for the year and on equity	<u>(44)</u>	<u>(38)</u>



NOTES TO THE FINANCIAL STATEMENTS

23. RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk (continued)

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:

	2018			2017		
	GBP	Rmb	AusD	GBP	Rmb	AusD
	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets	635	27,325	926	592	27,455	821
Financial liabilities	(147)	(35,233)	(61)	(145)	(44,040)	(13)
Short term exposure	<u>488</u>	<u>(7,908)</u>	<u>865</u>	<u>447</u>	<u>(16,585)</u>	<u>808</u>

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% (2017 + 300% - 100%), with effect from the beginning of the year. These changes are considered to be reasonable based on observation of current market conditions within which the Group operates.

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

	2018		2017	
	Plus 300%	Minus 100%	Plus 300%	Minus 100%
	\$000	\$000	\$000	\$000
Net result for the year	<u>677</u>	<u>(223)</u>	<u>618</u>	<u>(206)</u>

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

	2018			2017		
	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	28,452	-	28,452	26,518	-	26,518
Other receivables	-	2,819	2,819	-	4,374	4,374
Total Financial Assets	<u>28,452</u>	<u>2,819</u>	<u>31,271</u>	<u>26,518</u>	<u>4,374</u>	<u>30,892</u>
Finance lease liabilities	(1,809)	-	(1,809)	(4,406)	-	(4,406)
Trade and other payables	-	(33,632)	(33,632)	-	(52,437)	(52,437)
Total Financial Liabilities	<u>(1,809)</u>	<u>(33,632)</u>	<u>(35,441)</u>	<u>(4,406)</u>	<u>(52,437)</u>	<u>(56,843)</u>
Net Financial (liabilities)	<u>26,643</u>	<u>(30,813)</u>	<u>(4,170)</u>	<u>22,112</u>	<u>(48,063)</u>	<u>(25,951)</u>



NOTES TO THE FINANCIAL STATEMENTS

23. RISK MANAGEMENT (CONTINUED)

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 2018 or in 2017.

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% (2017 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.

	2018		2017	
	Plus 20% \$000	Minus 20% \$000	Plus 20% \$000	Minus 20% \$000
Net result for the year – zinc	<u>11,724</u>	<u>(11,724)</u>	<u>14,686</u>	<u>(14,686)</u>
Net result for year – gold	<u>2,856</u>	<u>(2,856)</u>	<u>3,636</u>	<u>(3,636)</u>
Net result for year – silver	<u>531</u>	<u>(531)</u>	<u>799</u>	<u>(799)</u>

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.

24. 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 \$211,242,000 at 31 December 2018.



NOTES TO THE FINANCIAL STATEMENTS

25. 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, Hong Kong and Australia, whose costs are denominated in local currencies.

In the normal course of its operations the Group is exposed to commodity price, foreign currency and interest rate risks.

The Group places funds in excess of immediate requirements in US dollar, Chinese Renminbi, Hong Kong dollars, and sterling deposits with a number of banks to spread currency, interest rate and bank risk. These deposits are kept under regular review to maximise interest receivable and with reference to future expenditure and future currency requirements.

Commodity prices are monitored on a regular basis to ensure the Group receives fair value for its products.

The Group holds the following financial investments:

	2018	2017
	\$000	\$000
FINANCIAL ASSETS		
Financial assets at amortised cost	-	-
Cash and cash equivalents	<u>28,452</u>	26,518
	<u>28,452</u>	<u>26,518</u>
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost	1,809	4,406
Trade and other payables	<u>18,161</u>	<u>33,224</u>
	<u>19,970</u>	<u>37,630</u>

26. SUBSIDIARY COMPANIES

At 31 December 2018, Griffin Mining Limited had interests in the share capital of the following principal subsidiary companies.

<i>Name</i>	<i>Class of Share held</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>	<i>Country of incorporation</i>
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.



NOTES TO THE FINANCIAL STATEMENTS

26. SUBSIDIARY COMPANIES (CONTINUED)

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 \$3,732,000 (2017: \$5,900,000) are included in net operating costs rather than attributable to non-controlling interests. Likewise the amounts due at 31 December 2018 of \$4,542,000 (2017: \$12,418,000) are included in other payables rather than due to non-controlling interests within equity within the Consolidated Statement of Financial Position, as described in the accounting policies.

27. COMMITMENTS

At 31 December 2018 the Group had capital commitments of \$3,600,000 (31 December 2017 \$345,000).

At 31 December the Group had operating lease commitments of

	2018	2017
	\$000	\$000
Within one year	160	160
Between one and five years	291	450
	<u>451</u>	<u>610</u>

28. RELATED PARTIES

Keynes Capital

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,137,000 (2017: \$2,235,000), 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.

Zhangjiakou Yuanrun Enterprise Management and Service Centre

During the year \$4,120,000 was charged (2017 \$6,286,000 charged) relating to service charges paid to Zhangjiakou Yuanrun Enterprise Management and Service Centre, the Group's joint venture partner in Hebei Hua Ao in connection with local PRC licensing and permitting requirements and land acquisitions. At 31 December 2018 \$4,542,000 (2017: \$12,418,000) was due to this company. At 31 December 2018 there were no amounts advanced to this company (2017: \$2,613,000).

29. POST BALANCE SHEET EVENTS

At 31 December 2018 there were no adjusting post balance sheet events (2017: none)







CORPORATE INFORMATION

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Registered office:	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
China Zinc Pty Ltd office:	Level 9, BGC Centre, 28 The Esplanade, Perth WA 6000, Australia. Telephone: + 61(0)8 9321 7143 / Facsimile: + 61(0)8 9321 7035
Directors:	Mladen Ninkov (Chairman) Roger Goodwin (Finance Director) Dal Brynelsen Rupert Crowe Adam Usdan
Company Secretary:	Roger Goodwin
Nominated Adviser And Broker for AIM:	Panmure Gordon (UK) Limited One New Change, London EC4M 9AF, UK.
Independent Auditors:	PricewaterhouseCoopers LLP 1 Embankment Place, London, WC2N 6RH, UK.
Solicitors:	Bird and Bird 8/F China World Office 1, Jianguomenwai Dajie, Chao Yang District, Beijing 10004, PRC. Conyers Dill & Pearman Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Addleshaw Goddard LLP Milton Gate, 60 Chiswell Street, London EC1Y 4AG, UK. King & Wood Malleson 9/E, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
Bankers:	HSBC Bank plc 27-32 Poultry, London EC2P 2BX, UK. The Hong Kong and Shanghai Banking Corporation Limited HSBC Main Building, 1 Queen's Road, Central, Hong Kong. HSBC Bank of Bermuda Ltd 6 Front Street, Hamilton HM11, Bermuda.
UK Registrars And Transfer Agents:	Link Market Services (Jersey) Limited 12 Castle Street, St Helier, Jersey JE2 3RT, UK.