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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).

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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 2019 calendar and financial year (the “Annual Report”). Although 2019 turned out to be a successful year operationally for the Company, very low commodity prices coupled with very high treatment charges produced a below average financial result. In addition, as has been the case for far too many years to remember, any success was overshadowed by the continuing failure of regulatory authorities in China to issue the Company with its new mining licence over Zone II at the Caijiaying Mine.

Production of zinc, gold, silver and lead all increased in 2019 but prices received for zinc, gold and lead all decreased sharply leading to a 17% fall in revenue and a subsequent 60% fall in operating profit. For anyone who has ever read one of my Annual Report missives, my standard comment every year is that mining is a fixed cost business. Provided we can control our costs and maintain our production, we are at the vagaries of world commodity prices for our financial success, and even more importantly, to treatment charges offered by smelters in China. Unfortunately, 2019 was a particularly bad year for both.

Operationally, the focus was on developing Zone III for greater, and more efficient, production and that was achieved by the continued development and linking of the North and South Declines and associated infrastructure down to the 1000mRL; the development of the South Haulage Drive in preparation for the commencement of development into Zone II; significant mine ventilation improvements including two new 5 metre diameter ventilation shafts developed from surface together with an underground 5 metre diameter ventilation shaft down to the 1175mRL level and the completion of three ventilation shafts (the Underground Fresh Air Shaft totalling 126 metres, the Main Exhaust Ventilation Shaft totalling 305 metres and the Central Fresh Air Shaft totalling 176 metres) significantly improving ventilation and the working environment underground.

Geologically, the resource base continued to expand. Even more astonishingly, the conversion rate at the Caijiaying Mine from an Inferred to a Measured or Indicated Resource is effectively 157% based on a comparison of previous and current Mineral Resource Estimate reports. This means that exploration and resource definition drilling is not only successfully converting existing Inferred mineralisation to higher categories, but also defining new Measured or

Indicated mineralisation. This is an extraordinary statistic and gives enormous comfort for the ultra-long mine life the Company will enjoy at the Caijiaying Mine.

In addition, ongoing exploration has utilised knowledge gained from the evolving structural model at Zone III to enable re-interpretation of structure in the adjacent zones. This is allowing the resource models for Zones II and VIII to be more accurately measured, leading to the probability of new resource estimates to be released in 2020 for these zones.

Yet, in light of all the above progress, 2019 has been overshadowed by the extraordinary beginning to 2020, the effects which remain with us still and will do for at least the next decade and perhaps forever. At the Company level, the declaration of a pandemic by the government of the People's Republic of China on the 24 January 2020 due to the Covid-19 outbreak forced mining and underground development operations not to restart after the traditional 2 week mining shutdown for the Chinese New Year holidays. Ore stockpiled at surface was processed until exhausted on the 30 January 2020, at which time the mill was placed on care and maintenance. Operations restarted on the 21 February 2020. Underground mining operations reached 100% of planned rates by the 13 March 2020 and, with a new supply of ore, processing operations by late March 2020. Nevertheless, international travel restrictions remain in place preventing foreign personnel returning to the Caijiaying due to the prohibition of entry into China to anyone other than Chinese citizens and permanent residents. This is currently having only a limited impact upon operations at the Caijiaying Mine.

At the operational level, we are grateful that we find our operations based in north-west China where Covid-19 virtually did not appear nor did it severely disrupt economic activity. Further, we operate, and our commodities are sold, in China where the economy has virtually returned to full production, albeit not with the projected economic growth estimated in 2019. It has been particularly pleasing to see the treatment charges start to fall significantly in the last 2 months, inevitably due to the lack of imports of foreign sourced concentrates by Chinese smelters.

At the Company level, thanks must be extended to the prudence of the directors with their long experience in the mining sector and the nature of the cyclical nature of commodities who only allowed debt to be incurred at the operational level to build or expand the operations at the

Caijiaying Mine. Retained earnings, which also could have been paid out in dividends, were retained for the same capital needs. In addition, borrowings were never taken at the Griffin holding company level to buy back stock, something which will not only bankrupt a multitude companies, but also many industries, including the US Airline industry, without massive government assistance.

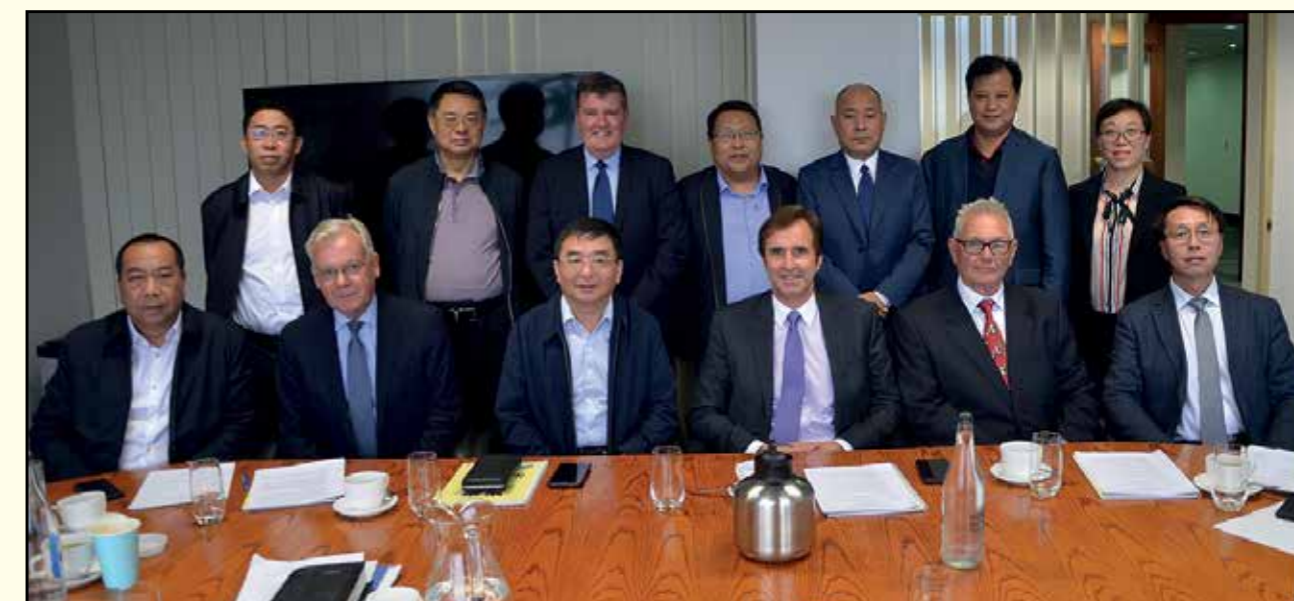
The Covid-19 crisis, debt laden balance sheets and the continuing low commodity price environment has shown the words of Warren Buffet to be truer than ever, “Only when the tide goes out do you discover who's been swimming naked.” The last 3 months has seen a large closure of marginal zinc mines and world zinc production falling by at least 10%. This trend will inevitably get worse before it gets better, but it bodes well for the zinc price.

With the expectation of the granting of the new mining licence and the doubling of production, the Company appointed a new Nominated Advisor and Broker, Numis Securities Limited. We look forward to a long and successful relationship as the Company takes the next giant step in its growth.

Penultimately, it's my privilege to thank the people who have gone, and continue to go, the extra yard to maintain the Company's status as the only foreign owned mining company operating in China. That is an achievement almost none can imagine in its complexity, intricacy, difficulty and exhausting nature. It deserves all of our thanks. From the truly outstanding Company directors, our Chinese joint venture directors, our senior foreign staff, our Chinese operational staff, our contractors, consultants, Chinese government officials, spouses, partners and their children, I thank you for your time, excellence and dedication on behalf of the shareholders. You have been extraordinary.

Lastly, and always most importantly, thank you to you the shareholders and owners of the Company. The road has been long, arduous and often without reward. Your patience, faith and commitment has all too often been tested. Yet some of you, like one of your directors, Adan Usdan, have stood the test of time. My sincerest wish is that this year the old adage finally comes true that “All good things come to those who wait.” I hope the wait is nearly over.

Mladen Ninkov
Chairman
16 June 2020



Hebei Hua Ao Directors Meeting, Perth, West Australia, August 2019

From left to right: back row: Chen Wanjun (Deputy Director of Zhangjiakou City State Assets Bureau); Gao Ling (Chief of Zhangjiakou Environmental Protection Agency); Mark Hine (Chief Operating Officer - Griffin); He Xi (Deputy Chief of Hebei Bureau of Geology and Mineral Resources); Xing Jun (Chief of Zhangjiakou Emergency Response Bureau); Wen Xuan (Deputy Chief of Zhangjiakou Bureau of Natural Resources); Sun Xiaoyan (Interpreter). Front row: Sun Huiguang (Director); Roger Goodwin (Director); Jin Shengchang (Deputy Chairman); Mladen Ninkov (Chairman); Dal Brynelsen (Director); Bo Zhou (Chief Representative China - Griffin).



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, in the People’s Republic of China (“the PRC”) at Caijiaying (the “Caijiaying Mine”).

The Company also holds 90% of Hebei Sino Anglo Mining Development Company Limited (“Hebei Anglo”), which holds currently 15.7 square kilometres of exploration licences immediately surrounding the Hebei Hua Ao

licence area. These licences are expected to be transferred in the near future to Griffin’s joint venture partner, the Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd (“Yuanrun”), to allow their retention under PRC law within the Hebei Hua Ao Group. Should a mining licence be granted over this area at any point in the future, this new licence may be contractually transferred back to Hebei Anglo at the Company’s option.

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

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 separate 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 has recently been constructed and commissioned. 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 Yuanrun, the shareholders of which are the Zhangjiakou City People’s Government and the Third Geological Brigade of Hebei Province (the “Third Brigade”).

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 (“China Zinc”), 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.

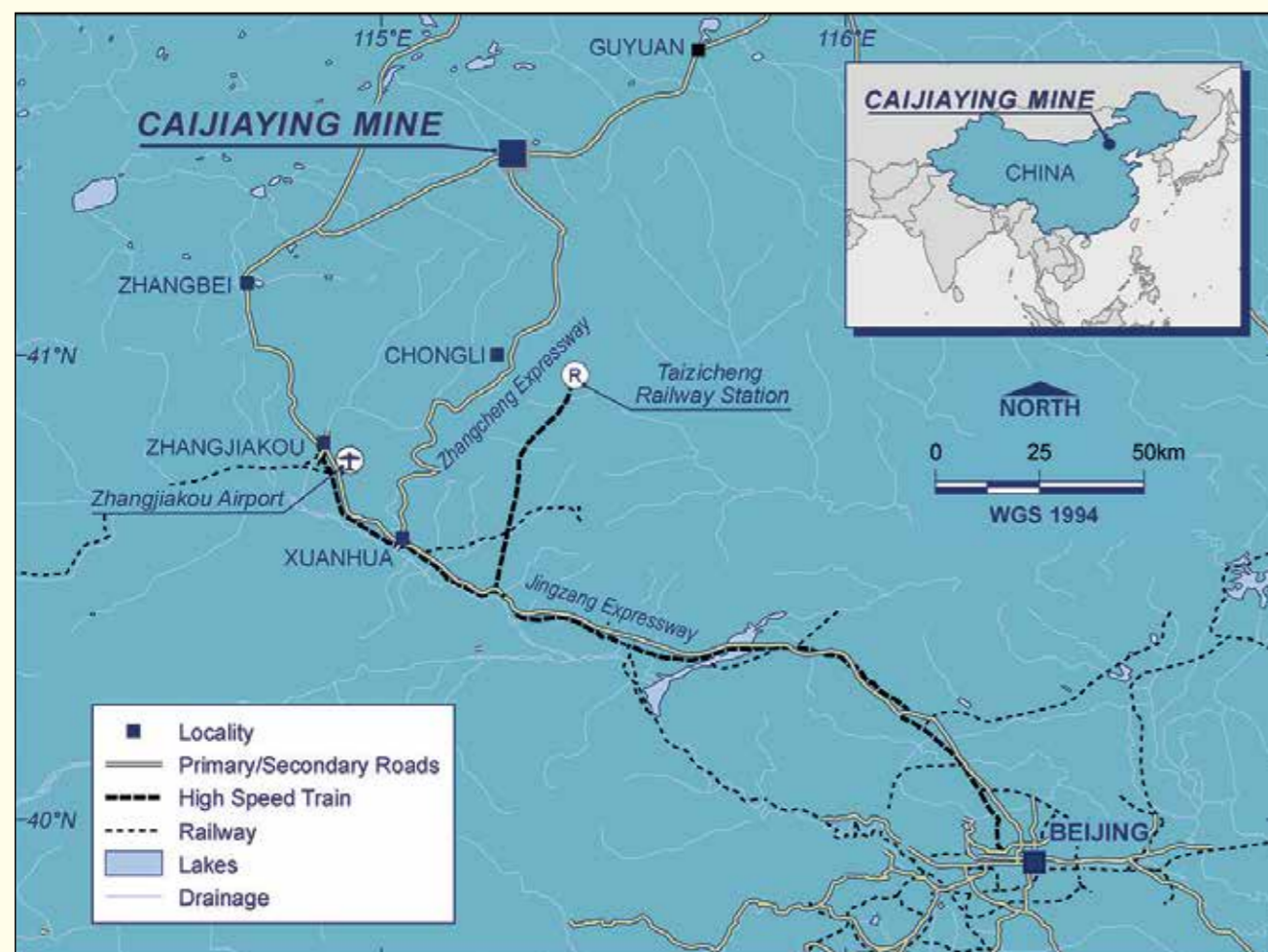
In January 2004, a second contractual joint venture company, Hebei Sino Anglo Mining Development Company Limited (“Hebei Anglo”), was formed to hold the mineral rights to the area surrounding the original Hebei Hua Ao licence area and any other areas of interest in Hebei Province. Griffin, through its wholly owned UK subsidiary, Panda Resources

Limited, has a 90% interest in Hebei Anglo whilst Yuanrun holds 10%. As Griffin investigates other areas of interest and projects in China, Hebei Anglo may be used to invest in potential projects of interest to Griffin in China.

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 with the 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.



Geographic location of the Caijiaying Mine, People’s Republic of China



MINERAL RESOURCE ESTIMATES

The Zone III Mineral Resource estimate is based on interpretation and estimation carried out in March 2019. Zone III is currently being mined. The Mineral Resource estimate has been depleted for mining production through to 31 December, 2019 and includes 8,000 tonnes of surface stockpiles surveyed on 31 December 2019.

Caijiaying Zone III Mineral Resources 31 December 2019									
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	19.4	4.6	0.2	22.9	0.7	887	43	14,291	397
Indicated	10.0	4.0	0.2	18.1	0.6	400	17	5,843	186
Inferred	17.9	4.0	0.2	21.5	0.4	722	36	12,423	211
Sub-Total	47.4	4.2	0.2	21.4	0.5	2,009	97	32,556	794

Caijiaying Zone III Mineral Resources 31 December 2019									
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	0.7	0.8	0.1	19.8	3.0	6	1	446	67
Sub-Total	0.7	0.8	0.1	19.8	3.0	6	1	446	67

Caijiaying Zone II Mineral Resources 31 December 2019									
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	24.8	0.3	123	27	3,243	39
Inferred	15.6	3.3	0.8	24.5	0.2	516	117	12,277	124
Sub-Total	19.6	3.3	0.7	24.6	0.3	638	144	15,520	164

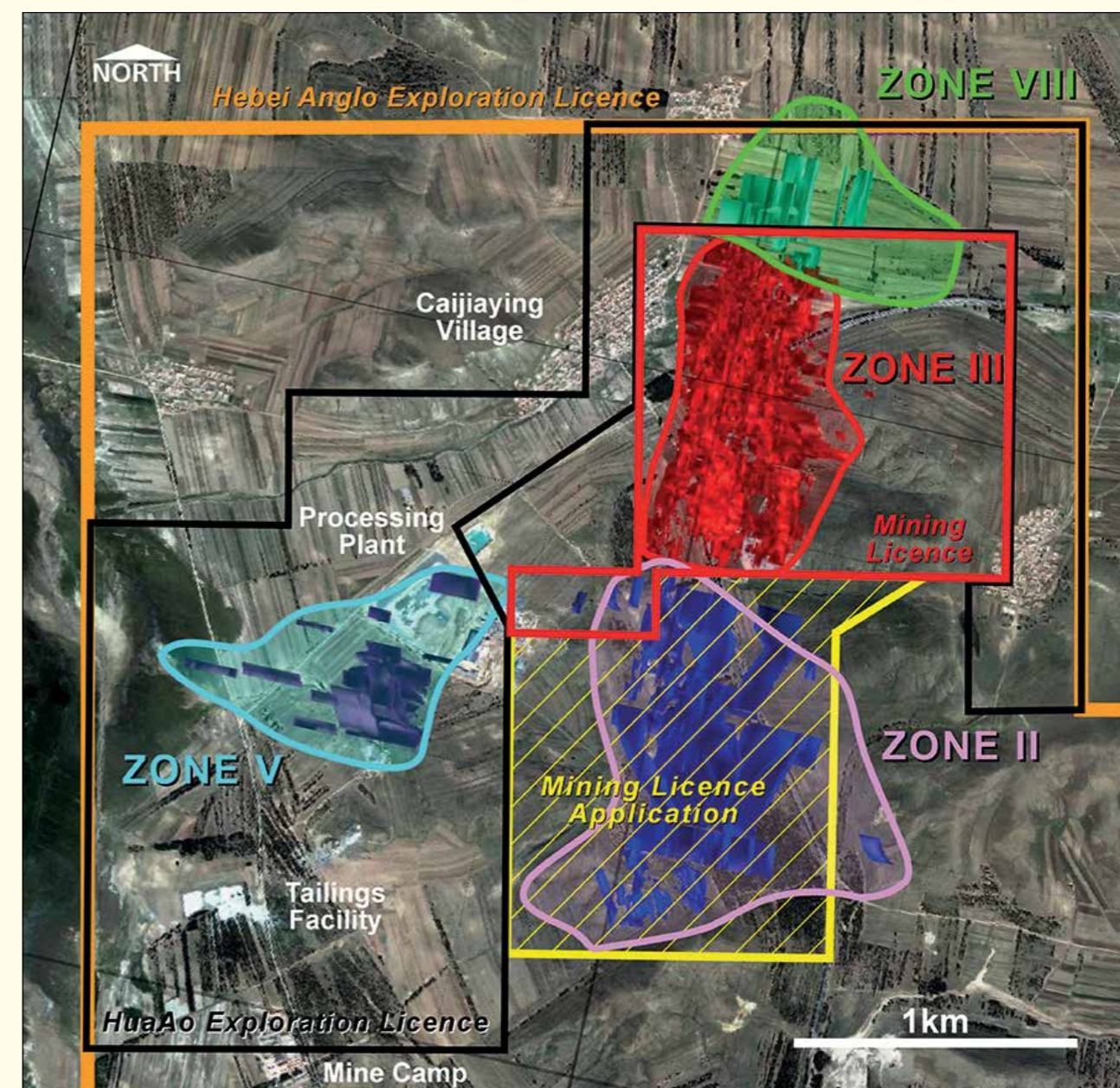
Caijiaying Total Mineral Resources									
Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	19.4	4.6	0.2	22.9	0.6	887	43	14,291	397
Indicated	14.1	3.7	0.3	20.0	0.5	523	44	9,085	225
Inferred	34.2	3.6	0.4	22.9	0.4	1,244	154	25,145	402
Total	67.7	3.9	0.4	22.3	0.5	2,653	241	48,521	1,025

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 2019. The Caijiaying Mineral Resources are based on resource modelling work completed by CSA Global Pty Ltd in 2013 and 2018 and are reported in accordance with the JORC Code (2012 Edition).

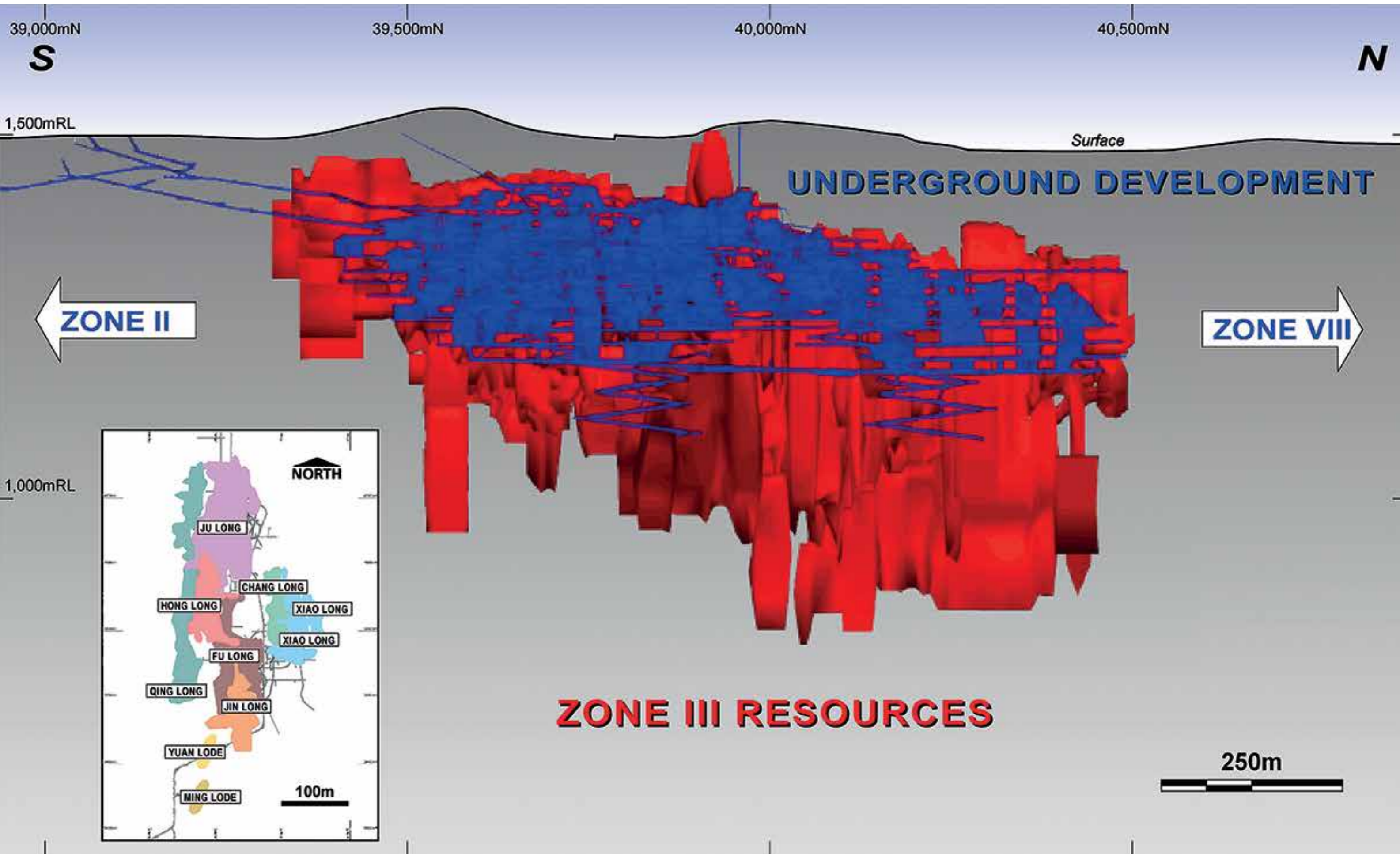
GEOLOGY

Mineralisation at Caijiaying is believed to be related to a Jurassic-age 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, porphyry sills and dykes intruded along faults cut across the sequence.

Within Hebei Hua Ao's tenements surrounding the mine, ongoing exploration of Zones II and VIII have utilised knowledge gained from the evolving structural model at Zone III to enable re-interpretation of structure in the adjacent zones. This is allowing the resource models for Zones II and VIII to be improved and is an ongoing process.



Plan view of Zones II, III, V & VIII with surrounding licence areas.



Long section view facing west of Zone III Mineral Resource wireframes (red) and underground development and stopping (blue). Inset: plan view of Caijiaying Mine's Zone III major ore lodes. 13



EXPLORATION

The 2019 exploration programme at Caijiaying used a strategy of consolidation, with work completed to test mineralisation along strike in the northern deposit area and down-dip for extensions.

Studies of areas outside the identified resource zones but still within the licence areas has involved reinterpretation of old geophysical data collected in 2004-6 in the light of the updated structural resource models generated at Zone III. These have confirmed new targets that were inadequately tested in the past.

Hebei Hua Ao Mining Area

In 2019 the focus was on rapid underground diamond drilling activity to target and infill down-dip extensions of known zinc and gold lodes within Zone III using the advancing decline to provide new drill locations. 313 underground diamond drill holes were drilled for a total of 42,562 metres utilising four underground electric-hydraulic drill rigs.

Further progress has been 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 II for the new Mineral Resource estimate. This work also included interpretation of a 3D structural model for Zone II.

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 Zone III & VIII mineralisation. This licence extension expires in July 2020. A single surface diamond drill hole was completed in 2019 to test for an extension of mineralisation along strike. As mineralisation exists at depth it was decided to retain the existing licence by transferring the licence to Yuanrun to allow its retention in the Hebei Hua Ao Group with the contractual right to be transferred back to Hebei Anglo in the future should a mining licence be applied for and granted over the area.

Shitouhulun and Sangongdi

Work was confined to extending the existing agreement with the Third Brigade to obtain the relevant licences over these areas for Hebei Hua Ao when mining licencing resumes in Hebei Province.

Proposed 2020 Exploration

Once the Zone II mining licence is granted, underground drilling will commence to follow-up targets generated from the new structural model constructed from Zone III data.

Work will continue drilling exploration holes from the bottom level of the Zone III decline, with the aim to discover new lodes and extensions to currently known lodes, both down-dip and to the east and west.

OPERATIONS

The safety and welfare of Griffin's workforce remains a priority with underground and surface operations conducted safely and consistently in 2019 without any major incidents.

A continued focus on safety and training of the Chinese workforce resulted in a "Lost Time Frequency Rate" of 2.2 per one million hours and the "Total Recordable Injury Frequency Rate" of 13.3 per one million hours, being in line with the previous year.

The key focus for 2019 was the continued development of the North and South Declines and associated level access development at Zone III down to the 1000mRL to access the ore bodies below the 1175RL. By the end of 2019 the link between the two Declines at the 1000mRL and the development of the South Haulage Drive, in preparation for the commencement of development into Zone II, was successfully completed. Importantly to improve ventilation in the mine, two new 5.0m diameter ventilation shafts were safely developed from surface into the underground workings at Zone III together with an underground 5.0m diameter ventilation shaft down to the 1175mRL level. The completion of these three ventilation shafts with the Underground Fresh Air Shaft ("UGFAS") totalling 126m, the Main Exhaust Ventilation Shaft ("MVS") totalling 305m and the Central Fresh Air Shaft ("CFAS") totalling 176m significantly improves ventilation and therefore the working environment underground at Caijiaying.

Production results for the Caijiaying Mine in 2019 were broadly in line with 2018 and can be summarised as follows:

- Ore mined of 862,029 tonnes (2018: 872,069 tonnes);
- Ore hauled of 925,903 tonnes (2018: 922,424 tonnes); and
- Ore processed of 930,613 tonnes (2018: 930,472 tonnes).

Whilst metal in concentrate recoveries were broadly maintained, optimising underground stope scheduling, pillar recovery and maximising economic extraction resulted in a zinc equivalent head grade of 5.5% in 2019 compared to 5.4% in 2018. As a result:

- Zinc metal in concentrate produced was 37,413 tonnes (2018: 37,112 tonnes);
- Gold metal in concentrate produced was 17,768 ounces (2018: 16,230 ounces);

- Silver metal in concentrate produced was 344,228 ounces (2018: 280,712 ounces); and
- Lead metal in concentrate produced was 1,219 tonnes (2018: 1,030 tonnes).

With three fully-enclosed-cabin, 20-tonne haulage trucks, being successfully introduced in 2019, it is planned for the haulage contractor to add a further three trucks of the same capacity in 2020 to increase haulage capacity, which will also be aided by the introduction of a one way system underground with the construction of and via the South and North Declines.

During 2019 underground development work was primarily focused on developing the future stoping horizons between the 1175mRL and 1000mRL levels. This included linking the North and South Main Declines with 7,178m of new drives in 2019 compared to 5,312m in 2018. In addition, operational development totalling 3,385m was completed in 2019 compared to 4,047m in 2018.

Long hole open stoping continues to be the predominant mining method. 2019 used a mix of backfilling methods including waste fill, hydraulic fill and paste fill. The new paste fill plant was successfully commissioned in September with one double lift stope fully backfilled with paste fill and additional stope voids partially filled with cementitious paste. Existing and future stope voids will be paste filled.

Since mining and processing operations began at the Caijiaying Mine in 2005, mining and development operations have been halted annually for 2 weeks to enable employees and contractors to return to their extended families in their home provinces for the Chinese New Year festival and holidays. This year, those holidays commenced on the 24 January 2020. At approximately the same time, the government of the People's Republic of China declared the Covid-19 outbreak a pandemic and ordered the closure of all Provincial borders. The Company therefore did not restart mining and underground development operations until after the Chinese New Year holidays on 21 February 2020, in the mean time underground workings were placed on care and maintenance with essential services, including pumping and ventilation, maintained. All essential and senior Chinese staff remained at Caijiaying whilst all foreign and non-essential local staff were sent home and placed on standby. Ore stockpiled at surface was processed until exhausted on the 30 January 2020 at which time the mill was placed on care and maintenance.

**OPERATIONS continued**

The Caijiaying Mine was directed by Chinese authorities to restart all operations on the 21 February 2020. Unfortunately, due to continuing travel restrictions imposed by the Central Chinese authorities, the Company's mining contractor was unable to recommence activities due to a complete quarantine of Zhejiang Province, the home Province of the majority of the mining contractor's staff. This severely impacted mining, but more critically, capital development of future mining stopes.

Underground mining operations reached 100% of planned rates by the 13 March 2020 and, with a new supply of ore, processing operations by late March 2020, despite continuing difficulties in returning personnel to Caijiaying because of travel restrictions within and into China. At the time of writing, whilst travel restrictions within China have been alleviated, difficulties remain in bringing key foreign personnel to Caijiaying due to the prohibition of entry into China to anyone other than Chinese citizens and permanent residents. As a result, foreign national staff (including senior management, geologists and mining engineers), are having to work remotely from their home countries of Australia and the United Kingdom via Skype and Zoom. This is having a limited short-term impact upon operations at the Caijiaying Mine but presents longer term mine planning issues. In the meantime, with a full complement of Chinese staff, operations at the Caijiaying Mine continue as planned. Delivery of consumables, re-agents and spares necessary to safely and efficiently run operations have returned to normal.

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, dust and blasting vibration from operations being strictly controlled;
- Decommissioning and 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;
- Recycling of dry tailings by transportation to a local brickwork 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;
- The planting of 60 landscape trees outside the main gate and 30,000 elm trees and 3,000m² of grass around the Caijiaying Mine as part of local Chinese Environmental Protection Agency greening project;
- The construction of a new hazardous waste storage facility;
- Installation of drainage trenches around the ROM pad, waste dump and main access gate area to ensure effective water run-off and protection against soil erosion;
- Timely renewal of environmental permits including; water usage permits, radioactive source safety permits and waste discharge permits;
- Installation of a Total Suspended Particles ("TSP") online monitoring system to monitor air quality, monitored in real time by the Municipal Environmental Protection Authority Information Centre;
- Heavy Metal on-line monitoring equipment replaced by more modern systems and monitored on-line by the Municipal Environmental Protection Authority Information Centre;

ENVIRONMENTAL SAFEGUARDS & CONTRIBUTIONS continued

- ROM pad dust suppression facilities including, dust suppression meshes and water spray system, effectively controlling dust on the ROM pad;
- Upgraded 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 2019 clean production targets with the targeted reduction in heavy metal confirmed;
- Mist cannon and vacuum trucks for dust suppression;
- The blending of semi-coke coal with common coal for use in boilers to reduce the discharge of smoke, sulphur dioxide and nitric oxide;
- Greening of site and camp accommodation areas including vegetable gardens and flower beds; and
- Application made to be considered a "Green Site" by the Ministry of Natural Resources.

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.

Further, with the appearance of the Covid-19 pandemic in January 2020, the Company has worked closely with all levels of governmental authorities to contain this pandemic in the Caijiaying Mine area. To date, no Covid-19 cases have been reported at the Caijiaying Mine or the surrounding area and the Company remains in full compliance with the measures mandated by the central Chinese regulatory authorities to limit the potential transmission of Covid-19, including severe entry restrictions to the Caijiaying Mine, temperature and history screening, decontamination of all possible surfaces and extensive new sterilisation practices.

COMMUNITY RELATIONS

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

- The construction and maintenance of a new water bore at Caijiaying village to provide abundant and excellent quality water whilst maintaining the original water bore as a standby water supply;
- The construction and maintenance of a sealed road and maintaining this to provide all weather access from San Hao township to the Caijiaying Mine and camp site;
- Construction and maintenance of a pedestrian and traffic bridge into the west side of Caijiaying Village;
- Supplying coal to the local primary and secondary schools during the winter;
- The 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. In November 2019, Hebei Hua Ao was granted the Zhangjiakou Hope Dream Star Award by the Zhangjiakou Project Hope office;
- Supplementary pension payments to the elderly in the Caijiaying area;
- Financial hardship alleviation support to the local Caijiaying village residents;
- Financial and other support for local cultural events;
- Funding for traditional local specialties for annual cultural events such as the Chinese Lunar New Year, Dragon Boat Festival and the mid-Autumn Festival; and
- The donation of 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 2019, Hebei Hua Ao paid Rmb116 million (\$16.7 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 the Zhangjiakou City prefecture. In December 2019, Hebei Hua Ao was granted a Poverty Relief Silk Banner from the San Hao township government.





FINANCIAL RESULTS

In 2019, the Company and its subsidiaries (together the “Group”) recorded;

- Revenues of \$82,267,000 (2018: \$99,067,000);
- Operating profit of \$14,225,000 (2018: \$35,555,000);
- Profit before tax of \$11,712,000 (2018: \$34,798,000);
- Profit after tax of \$6,084,000 (2018: \$25,477,000); and
- Earnings per share of 3.52 cents (2018: 14.83 cents).

Lower profits in 2019 were primarily caused by falling zinc prices and significantly higher smelter treatment charges resulting in lower zinc metal in concentrate prices received by the Group.

Despite greater quantities of zinc metal in concentrate being produced and sold, zinc metal in concentrate sales before royalties and resource taxes in 2019 amounted to \$55,627,000 compared with \$78,821,000 in 2018. Lead and precious metal in concentrate sales amounted to \$29,850,000 compared with \$24,920,000 in 2018.

In 2019, metal in concentrate sales were:

- Zinc 37,811 tonnes (2018: 36,672 tonnes);
- Gold 17,712 ounces (2018: 16,206 ounces);
- Silver 333,093 ounces (2018: 279,632 ounces); and
- Lead 1,221 tonnes (2018: 1,027 tonnes).

Average prices achieved in 2019 were:

- Zinc metal per tonne of \$1,471 (2018: \$2,149);
- Gold metal per ounce of \$1,318 (2018: \$1,173);
- Silver metal per ounce of \$13.80 (2018: \$12.60); and
- Lead metal per tonne of \$1,575 (2018: \$2,250).

Cost of sales of \$48,609,000 in 2019 were up 6.1% on that incurred in 2018 of \$45,798,000. This increase may be attributed to higher mining costs with additional rock bolting and meshing costs and additional depreciation provisions reflecting increased costs capitalised being depreciated. Haulage costs were broadly in line with those incurred in 2018 and processing (milling) costs were marginally down on that incurred in 2018.

Administration expenses (including those of the Caijiaying Mine) rose \$1,719,000 (9.7%) from \$17,714,000 in 2018 to \$19,433,000 in 2019. This increase arises mainly from inflationary increases; the pursuit of the mining licence over Zone II; levies and other costs in complying with Chinese health, safety and environmental requirements and the expansion of activities of China Zinc in investigating potential ventures elsewhere in China.

Foreign exchange losses of \$93,000 (2018: gains \$42,000) were recorded in 2019.

Interest of \$171,000 (2018: \$223,000) was received on bank deposits in 2019 whilst \$51,000 (2018: \$Nil) was paid on short term bank loans.

Losses on the disposal of fixed assets of \$305,000 (2018: \$939,000) were recorded.

Provision of \$1,985,000 (2018: \$Nil) has been made to fully provide against the costs capitalised in respect of Hebei Sino Anglo’s exploration licence area. Griffin intends to agree a contractual right to the licence to be transferred to Griffin’s joint venture partner, prior to expiry of the licence in July 2020.

Finance costs on the lease of the dry tailings facility at the Caijiaying Mine and the London and Perth offices totalling \$326,000 (2018: \$283,000) were incurred.

Income taxes of \$5,628,000 (2018: \$9,321,000) have been charged in 2019. This includes a deferred taxation charge of \$380,000 (2018: credit \$343,000).

Basic earnings per share in 2019 was 3.52 cents (2018: 14.83 cents) and diluted earnings per share was 3.24 cents (2018: 13.35 cents).

Cash generated from operations of \$21,639,000 (2018: \$20,439,000) has been used in further developing the Caijiaying Mine and facilities.

Attributable net assets per share at 31 December 2019 was \$1.24 (2018: \$1.22).

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 returns provided by the Caijiaying Mine.

CAIJIAYING MINE

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 both gold and 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. Relatively new geological, geophysical and geochemical techniques, aided by new equipment, all sourced or discovered in Australia, Europe and/or the USA, have expanded the Company’s search criteria to include virgin, exploration ground. Any found of value may be sold, joint ventured or offered in a separate vehicle to existing Griffin shareholders or retained by the Company and developed for existing shareholders.

To affect this strategy, in 2019, the Company further expanded the scope and activities of China Zinc to encompass this new corporate goal.

In addition, a large number of potential mining projects have been analysed worldwide. None have been successfully consummated for a myriad of reasons including country risk, 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 have 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 26 to 32. In view of the size of the Company and stability of the Board 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 have applied these 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 page 17.
- **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 36 to 38.
- **Board structure:** The Board is headed by a Chairman, who whilst not employed by the Company, spends a significant part of his time on the Company's business. The Chairman's services are provided by Keynes Capital (see report of the remunerations committee on page 31). 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 skills:** The existing Board 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 33.

- **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 Board.

- **Corporate culture:** Both the Chairman and Finance Director regularly visit the Group's operations to meet with management and other personnel. The Board 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. 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. Individual department managers are able to communicate directly to the Chairman concerning any issues of concern. The Board has responsibility for setting the overall strategy of the Group, monitoring its performance, and the management of 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 web site www.griffinmining.com



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 operating and financial review 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 approves 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 make 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 auditor. 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 auditor 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 auditor as a whole, including the provision of any non-audit services;

- (iv) Satisfies itself 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) Agrees 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 with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage and at other times when necessary. 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 auditor. 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.
- (f) Reviews the effectiveness of the audit;
- (g) Reviews the representation letter(s) requested by the external auditor before they are signed by management;
- (h) Reviews the management letter and management's response to the auditors' findings and recommendations; and

- (i) Develops and implements a policy on the supply of non audit services by the external auditor, 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.

Rupert Crowe
Chairman of the Audit Committee

16 June 2020



*Griffin Directors and Hebei Hua Ao senior management at the entrance to the Caijiaying Mine.
 From left to right, back row: John Steele (Mining Manager); Damian Brice-Houseman (General Manager Caijiaying Mine); Rupert Crowe (Director); Roger Goodwin (Finance Director), Mladen Ninkov (Chairman); Dal Brynelsen (Director); Adam Usdan (Director).
 Front row: Runxi Jia (Processing Manager); Mark Hine (Chief Operating Officer); Paul Benson (Geology Manager); Gaopeng Xi (Deputy Operations Manager); Wenqi Zhang (Hebei Hua Ao Chief Financial Officer); Qing Zhang (Safety Manager).*



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 terms of engagement of the Finance Director, 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 Finance 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 and few other directors in the Group, the remuneration committee has determined that it would be inflexible, bureaucratically cumbersome and therefore inappropriate to have an extensive and prescriptive formula for determining individual total compensation packages. Accordingly, the directors

remuneration is considered by the Remuneration Committee, with the assistance of outside executive compensation consultants, on a year by year basis.

Nevertheless, the Remuneration Committee continues to assess 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 intended that such policy will build on past practice and apply in the future.

The policy is framed around the following key principles:

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

A bonus equivalent to two months of base salary was awarded to the finance director in recognition of short term performance in 2019.

An additional payment equal to two months fees was awarded to Keynes Capital in recognition of their services, including that of the Chairman Mladen Ninkov, in 2019.

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 2019

The executive director’s base salary was last increased with effect from 1 January 2014.

A bonus equivalent to two months of the executive directors’ base salary was awarded to the finance director in recognition of short term performance in 2019.

In 2019, Roger Goodwin (Finance Director and Company Secretary) received a basic salary of £315,000 (2018: £315,000) and pension contributions of £30,000 (2018: £30,000). In addition, he received directors’ fees of \$212,000 (2018: \$138,000) 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. 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, management reporting, financial reports 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 \$2,598,000 (2018: \$2,137,000), for the provision of advisory and support services to Griffin and its subsidiaries in 2019. This included an additional payment equal to two months fees.

The consultancy agreement with Keynes Capital runs from 1 July 2019 to 30 June 2021.

In addition to the above, the Chairman received directors’ fees from subsidiary companies of \$212,000 in 2019 (2018: \$138,000).

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.
	All 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)****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 £0.40 per new ordinary share;
- 10,732,500 new ordinary shares (vested) exercisable at £0.30 pence per new ordinary share; and
- 6,666,667 new ordinary shares (currently not vested) exercisable at £0.30 pence per new ordinary share

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.

As detailed in the Directors' Report on page 36, 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 Directors' Report on page 36, 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.

Non Executive Directors

The non-executive Directors' fees were last reviewed with effect from 1 July 2019 fees and were held at £66,125 per annum.

In addition to the above Mr Dal Brynelsen received fees of \$188,000 (2018: \$114,000) for acting as a director of Hebei Hua Ao.

In addition to the above Mr Rupert Crowe received fees of \$50,000 for geological services over and above that expected from him as part of his services as a non executive director.

Total Directors' Remuneration

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

	2019				2018			
	Fees \$000	Salary \$000	Pension Contributions \$000	Total \$000	Fees \$000	Salary \$000	Pension Contributions \$000	Total \$000
Mladen Ninkov*	212	-	-	212	138	-	-	138
Dal Brynelsen	271	-	-	271	203	-	-	203
Rupert Crowe	134	-	-	134	89	-	-	89
Roger Goodwin	212	465	38	715	138	424	40	602
Adam Usdan	84	-	-	84	89	-	-	89
Total	913	465	38	1,416	657	424	40	1,121

*Keynes Capital, the registered business name of Keynes Investments Pty Ltd as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,598,000 (2018: \$2,137,000) 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.

No share options were granted to the directors in 2019 or 2018. 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 2019 and 2018.

Dal Brynelsen
Chairman of the Remuneration Committee
16 June 2020

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.

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 Pasmenco, Broken Hill / Elura Mines. He is currently a non-executive director of Parenti Global Limited.

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 TSX 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. He was previously underground mine manager at Centamin's Sukari Gold Mine in Egypt; 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.

Wendy Zhang, Chief Financial Officer, Hebei Hua Ao, Australian, holds a Master of Accounting degree from Macquarie University, is a member of the Certified Practising Accountants of Australia and is a qualified member of the Chinese Institute of Certified Public Accountants for 11 years. She spent 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.

Shirley Tsang, Director, China Zinc Limited, British, is a Chartered Management Accountant (United Kingdom) and a CPA (Hong Kong & Australia). She holds an 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 was head of the China and Hong Kong business advisor 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 in Hong Kong.

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 terms. Prior to joining Griffin he was Principal Geologist for Mining Associates, providing competent person services to inter alia the Hong Kong Stock Exchange; 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 and Exploration and Business Development Manager for Newmont China Limited.

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 2019.

FINANCIAL RESULTS

The Group profit before taxation for 2019 amounted to \$11,712,000 (2018: \$34,798,000). Taxation of \$5,628,000 (2018: \$9,321,000) has been provided. No dividends were paid in 2019 (2018: Nil). \$6,084,000 has been credited to reserves (2018: credited \$25,477,000).

The basic earnings per share amounted to 3.52 cents (2018: 14.83 cents). The attributable net asset value per share at 31 December 2019 amounted to 124 cents (2018: 122 cents).

In view of the current relatively low zinc market prices, high smelter treatment charges, 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 2019 and the indication of likely future developments are set out on pages 6 to 21.

DIRECTORS

The Directors of the Company during the year were:

Mladen Ninkov – *Australian – Chairman*

Roger Goodwin – *British – Finance Director*

Dal Brynensen – *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 2019 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2019		At 1 January 2019		
	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 Brynensen	397,001	900,000	397,001	900,000	-
Rupert Crowe	1	900,000	1	900,000	-
Roger Goodwin	877,830	1,500,000	877,830	1,500,000	500,000
Adam Usdan	33,242,890	1,166,667	33,242,890	1,166,667	-

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. Further information on how the Group manages risk is given on pages 67 to 70.

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.
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.
Exposure to changes in the 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 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 contractors 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, 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.
Mine fatality	A fatality in the mine would result in the closure of the mine and suspension of operations for an indefinite time to allow a full investigation by the PRC authorities with subsequent penalties possibly including fines, dismissal of personnel held responsible and loss of licences.	High	As noted above, Griffin's operational teams continually monitor mining and other risks and report to senior management who report to the Board, taking immediate and appropriate measures to minimise any identified risks and hazards. In addition, the Group's operations are monitored and continually inspected by the PRC local, County, City and Provincial Safety Bureaus.



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 licences 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 a significant effect on the operations of the Company	Moderate	Griffin has contractual arrangements with all key employees which are renewed on a regular basis.
Geological and Historical Information	The loss of historical and/or geological information would have a very significant impact on the operations of the Company.	Low	Griffin has instituted a complete back up system relating to all geological and operational data in Perth with CSA Global. It is updated on a daily basis.
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 antibribery 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.
Pandemic (Covid-19 / SARS)	A further outbreak of Covid-19 or other virus may lead to restrictions on operations being imposed by the PRC authorities including a suspension in operations.	Moderate	China imposed strict controls to control the Covid-19 and SARS outbreaks emerging from these relatively quickly. Griffin works closely with the PRC authorities to minimise the impact of such outbreaks upon personnel and operations.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS AND GOING CONCERN

As disclosed in the operational review on pages 15 and 16, operations at Caijiaying were suspended for a month from 24 January to comply with restrictions instigated by the PRC authorities to contain the Covid-19 pandemic. Operations at Caijiaying recommenced on 21 February 2020 and have since steadily increased such that underground mining operations reached 100% of planned rates by mid-March and processing operations by late March. As a result, in the three months to 31 March 2020, zinc metal in concentrate production was down on that produced in the first quarter of 2019. Since the re-commencement of operations at Caijiaying, Hebei Hua Ao has been able to sell both zinc and lead, with precious metal, concentrates in China which in the main has now relaxed the restrictions placed to contain the Covid-19 pandemic. During suspension and thereafter Griffin has been careful to manage liquidity such that to date it has not had to draw down on any bank credit facilities. Whilst it is difficult to assess the impact of the Covid-19 on future profitability and liquidity, particularly regarding the impact of metal prices, the directors consider that at current metal prices and with the benefit of agreed banking facilities the Group can continue as a going concern for the foreseeable future without the need to curtail operations.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP were re-appointed auditors at the Annual General Meeting of the Company held on 31 July 2019 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

16 June 2020



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 financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 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 2019 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 December 2019; 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: \$1.7million (2018: \$1.7million), based on 5% of the 3 year average 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 100% coverage of consolidated revenue, 94% coverage of consolidated profit before tax and 99% coverage of total assets for the Group.
- To ensure sufficient oversight, direction and responsibility of the audit work performed over the Chinese components, the Group team performed a number of procedures throughout the audit which included directing the audit approach and procedures, conducting remote file reviews and conducting remote face to face meetings with local management and the component team.
- Extension of the business licence and approval of the increase in production permit;
- Impairment of property, plant and equipment;
- Basis of going concern; and
- Impact of Covid-19.

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

Extension of the business licence and approval of the increase in production permit

See page 56 Significant accounting judgements and estimates and note 10 Property, Plant and Equipment.

The current life of mine plan, which includes extraction of resources from ZONE III only, extends beyond 2037. Under the terms of the Group's current joint venture agreement with Zhangjiakou Caijiaying Lead Zinc Mining, the Group's business licence will expire in 2037.

Management is currently converting their joint venture to a limited liability company. As a result of this conversion management expects to be able to extend the term of the business licence as a matter of routine and at no additional cost.

Judgement is needed as to whether this conversion to a limited liability company would enable an extension of the term of the business licence as a matter of routine, and if it would lead to additional cost being incurred. This impacts asset carrying amounts and depreciation rates because a shorter business licence would reduce the amount of resources that could be extracted.

In addition to, and separately from obtaining the extension of the business licence, the current life of mine plan assumes that the Group will be able to increase production from current levels of circa 0.9 million tonnes per annum ("mpta") to 1.2mpta from mid 2021. While the Group's mining operation already has the capacity to increase production, increasing production requires approval from the Beijing Ministry of Natural Resources ("MNR"). The increase in production permit is being applied for in conjunction with a mining licence for ZONE II.

In addition to holding discussions with management, we have discussed with, and obtained correspondence from, management's external legal advisors and the MNR to understand the status of and applications for extending the term of the business licence and obtaining the Zone II licence and the increase in production permit. Through performing these procedures:

- we concur with management that by converting the joint venture to a limited liability company, extending the term of the business licence will be routine in nature and no additional costs will be incurred; and
- we have considered the delays faced by the Group in obtaining the Zone II licence and increase in production permit. Having requested management sensitise their impairment model to show the impact of neither licence being granted, we note that due to the significant headroom, modelling this impact shows no impairment.

Based on these procedures, we are satisfied with management's judgements regarding these licences and the production permit.

Finally, we considered the adequacy of management's disclosure of the key judgements in relation to the extension of the business licence, the approval of the Zone II mining licence and the application for an increased production permit and consider them to be reasonable.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Judgement is needed to determine the timing of when the increase in production permit and ZONE II licence will be obtained given the delays already faced by the Group in obtaining these licences.

The timing of the ZONE II licence application being granted does not impact the accounting estimates included within the financial statements. A delay in the increase in production permit being granted would impact asset carrying value for the time value of money as production would reduce each year and mineral resource will be recovered over a longer period of time.

Impairment of property, plant and equipment

See page 56 Significant accounting judgements and estimates and note 10 Property, Plant and Equipment.

As at 31 December 2019, the carrying value of property, plant and equipment in the Consolidated Balance Sheet totalled \$228.3 million.

At the reporting date, management performed an impairment indicator assessment and concluded that due to a reduction in the zinc prices and an increase in the treatment charges during the financial year, the property, plant and equipment should be tested for impairment.

Management prepared an impairment analysis which uses a discounted cash flow model to determine the fair value of the Group's property, plant and equipment. This incorporates assumptions for the forward prices of commodities, operating and administrative costs, capital expenditure, production volumes and available resources as estimates by an external mineral resources expert.

We focused on this area due to the material nature of the balance, the judgement involved in assessing for impairment and the estimates required to calculate the carrying value in the current economic climate.

We tested management's discounted cash flow impairment analysis ("impairment model") on the Group's property, plant and equipment by performing the work described below:

- Obtained management's impairment model used to determine fair value of the property, plant and equipment and checked its mathematical accuracy;
- Validated management's assumptions used in the impairment model to external and internal sources where appropriate, including recent production, price forecasts and comparing cost and capital expenditure assumptions to historic actuals and underlying budgets;
- Assessed the competency, independence and objectivity of the experts in relation to the resources. We discussed the key judgments and assumptions used in the report directly with these experts;
- Assessed the discount rate used by management in the discounted cash flow model of 10%;
- Benchmarked zinc and other commodity price assumptions to external sources including forward curves and found these to be reasonable; and
- Performed sensitivity analysis around the key assumptions within the cash flow forecasts using a range of discount rates and lower long-term commodity prices and exchange rates based on what, in our view, a market participant may apply.

Based on our analysis, we consider management's impairment conclusions, and the associated disclosures to be reasonable.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Basis of going concern

Refer to page 39 of the Directors' Report and page 51 Basis of preparation.

We focused on this area given the recent decline in the zinc prices and the increase in treatment charges together with the fact that the Group was in a net current liability position of \$8.3m as at 31 December 2019. In addition, the mine temporarily shut down during February 2020 due to the Covid-19 pandemic.

Management prepared a cash flow forecast for the period to 31 December 2021, and included sensitivities in their cash flow to model scenarios including a prolonged fall in the commodity price (below the forecast forward curve), continuing higher zinc treatment charges, a second shutdown of operations as a result of a second wave of Covid-19 as well as mitigating management actions that are within their control.

Based on these forecasts' management consider that it is appropriate to prepare the financial statements on a going concern basis.

Impact of Covid-19

Refer to page 39 of the Directors' Report and note 29 Post balance sheet events.

The international outbreak of Covid-19 in early 2020 has affected business and economic activity around the world, including China where the Group operates. Given the spread of Covid-19, the range of the potential outcomes are both uncertain and difficult to predict, but are likely to include a prolonged global recession and increased volatility in commodity prices.

Management has assessed the impact of Covid-19 on the Group's operations and ability to continue as a going concern.

Management concluded that the Covid-19 pandemic and the factors that led to a suspension of operations in 2020 are a result of conditions that arose after the balance sheet date and as a result are non-adjusting post balance events. Consequently, the future assumptions used in the Group's impairment assessments performed as at 31 December 2019 were not adjusted for changes subsequent to that date.

In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we:

- Checked the mathematical accuracy of management's cash flow forecast and validated the opening cash position;
- Validated management's underlying cash flow projections for the Group to other external and internal sources where appropriate, including recent production, zinc price forecasts and comparing cost assumptions to historic actuals and underlying budgets;
- Examined management's sensitivity analysis to assess the reasonability and impact of the key assumptions underlying the forecast including a reduction in zinc price, an increase in zinc treatment charges, the impact of a mine shutdown due to a second wave of Covid-19 and assessed the Group's ability to take mitigating actions, if required; and
- Evaluated the completeness and appropriateness of management's going concern disclosures in the financial statements.

Our conclusions on going concern are set out later in this report.

We examined management's assessment that the impact of Covid-19 represents a non-adjusting post balance sheet event and concur with that assessment.

We examined the disclosures included in the Annual Report in respect of this risk, including on the principal risks and uncertainties, going concern and post balance sheet events and consider them reasonable.

Our audit work on management's assessment of the impact of Covid-19 on the Group's ability to continue as a going concern is set out in the key audit matter above.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

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, 94% coverage of consolidated profit before tax and 99% coverage of total assets for the Group.

To ensure sufficient oversight of the Chinese component audits, the Group team performed a number of procedures throughout the audit which included directing the audit approach and procedures, remote file reviews and remote face to face meetings with local management and the component team.

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.

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

Overall materiality	\$1.7 million (2018: \$1.7million).
How we determined it	5% of the 3 year average profit before tax.
Rationale for benchmark applied	Profit is the key indicator of the Group's performance and the most appropriate benchmark for materiality. Due to volatility in commodity prices which impacts profitability, we have used the 3 year average profit before tax as the benchmark.

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 (2018: \$85,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

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, except to the extent otherwise explicitly stated in this report, 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 39, 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.

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
London

16 June 2020

**CONSOLIDATED INCOME STATEMENT**For the year ended 31 December 2019
(expressed in thousands US dollars)

	Notes	2019 \$000	2018 \$000
Revenue	1	82,267	99,067
Cost of sales	1	<u>(48,609)</u>	<u>(45,798)</u>
Gross profit		33,658	53,269
Administration expenses	1	<u>(19,433)</u>	<u>(17,714)</u>
Operating Profit	2	14,225	35,555
Losses on disposal of plant and equipment	4	(305)	(939)
Impairment of intangible assets	11	(1,985)	-
Foreign exchange (losses) / profits		(93)	42
Finance income	5	171	223
Finance costs	6	(377)	(283)
Other income	7	76	200
Profit before tax		<u>11,712</u>	<u>34,798</u>
Income tax expense	8	<u>(5,628)</u>	<u>(9,321)</u>
Profit for the year		<u><u>6,084</u></u>	<u><u>25,477</u></u>
Basic earnings per share (cents)	9	<u>3.52</u>	<u>14.83</u>
Diluted earnings per share (cents)	9	<u>3.24</u>	<u>13.53</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOMEFor the year ended 31 December 2019
(expressed in thousands US dollars)

	2019 \$000	2018 \$000
Profit for the year	<u>6,084</u>	<u>25,477</u>
Other comprehensive (expenses) / income that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	<u>(2,324)</u>	<u>(5,856)</u>
Other comprehensive (expenses) / income for the year, net of tax	<u>(2,324)</u>	<u>(5,856)</u>
Total comprehensive income for the year	<u><u>3,760</u></u>	<u><u>19,621</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 2019
(expressed in thousands US dollars)

	Notes	2019 \$000	2018 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	10	228,287	213,140
Intangible assets – exploration interests	11	322	2,016
		<u>228,609</u>	<u>215,156</u>
Current assets			
Inventories	12	3,839	4,951
Receivables and other current assets	13	1,861	2,819
Cash and cash equivalents		19,885	28,452
		<u>25,585</u>	<u>36,222</u>
Total assets		<u><u>254,194</u></u>	<u><u>251,378</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	1,728	1,727
Share premium		68,455	68,442
Contributing surplus		3,690	3,690
Share based payments		2,072	2,072
Shares held in treasury	15	(917)	(917)
Chinese statutory re-investment reserve		2,500	2,386
Other reserve on acquisition of non controlling interests		(29,346)	(29,346)
Foreign exchange reserve		1,703	4,027
Profit and loss reserve		165,059	159,161
Total equity attributable to equity holders of the parent		<u>214,944</u>	<u>211,242</u>
Non-current liabilities			
Long-term provisions	18	2,150	2,302
Deferred taxation	19	2,731	2,393
Finance lease	20	479	258
		<u>5,360</u>	<u>4,953</u>
Current liabilities			
Trade and other payables	21	31,769	33,632
Finance lease	20	2,121	1,551
Total current liabilities		<u>33,890</u>	<u>35,183</u>
Total equities and liabilities		<u><u>254,194</u></u>	<u><u>251,378</u></u>
Attributable net asset value per share to equity holders of parent	22	\$1.24	\$1.22

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

The financial statements on pages 46 to 73 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
*Chairman*Roger Goodwin
Finance Director

16 June 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2019
(expressed in thousands US dollars)

	Share capital \$000	Share premium \$000	Contributing surplus \$000	Share based payments \$000	Shares held in Treasury \$000	Chinese re-investment reserve \$000	Other reserve on acquisition of non-controlling interests \$000	Foreign exchange reserve \$000	Profit and loss reserve \$000	Total attributable to equity holders of parent \$000
At 1 January 2018	1,700	67,295	3,690	2,072	-	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
Other comprehensive expense:	-	-	-	-	-	(106)	-	(5,750)	-	(5,856)
Exchange differences on translating foreign operations	-	-	-	-	-	(106)	-	(5,750)	-	(5,856)
Total comprehensive income	-	-	-	-	-	(106)	-	(5,750)	25,477	19,621
At 1 January 2019	1,727	68,442	3,690	2,072	(917)	2,386	(29,346)	4,027	159,161	211,242
Regulatory transfer for future investment	-	-	-	-	-	153	-	-	(153)	-
Issue of shares on exercise of options	1	13	-	-	-	-	-	-	-	14
Transaction with owners	1	13	-	-	-	153	-	-	(153)	14
Profit for the year	-	-	-	-	-	-	-	-	6,084	6,084
Adjustment for adoption of IFRS 16 leases	-	-	-	-	-	-	-	-	(33)	(33)
Other comprehensive expense:	-	-	-	-	-	(39)	-	(2,324)	-	(2,363)
Exchange differences on translating foreign operations	-	-	-	-	-	(39)	-	(2,324)	-	(2,363)
Total comprehensive income	-	-	-	-	-	(39)	-	(2,324)	6,051	3,688
At 31 December 2019	1,728	68,455	3,690	2,072	(917)	2,500	(29,346)	1,703	165,059	214,944

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 2019
(expressed in thousands US dollars)

	Notes	2019 \$000	2018 \$000
Net cash flows from operating activities			
Profit before taxation		11,712	34,798
Foreign exchange losses / (gains)		93	(42)
Finance income	5	(171)	(223)
Finance costs	6	377	283
Depreciation, depletion and amortisation	10	12,343	10,328
Impairment of intangible assets	11	1,985	-
Losses on disposal of equipment		305	939
Decrease in inventories		1,112	917
Decrease / (increase) in receivables and other current assets		959	(1,059)
Increase / (decrease) in trade and other payables		4,016	(12,917)
Taxation paid		(11,092)	(12,585)
Net cash inflow from operating activities		21,639	20,439
Cash flows from investing activities			
Interest received	5	171	223
Proceeds on disposal of equipment		1	351
Payments to acquire – mineral interests	10	(18,883)	(10,669)
Payments to acquire – plant and equipment	10	(8,193)	(6,134)
Payments to acquire office, office furniture & equipment		(69)	-
Payments to acquire intangible fixed assets – exploration interests	11	(308)	(81)
Net cash outflow from investing activities		(27,281)	(16,310)
Cash flows from financing activities			
Issue of ordinary shares on exercise of options		14	1,174
Purchase of shares for treasury		-	(917)
Interest paid		(52)	-
Finance lease advance		65	-
Finance lease repayments		(2,762)	(2,728)
Net cash outflow from financing activities		(2,735)	(2,471)
(Decrease) / increase in cash and cash equivalents		(8,377)	1,658
Cash and cash equivalents at the beginning of the year		28,452	26,518
Effects of foreign exchange rates		(190)	276
Cash and cash equivalents at the end of the year		19,885	28,452
Cash and cash equivalents comprise bank deposits.			
Bank deposits		19,885	28,452

Included within net cash flows of \$8,377,000 (2018: \$1,658,000) are foreign exchange losses of \$93,000 (2018: gains \$42,000) 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 ACCOUNTING**

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards 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 2019:

IFRS 16 “Leases”

IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ and its related interpretations. This results 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 has adopted the standard from its mandatory adoption date of 1 January 2019 applying the modified retrospective approach by not restating comparative amounts for prior years. Right-of-use assets for property leases have been 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).

On application of IFRS 16 the Group recognised right of use assets of \$371,000 on which depreciation of \$124,000 has been provided in the year with lease liabilities at 1 January 2019 of \$404,000, resulting in a prior period charge to profit and loss reserve of \$33,000. Operating lease commitments at 31 December 2018 totaled \$451,000 and after taking into account the impact of discounted commitments the lease liability recognised at 1 January 2019 was \$404,000.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these financial statements, certain new and amended accounting standards and interpretations have been published that are not mandatory for the period ending 31 December 2019, nor have they been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the Company’s consolidated financial statements in the current or future reporting periods.

GOING CONCERN

Notwithstanding the Group’s net current liabilities, the financial statements have been prepared on a going concern basis. In consideration of recent events, notwithstanding that the Group prepares cash flow forecasts regularly, management has taken into account sensitivities for the possible impacts of:

- The unlikely event of a second Covid-19 outbreak with a one month suspension in operations. Whilst a one month suspension is in line with that experienced in the Spring of 2020 during the height of the Covid-19 pandemic in China, a second wave is not expected to impact operations as severely as that experienced in the Spring of 2020 when miners were away on Chinese New Year Holidays and unable to return to Caijiaying.
- A reduction in market prices to \$1,850 per tonne of zinc from October 2020 for the rest of the forecast period, which is linked to a potential second Covid-19 outbreak. Management consider this a reasonable downside as this is similar to the lowest zinc market price during the global Covid-19 outbreak in March 2020. Until October 2020 the forward curve price has been modelled which is flat compared to current market prices.
- Higher smelter treatment charges. Treatment charges have been forecast at levels recently experienced by the Group and in line with market prices at the date of this report. As a sensitivity management has increased smelter treatment charges by 2%.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GOING CONCERN (CONTINUED)

- Mitigating actions within management's control, including the deferral of payments to certain creditors for a short period.
- Management has held foreign exchange rates flat as they note that because the zinc price is pegged to the US Dollar and the Group incurs costs in Remimbi there is a natural currency hedge.

On this basis, with the existing bank facilities available to the Group, the board of directors consider the Group will be able to meet its liabilities as they fall due and have prepared the financial statements on a going concern basis.

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 their 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 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 recognised on a delivery / collection basis as at this point the performance obligations are satisfied. Delivery / collection occur following open auction of metals in concentrate and where delivery is taken and cash received within 30 days of the agreement.

NON CURRENT ASSETS

Intangible assets – exploration cost

Expenditure on licences, concessions and exploration incurred on areas of interest by subsidiary undertakings are carried as intangible assets until such time as it is determined that there are both technically feasible and commercially viable resources 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.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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.

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

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.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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.

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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, Hong Kong 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.
- "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" represent 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



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

EQUITY (CONTINUED)

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 2019 the total expense recognised in profit or loss arising from share based transactions were Nil (2018: 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 on a unit of production basis, management have assumed that all measured and indicated mineral resources will be recovered from Zone III at Caijiaying. It is further assumed that all necessary permits will be obtained. In this regard the Company is seeking to convert Hebei Hua Ao from a limited liability joint venture with a business licence that expires in 2037, to an equity limited liability company with an indefinite term and that its business licence be renewed without significant cost.

Estimates

- Impairment review assumptions, property, plant and equipment (note 10). Impairments are assessed by comparison of the cash generating unit's (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 impacted by estimates of:
 - future prices of the commodities extracted. Estimates were made as at the balance sheet date and do not include changes in future price estimates arising from Covid-19 which is assessed to be a non adjusting post balance sheet event.
 - the expected tonnes and grade of ore mined. Management has assumed an increase in forecast production from current levels if 0.9 million tonnes per annum to 1.2 million tonnes per annum from 2021. This reflects management obtaining additional safety permits for which application is at an advanced stage. No alterations to existing processing facilities are required to facilitate the increase in production.
 - future zinc treatment costs.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

- future operating and capital expenditure.
- discount rates calculated using a capital asset pricing model.

Based on these estimates, the directors have determined that the Group requires the market price of zinc to be above \$1,950 per tonne with gold, silver and lead prices remaining at current prevailing levels, to avoid an impairment charge. It is also conditional upon continued mining licences and permits being granted, which the directors consider will be maintained or obtained as appropriate.

- Impairment review assumptions, exploration interests (note 11). Impairments are assessed by reference to exploration results carried out in an area of interest. Where such exploration indicates that there are no indications of mineralisation within the area of interest, provision is made for impairment in value. Non-impairments of all assets is conditional upon continued exploration 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 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.

Interest rate implicit in the lease. Since the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate (IBR) applicable for all of the leases for the Group is between 5% and 10%. While there is no definitive guidance in IFRS 16 on how to determine an IBR we are typically observing rates built up from three components as follows:

- a) Risk free rate – a treasury bond rate or an interest swap rate in the local currency for the country of the lease, which reflects the duration of the lease;
- b) Credit spread specific to the lessee; and
- c) Asset/lease specific adjustments to reflect the nature of the collateral.

The determination of whether there is an interest rate implicit in the lease, the calculation of the Group's incremental borrowing rate, and whether any adjustments to this rate are required, involves some judgement and is subject to change over time. At the commencement date of leases management consider whether the lease term will be the full term of the lease or whether any option to break or extend the lease is likely to be exercised. Leases are regularly reviewed and will be revalued if the term is likely to change.

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 Board meeting prior to the reporting date.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

TAXATION

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

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

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

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

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 director to the Board 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 revenues and costs of sales in 2019 and 2018 were derived from the Caijiaying zinc gold mine.

	2019	2018
	\$000	\$000
REVENUE		
China	<u>82,267</u>	<u>99,067</u>
Zinc concentrate sales	55,627	78,821
Lead and precious metals concentrate sales	29,850	24,920
Royalties and resource taxes	<u>(3,210)</u>	<u>(4,674)</u>
	<u>82,267</u>	<u>99,067</u>
COST OF SALES: CHINA		
Mining costs	17,652	16,680
Haulage costs	8,277	8,374
Processing costs	10,019	10,423
Depreciation (excluding depreciation in administration costs)	11,462	9,652
Stock movements	<u>1,199</u>	<u>669</u>
	<u>48,609</u>	<u>45,798</u>
ADMINISTRATION EXPENSES		
China	14,253	13,122
Australia	414	442
UK / Bermuda	<u>4,766</u>	<u>4,150</u>
	<u>19,433</u>	<u>17,714</u>
All revenues, cost of sales and operating expenses charged to profit relate to continuing operations.		
TOTAL ASSETS		
China	248,119	245,505
Australia	686	924
UK / Bermuda	<u>5,389</u>	<u>4,949</u>
	<u>254,194</u>	<u>251,378</u>
CAPITAL EXPENDITURE		
China	27,076	16,803
Australia	65	-
UK / Bermuda	<u>4</u>	<u>-</u>
	<u>27,145</u>	<u>16,803</u>
2. PROFIT FROM OPERATIONS	2019	2018
Profit from operations is stated after charging	\$000	\$000
Fees for the audit of the Company	142	88
Fees for the audit of subsidiaries	129	110
Staff costs	8,668	9,410
Service fees to Zhangjiakou Yuanrun Enterprise Management	<u>3,989</u>	<u>4,120</u>
	No.	No.
Average number of persons employed by the Group in the year	<u>431</u>	<u>421</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 2019	Fees	Salary	Pension contributions	Total 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mladen Ninkov*	212	-	-	212	138	-	-	138
Dal Brynelsen	271	-	-	271	203	-	-	203
Rupert Crowe	134	-	-	134	89	-	-	89
Roger Goodwin	212	465	38	715	138	424	40	602
Adam Usdan	84	-	-	84	89	-	-	89
	913	465	38	1,416	657	424	40	1,121
Key personnel	55	1,729	15	1,799	114	1,473	15	1,602
	968	2,194	53	3,215	771	1,897	55	2,723

*Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,598,000 (2018: \$2,137,000), 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 2019 or 2018. 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 2019 and 2018.

4. LOSSES ON DISPOSAL OF PLANT AND EQUIPMENT

	2019	2018
	\$000	\$000
Losses on disposal of plant and equipment	<u>305</u>	<u>939</u>

5. FINANCE INCOME

	2019	2018
	\$000	\$000
Interest on bank deposits	<u>171</u>	<u>223</u>

6. FINANCE COSTS

	2019	2018
	\$000	\$000
Interest payable on short term bank loans	51	-
Finance lease interest	<u>326</u>	<u>283</u>
	<u>377</u>	<u>283</u>

7. OTHER INCOME

	2019	2018
	\$000	\$000
Scrap and sundry other sales	<u>76</u>	<u>200</u>

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	2019	2018
	\$000	\$000
Profit for the year before tax	<u>11,712</u>	<u>34,798</u>
Expected tax expense at a standard rate of PRC income tax of 25% (2018: 25%)	2,929	8,699
Adjustment for tax exempt items:		
- Income and expenses outside the PRC not subject to tax	746	629
Adjustments for short term timing differences:		
- In respect of accounting differences	(234)	(704)
Adjustments for permanent timing differences re prior year adjustments	-	(185)
Adjustments for permanent timing differences other	1,757	1,154
Withholding tax on intercompany dividends and charges	50	71
Current taxation expense	<u>5,248</u>	<u>9,664</u>
Deferred taxation expense/(credit)		
Correction of provision brought forward	18	(674)
Origination and reversal of temporary timing differences	362	331
	<u>380</u>	<u>(343)</u>
Total tax expense	<u>5,628</u>	<u>9,321</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 2019 (2018: 25%) 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 \$108.6m (2018: \$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:

	2019			2018		
	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	6,084	172,748,831	3.52	25,477	171,842,166	14.83
Dilutive effect of securities						
Options	-	15,107,500	(0.28)	-	16,494,541	(1.30)
Diluted earnings per share	<u>6,084</u>	<u>187,856,331</u>	<u>3.24</u>	<u>25,477</u>	<u>188,336,707</u>	<u>13.53</u>



NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Mineral interests	Mill and mobile mine equipment	Offices, furniture & equipment	Total
	\$000	\$000	\$000	\$000
At 1 January 2018	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 1 January 2019	167,338	45,747	55	213,140
Foreign exchange adjustments	(1,611)	(786)	-	(2,397)
Additions during the year	18,883	8,193	69	27,145
Change in estimate of mine closure costs	(115)	-	-	(115)
Adjustment for adoption of IFRS 16 leases	-	-	370	370
Adjustment for change in accounting estimate on finance lease	-	2,792	-	2,792
Disposals	-	(305)	-	(305)
Depreciation charge for the year	(6,912)	(5,268)	(163)	(12,343)
At 31 December 2019	<u>177,583</u>	<u>50,373</u>	<u>331</u>	<u>228,287</u>
At 31 December 2017				
Cost	200,708	72,366	134	273,208
Accumulated depreciation	(33,662)	(24,799)	(52)	(58,513)
Net carrying amount	<u>167,046</u>	<u>47,567</u>	<u>82</u>	<u>214,695</u>
At 31 December 2018				
Cost	205,840	72,028	134	278,002
Accumulated depreciation	(38,502)	(26,281)	(79)	(64,862)
Net carrying amount	<u>167,338</u>	<u>45,747</u>	<u>55</u>	<u>213,140</u>
At 31 December 2019				
Cost	222,589	80,935	573	304,097
Accumulated depreciation	(45,006)	(30,562)	(242)	(75,810)
Net carrying amount	<u>177,583</u>	<u>50,373</u>	<u>331</u>	<u>228,287</u>

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 \$1,997,000 (2018: \$15,034,000) of assets under construction yet to be depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2013 plant and equipment with a value of \$11,381,000, revalued in 2019 to \$14,150,000, were acquired under a finance lease, upon which depreciation of \$5,123,000 (2018: \$4,035,000) has been provided. At 31 December 2019 the net carrying amount of this equipment was \$9,027,000 (2018: \$7,534,000). In 2019 the Company's London office lease was capitalised to comply with IFRS 16 with a value of \$371,000 upon which depreciation of \$124,000 has been provided in 2019. At 31 December 2019 the net carrying amount of this office was \$247,000.

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, most notably metal prices, by reference to discounted cash flow forecasts of future revenue and expenditure for each business segment. These forecasts are based upon both past and expected future performance, available resources and expectations for future markets.

The directors have reassessed the net carrying value of capitalised costs at 31 December 2019, particularly in view of the decline in metal prices for zinc and smelter treatment charges experienced in 2019 (see significant judgements and estimates on page 56). 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 \$2,425 per tonne, gold of \$1,500 per troy ounce and silver of \$15 per troy ounce;
- Zinc treatment charges of 30% of market prices;
- Extraction of measured and indicated resources at Zone III at Caijiaying of 30 million tonnes with ore mined and processed at a rate of 1.2 million tonnes of ore per annum;
- Operating costs, recoveries and payables based upon past performance and that budgeted for 2020;
- Capital costs based upon that initially scheduled with sustaining capital based on future scheduling;
- Discount interest rate of 10%; and
- Continued maintenance and grant of applicable licences and permits. This assumes that Hebei Hua Ao will be converted to an equity joint stock company with an indefinite life without compensation to the Chinese Joint Venture Partner and that the business licence will be renewed at no significant cost.

11. INTANGIBLE ASSETS - EXPLORATION INTERESTS

China – mineral exploration interests	\$000
At 1 January 2018	2,035
Foreign exchange adjustments	(100)
Additions during the year	<u>81</u>
At 31 December 2018	2,016
Foreign exchange adjustments	(17)
Additions during the year	<u>308</u>
Impairment during the year	<u>(1,985)</u>
At 31 December 2019	<u>322</u>

Intangible assets represent cost on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work in respect to regional exploration in China. 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 2019 impairment charges of \$1,985,000 (2018: \$Nil) had been provided and charged to the income statement in respect of the above exploration costs previously capitalised by Hebei Sino Anglo. Griffin intends to agree a contractual right to transfer the exploration licence to Griffin's joint venture partner, Yuanrun, prior to expiry of the licence.



NOTES TO THE FINANCIAL STATEMENTS

12. INVENTORIES

	2019	2018
	\$000	\$000
Underground ore stocks	530	979
Surface ore stocks	288	458
Concentrate stocks	300	843
Spare parts and consumables.	2,721	2,671
	<u>3,839</u>	<u>4,951</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

	2019	2018
	\$000	\$000
Other receivables	360	558
Prepayments	1,501	2,261
	<u>1,861</u>	<u>2,819</u>

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

14. SHARE CAPITAL

	2019		2018	
	Number	\$000	Number	\$000
AUTHORISED:				
Ordinary shares of \$0.01 each	1,000,000,000	10,000	1,000,000,000	10,000
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of \$0.01 each				
At 1 January	172,748,728	1,727	169,993,727	1,700
Shares issued in the year on exercise of share purchase options	37,500	1	2,755,001	27
At 31 December	<u>172,786,228</u>	<u>1,728</u>	<u>172,748,728</u>	<u>1,727</u>

During the year share purchase options were exercised over 37,500 new ordinary shares at 30 pence per share (2018: 2,588,334). In 2018 share purchase options were exercised over a further 166,667 new ordinary shares at 40 pence per share.

15. SHARES HELD IN TREASURY

	2019		2018	
	Number	\$000	Number	\$000
At 1 January	540,000	917	-	-
Bought back in during the year	-	-	540,000	917
At 31 December	<u>540,000</u>	<u>917</u>	<u>540,000</u>	<u>917</u>

In 2018 540,000 of the Company's ordinary shares were purchased at an average price of 126.2p.

NOTES TO THE FINANCIAL STATEMENTS

16. SHARE OPTIONS

	At 1 January 2019 Number	Granted/ (exercised) Number	At 31 December 2019 Number
Options exercisable at 30 pence per share to 31 December 2022	17,411,666	(37,500)	17,374,166
Options exercisable at 40 pence per share to 31 December 2022	4,833,333	-	4,833,333
	<u>22,244,999</u>	<u>(37,500)</u>	<u>22,207,499</u>

During the year share purchase options over 37,500 new ordinary shares were exercised at 30 pence per share.

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

	2019		2018	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 January	22,244,999	32.4	25,000,000	32.2
Exercised during the year	(37,500)	(30.0)	(2,755,001)	(30.6)
Outstanding at 31 December	<u>22,207,499</u>	<u>32.2</u>	<u>22,244,999</u>	<u>32.4</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 vested in 3 tranches of 6,666,666 each, were 6.2p, 7.2p and 6.8p.

Inputs into the Binomial valuation model were as follows:

	Options expiring 31 December 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 (2018: \$Nil) during the year ended 31 December relating to equity settled share option scheme transactions.

17. DIVIDENDS

No dividends were paid in 2019 (2018: Nil).



NOTES TO THE FINANCIAL STATEMENTS

18. LONG-TERM PROVISIONS

PROVISIONS FOR MINE CLOSURE COSTS	2019 \$000	2018 \$000
At 1 January	2,302	2,418
Change in estimate (note 10)	(115)	-
Foreign exchange adjustments	(37)	(116)
At 31 December	<u>2,150</u>	<u>2,302</u>

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

19. DEFERRED TAXATION

	2019 \$000	2018 \$000
At 1 January	2,393	2,865
Foreign exchange adjustments	(42)	(129)
Charge for the year	362	331
Charge/Credit re prior years	18	(674)
At 31 December	<u>2,731</u>	<u>2,393</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. LEASE LIABILITIES

	2019 \$000	2018 \$000
At 1 January	1,809	4,406
Foreign exchange adjustments	(31)	(153)
Advance during the period	65	-
Adjustment for change in accounting policy (note 10)	404	-
Adjustment for change in accounting estimate on finance lease (note 10)	2,792	-
Interest charges	323	284
Repayments in the year	(2,762)	(2,728)
At 31 December	<u>2,600</u>	<u>1,809</u>
Amounts falling due in more than one year	479	258
Amounts falling due within one year	<u>2,121</u>	<u>1,551</u>
	<u>2,600</u>	<u>1,809</u>

Under the terms of an agreement Hebei Hua Ao pays Rmb21.32 per wet tonne treated by the 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. During the year the deemed value and liability was reappraised to take account of additional and continued use of the facility.

The Company entered into an agreement in October 2016 to rent offices for 12 years from 1 November 2016 with a five year break. As required under IFRS 16 the Group have recognised a right to use assets in respect of this lease having a value of \$371,000 as at 1 January 2019 with a depreciation of \$124,000 provided in the year, and a liability of \$404,000 of which \$143,000 is current and \$261,000 is non-current.

NOTES TO THE FINANCIAL STATEMENTS

20. LEASE LIABILITIES (CONTINUED)

Minimum lease payments on leases entered into by the Group are as follows:

	2019 \$000	2018 \$000
Within one year	2,778	2,772
Between 1 and 2 years	467	2,798
Between 2 and 3 year	11	449
Between 3 and 4 years	0	0
Between 4 and 5 years	0	0
Later than 5 years	0	0
	<u>3,256</u>	<u>6,019</u>

21. TRADE AND OTHER PAYABLES

	2019 \$000	2018 \$000
Trade creditors	13,522	9,684
Other creditors	2,629	3,935
Taxation payable	3,584	9,428
Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd	4,585	4,542
Accruals	7,449	6,043
	<u>31,769</u>	<u>33,632</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 2019 of \$214,944,000 (\$211,242,000 at 31 December 2018) divided by the number of ordinary shares in issue at 31 December 2019 of 172,786,228 (172,748,728 at 31 December 2018).

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, executive director and Chairman 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 local currency expenditure estimates.

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



NOTES TO THE FINANCIAL STATEMENTS

23. RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk (continued)

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:

	2019	2018
	\$000	\$000
Short term bank deposits	<u>1,964</u>	<u>488</u>

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

	2019	2018
	\$000	\$000
Short term bank deposits	<u>628</u>	<u>919</u>

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

	2019	2018
	\$000	\$000
Short term bank deposits	<u>13,650</u>	<u>22,085</u>

The following table 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 + / - 10% (2018: 10%) change in the sterling exchange rate for the year ended 31 December 2019. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2019. The sensitivity analysis is based upon the Group's sterling deposits at each reporting date.

If sterling had strengthened against the US Dollar by 10% (2018: 10%) this would have had the following impact:

	2019	2018
	\$000	\$000
Net result for the year and on equity	<u>220</u>	<u>54</u>

If sterling had weakened against the US Dollar by 10% (2018: 10%) this would have the following impact:

	2019	2018
	\$000	\$000
Net result for the year and on equity	<u>(180)</u>	<u>(44)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

23. RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk (continued)

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

	2019			2018		
	GBP \$000	Rmb \$000	AusD \$000	GBP \$000	Rmb \$000	AusD \$000
Financial assets	2,173	16,003	632	635	27,325	926
Financial liabilities	(475)	(29,177)	(75)	(147)	(35,233)	(61)
Short term exposure	<u>1,698</u>	<u>(13,174)</u>	<u>557</u>	<u>488</u>	<u>(7,908)</u>	<u>865</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% (2018: + 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:

	2019		2018	
	Plus 300% \$000	Minus 100% \$000	Plus 300% \$000	Minus 100% \$000
Net result for the year	<u>434</u>	<u>(145)</u>	<u>677</u>	<u>(223)</u>

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

	2019			2018		
	Floating interest rate \$000	Non interest bearing \$000	Total \$000	Floating interest rate \$000	Non interest bearing \$000	Total \$000
Financial Assets						
Cash at bank	19,885	-	19,885	28,452	-	28,452
Other receivables	-	1,861	1,861	-	2,819	2,819
Total Financial Assets	<u>19,885</u>	<u>1,861</u>	<u>21,746</u>	<u>28,452</u>	<u>2,819</u>	<u>31,271</u>
Finance lease liabilities	(2,544)	-	(2,544)	(1,809)	-	(1,809)
Trade and other payables	-	(28,185)	(28,185)	-	(24,204)	(24,204)
Total Financial Liabilities	<u>(2,544)</u>	<u>(28,185)</u>	<u>(30,729)</u>	<u>(1,809)</u>	<u>(24,204)</u>	<u>(26,013)</u>
Net Financial assets/(liabilities)	<u>17,341</u>	<u>(26,324)</u>	<u>(8,983)</u>	<u>26,643</u>	<u>(21,385)</u>	<u>(5,258)</u>

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 2019 or in 2018.



NOTES TO THE FINANCIAL STATEMENTS

23. RISK MANAGEMENT (CONTINUED)

Commodity Risk (continued)

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 30% and minus 30% (2018: 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.

	2019		2018	
	Plus 30% \$000	Minus 30% \$000	Plus 20% \$000	Minus 20% \$000
Net result for the year – zinc	<u>12,264</u>	<u>(12,264)</u>	<u>11,724</u>	<u>(11,724)</u>
Net result for year – gold	<u>5,252</u>	<u>(5,252)</u>	<u>2,856</u>	<u>(2,856)</u>
Net result for year – silver	<u>1,034</u>	<u>(1,034)</u>	<u>531</u>	<u>(531)</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.

Liquidity risk

Prudent liquidity risk management implies maintaining cash, marketable securities and adequate credit facilities to meet financial obligations as they fall due. At 31 December 2019 the Group held cash and cash equivalents (bank deposits) of \$19,885,000 (2018 \$28,452,000) to meet financial obligations and apart from lease, trade and other payables had no bank loans or similar financial liabilities.

Management monitors rolling cash flow forecasts on a weekly basis and keeps under review bank financing facilities at a local and Group level, to ensure sufficient liquidity is maintained to meet future financial obligations. This also includes regular review of metal market prices and foreign currency requirements.

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 \$214,944,000 at 31 December 2019.

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 and Australia, whose costs are denominated in local currencies.

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

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

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

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

	2019 \$000	2018 \$000
FINANCIAL ASSETS		
Cash and cash equivalents	<u>19,885</u>	<u>28,452</u>
	19,885	28,452
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost	<u>2,600</u>	<u>1,809</u>
Trade and other payables	<u>28,185</u>	<u>24,204</u>
	30,785	26,013

Contractual maturities of financial liabilities:

At 31 December 2019	Within 1 year \$000	Between 1 and 2 years \$000	Between 2 and 3 years \$000	Over 3 years \$000	Total contractual cash flows \$000	Carrying amount (assets)/liabilities \$000
Non-derivatives						
Trade payables	31,769	-	-	-	31,769	31,769
Lease liabilities	<u>2,778</u>	<u>467</u>	<u>11</u>	-	<u>3,256</u>	<u>2,600</u>
Total non-derivatives	<u>34,547</u>	<u>467</u>	<u>11</u>	-	<u>35,025</u>	<u>34,369</u>
Derivatives	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018						
Non-derivatives						
Trade payables	33,632	-	-	-	33,632	33,632
Lease liabilities	<u>2,772</u>	<u>2,798</u>	<u>449</u>	-	<u>6,019</u>	<u>1,809</u>
Total non-derivatives	<u>36,404</u>	<u>2,798</u>	<u>449</u>	-	<u>39,651</u>	<u>35,441</u>
Derivatives	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS

26. SUBSIDIARY COMPANIES

At 31 December 2019, 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 Ltd	Ordinary	100%	Holding and service company	Hong Kong
China Zinc (Resources) Ltd	Ordinary	100%	Holding company	Hong Kong
Hebei Hua Ao Mining Industry Company Ltd*		88.8% **	Base and precious metals mining and development	China
Panda Resources Ltd	Ordinary	100%	Holding company	England
Hebei Sino Anglo Mining Development Company Ltd*		90%	Mineral exploration and development	China

* China Zinc Ltd, China Zinc Pty Ltd and Panda Resources Ltd are directly owned by the Company. China Zinc Ltd has a controlling interest in Hebei Hua' Ao Mining Industry Company Ltd, see below, and Panda Resources Ltd has a 90% controlling interest in Hebei Sino Anglo Mining Development Company Ltd.

** The joint venture contract establishing the Hebei Hua Ao Mining Industry Company Ltd originally provided that the foreign party (China Zinc) received 60% of the cash flows, in accordance with its share in the equity interest in the joint venture. With effect from 25 June 2012, China Zinc receives 88.8% of the cash flows and profits of Hebei Hua Ao. On 21 May 2012 the term of the joint venture's business licence extended to 12 October 2037.

Under the terms of the agreement dated 21 May 2012, Griffin's Chinese partners are obliged to provide various services to facilitate Hebei Hua Ao's operations in China and as such the amounts payable of \$3,613,000 (2018: \$3,732,000) are included in net operating costs rather than attributable to non-controlling interests. Likewise, the amounts due at 31 December 2019 of \$4,664,000 (2018: \$4,542,000) are included in other payables rather than due to non-controlling interests within equity within the Consolidated Statement of Financial Position.

27. COMMITMENTS

At 31 December 2019 the Group had capital commitments of \$528,000 (31 December 2018 \$3,600,000).

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 \$2,598,000 (2018: \$2,137,000), 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 \$3,989,000 was charged (2018: \$4,120,000 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 2019 \$3,613,000 (2018: \$4,542,000) was due to this company.

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29. POST BALANCE SHEET EVENTS

Since the year end operations at Caijiaying were suspended for a month from 24 January to comply with restrictions instigated by the PRC authorities to contain the Covid-19 pandemic. Operations at Caijiaying recommenced on 21 February 2020 and have since steadily increased such that underground mining operations reached 100% of planned rates by mid-March and processing operations by late March. Since the re-commencement of operations at Caijiaying, restrictions in place to contain the coronavirus pandemic throughout China have relaxed, and as a result Hebei Hua Ao has been able to sell its output. As a result of these events, production and sale of metals in concentrate, and profitability was impacted in the first quarter of 2020, but has returned to planned levels subsequently.

As at 31 December 2019 there were no adjusting post balance sheet events (2018: none).





CORPORATE INFORMATION

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Company Secretary:	Roger Goodwin
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