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

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

Registered in Bermuda, number: 13667.

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CHAIRMAN'S STATEMENT

It gives me unbridled pleasure to present to you, the shareholders of Griffin Mining Limited ("Griffin" or the "Company"), the Annual Report and Accounts of the Company for the 2020 calendar and financial year (the "Annual Report"). I believe I can safely say, this was the year when Griffin fulfilled all of its outstanding promises to its past, current and future shareholders by delivering the confirmed regulatory and operational requirements to propel the Company forward into the foreseeable future. The list of achievements is extraordinary.

Firstly, the granting by the Chinese Ministry of Land and Natural Resources (the "MNR") of new the Mining Licence covering both Zone II and Zone III in conjunction with the issuance of the 3rd Stage Zone III Project Final Acceptance Permit (the "PFA") was a momentous achievement in terms of time, complexity and operational importance. It will increase the annual ore mined from Zone III from 820,000 tonnes in 2020 to 1.1 million tonnes in 2021, but with the increased ore accessed from Zone II, this should increase to over 1.5 million tonnes per annum in 2022, possibly increasing further as these zones continue to be developed. It catapults Griffin into the ranks of one of the largest zinc producers in China, which remains the largest consuming base and ferrous metals market in the world.

Secondly, the announcement of the new Global Mineral Resource estimate reported in accordance with the JORC Code (2012) for the Caijiaying Mine of an amazing 101.5 million tonnes at 3.9% Zinc, 0.6% Lead, 27.0 g/t Silver and 0.5 g/t Gold, resulting in total contained metal of approximately 4.0 million tonnes of Zinc, 0.6 million tonnes of Lead, 88.8 million ounces of Silver and 1.59 million ounces of Gold totalling \$17.7 billion of metal in situ, a 50% increase in the known mineral resource.

Thirdly, obtaining Green Mine accreditation by the MNR having passed the national level green mine assessment. Failing to obtain certification would have meant closure of the Caijiaying Mine. So not only has the smooth continuation of operations at the Caijiaying Mine been ensured, but it continues also to show the Company's commitment to the environment, the local Chinese community and to the greater People's Republic of China. Green Mine approval comes after the Company's past environmental best practices were recognised by the Chinese government with the Environmental Award and the Mine Development Outstanding Achievement Award at successive China Mining Conferences.

Fourthly, yet another outstanding operational result considering operations were either suspended or severely curtailed in the first quarter of 2020 due to the Covid-19 pandemic, with access being denied for the whole of 2020 to the deeper stopes in Zone III awaiting PFA approval and the wait for the Zone II new Mining Licence. Nevertheless, operating profit, profit before tax, profit after tax and earnings per share all increased. Griffin now has the extraordinary claim that it has been profitable on an operational basis, in all the turmoils of the commodities markets, for the full 15 years it has been in operation and has only made a loss, on a net profit basis, in one of those years.

Fifthly, and although I place little faith in the share price as an indicator of value, in the last 12 months the Company's share price has increased approximately 200%; 65.1% against the FTSE Fledgling Index, 64% against the FTSE All AIM Index and 60% against the FTSE Small Mining Cap Index. A remarkable performance.

As the Company has grown and generated cash, inevitably various opinions have been voiced in relation to the share price, share buybacks, dividends and even the realization of the value of the Company. It is enough to say that your board continues to evaluate all these options on an ongoing and meticulous basis and remains committed to ensuring that the views of all the shareholders are considered and, where possible, acted upon, a course of action that Solomon himself, with all his wisdom, would find difficult.

The Company continues to evaluate opportunities not only through acquisition or organic expansion but also through continuing exploration at the Caijiaying Mine and the surrounding region and through exploration outside of Hebei Province wherever host rocks mimic the Caijiaying Mine area and provide the potential for significant exploration success.

Penultimately, I would like to thank our Chinese and ex pat employees, contractors, consultants, subsidiary directors, partners, spouses and children. Life has taught me that people make things happen and, in the extraordinary Covid-19 year of 2020, these very people went above and beyond the call of duty to travel and work in extremely difficult circumstances, often leaving homes and loved ones, to put the Company's interests first. We couldn't be more grateful.



Lastly, I would like to thank on behalf of the shareholders, those few to whom we owe so much and of whom Michael Jordan said in *The Last Dance* “Have some respect for the people who laid the foundations to make this a profitable organization.” I call them the founders of the Company. Those who believed when no-one believed. Those who flew standby (when that existed) and sat at the airport for a week hoping to catch a flight home. Those few who went to Caijiaying when it was a 12-hour drive from Beijing on a single lane gravel road overrun with overladen coal trucks and stayed at what can only loosely be called accommodation. Those few who took no salaries or compensation and stayed when the Company had almost run out of funds. Those few who worked out of a terrible, serviced office the size of a cupboard. Those few include Roger Goodwin, Dal Brynelsen, the deceased Bill Mulligan and the recently departed Rupert Crowe.

It would be absolutely wrong of me to not mention Rupert, even though I have said much before. His wisdom, expertise and counsel are missed every day by all of us at Griffin. Without him, the Caijiaying Mine would have remained a valley, topped by Mongolian sands, next to a little village in northern China. An extraordinary, brilliant geologist, the Father of Caijiaying and, far more importantly, a gracious, gentle, considered, dedicated, intelligent human being it has been my absolute privilege to know and to have spent a large portion of my working life.

With the past behind us, I look forward to the next year of this incredible journey.

Mladen Ninkov
Chairman
13 May 2021



The early years - Mladen Ninkov & Rupert Crowe on the abandoned workings at Zone V at Caijiaying in 2004



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”) through its wholly-owned Hong Kong subsidiary, China Zinc Limited (“China Zinc”), which holds 5.4 square kilometres of mining, retention and exploration tenements, including the mine and processing facilities near Caijiaying Village (the “Caijiaying Mine”) in the People’s Republic of China (“PRC”).

The Company also holds 90% of Hebei Sino Anglo Mining Development Company Limited (“Hebei Anglo”), which has interests in exploration licences immediately

surrounding the Hebei Hua Ao licence area which are held by Griffin’s joint venture partner, Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd (“Yuanrun”), so as 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 held within the company, of being brought into production to meet the Company’s historically preset, economic returns to shareholders.



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



CAIJIAYING

INTRODUCTION

The Caijiaying Mine is an operating zinc, gold, silver and lead mine, together with processing plant, camp and supporting facilities, located approximately 250 kilometres by road, north-west of Beijing in Hebei Province in the PRC. The Caijiaying Mine is easily accessible by 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 joint host city of the 2022 Winter Olympic Games, connected via a new high speed train link with Beijing. 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 established in 1994 under PRC law. Initially, Griffin held 60% of Hebei Hua Ao (through a wholly owned subsidiary) with the remaining 40% held by 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 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 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 ("Panda"), 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 any such potential projects.

The Caijiaying Mine was commissioned on time and on 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. With mining and haulage rates from Zone III limited to sub 1 million tonnes of ore per annum this capacity has yet to be fully utilised but is expected to be in 2021 as further recent development of Zone III and development of the Zone II area at Caijiaying are mined.

Underground development continues with the expansion of the existing mining operations at Zone III. In December 2020, following 2 years of capital development and the installation of relevant underground services, the Chinese Safety Bureau granted the 3rd Stage Project Final Acceptance Permit ("PFA"). This significant milestone extends the underground mineable ore zone at Zone III from the current 1175m Relative Level ("RL" which in this report shall refer to mean sea level) down to the 1000m RL. This will enable the underground operations in Zone III to extract 1.1 million tonnes of Zinc-Gold ore per annum in 2021 compared to the 855,000 tonnes of ore mined in 2020. This represents a 29% increase in mineable ore production per annum from Zone III alone.

With the granting of a new mining licence in December 2020 over both the Zone III and Zone II areas and enhanced safety production permits at the Caijiaying Mine, development of the Zone II area is due to commence shortly after approval of the proposed Zone II mine design, which will enable at least 1.5 million tonnes of ore to be extracted from the Caijiaying Mine in future years.







CAIJIAYING (CONTINUED)

MINERAL RESOURCE ESTIMATES

Caijiaying Zone III Remaining Mineral Resources December 31 2020

Zone III Domain 1 Zn Resources > 1% 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	19.0	4.5	0.2	23.0	0.6	862	42	13,932	389
Indicated	10.0	4.0	0.2	18.0	0.6	397	17	5,781	183
Inferred	17.9	4.0	0.2	22.0	0.4	718	36	12,364	210
Sub-Total	46.8	4.2	0.2	21.0	0.5	1,977	95	32,077	781

Zone III Domain 2: Au Resources > 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)
Inferred	0.7	0.8	0.1	20.0	3.0	6	1	446	68
Sub-Total	0.7	0.8	0.1	20.0	3.0	6	1	446	68

Zone III: Total

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	19.0	4.5	0.2	23.0	0.6	862	42	13,932	389
Indicated	10.0	4.0	0.2	18.0	0.6	397	17	5,781	183
Inferred	18.6	3.9	0.2	21.0	0.5	724	36	12,810	277
Total	47.5	4.2	0.2	21.0	0.6	1,983	96	32,523	849

Caijiaying Zone II Remaining Mineral Resources January 2021

Zone II Oxide: Zn Resources > 1% Zn

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Indicated	1.2	2.9	0.5	19.0	0.3	35	6	751	11
Inferred	1.6	2.5	0.5	17.0	0.1	39	8	830	7
Total	2.8	2.7	0.5	18.0	0.2	74	14	1,581	17

Zone II Fresh: Zn Resources > 1% Zn

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Indicated	11.5	3.8	0.9	27.0	0.3	436	109	10,085	96
Inferred	26.4	3.7	1.0	30.0	0.4	977	253	25,108	350
Sub-Total	37.9	3.7	1.0	29.0	0.4	1,413	362	35,193	446

Zone II Total

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Indicated	12.7	3.7	0.9	27.0	0.3	471	115	10,836	107
Inferred	27.9	3.6	1.0	29.0	0.4	1,015	261	25,938	356
Total	40.7	3.7	0.9	28.0	0.4	1,486	376	36,774	463



Caijiaying Zone V Mineral Resources February 2021

Zone V Zn Resources > 1% Zn

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Inferred	6.0	3.2	1.4	56.0	0.6	191	84	10,819	116
Total	6.0	3.2	1.4	56.0	0.6	191	84	10,819	116

Caijiaying Zone VIII Mineral Resources February 2021

Zone VIII Domain 1: Zn Resources > 1% Zn

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Inferred	6.6	4.6	0.7	36.0	0.5	304	45	7,675	112
Total	6.6	4.6	0.7	36.0	0.5	304	45	7,675	112

Zone VIII Domain 2: Au Resources > 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)
Inferred	0.7	0.7	0.7	45.0	2.4	5	5	1,015	54
Total	0.7	0.7	0.7	45.0	2.4	5	5	1,015	54

Zone VIII Total

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Inferred	7.3	4.2	0.7	37.0	0.7	309	50	8,690	166
Total	7.3	4.2	0.7	37.0	0.7	309	50	8,690	166

Caijiaying Combined Global Mineral Resources February 2021

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	19.0	4.5	0.2	23.0	0.6	862	42	13,932	389
Indicated	22.7	3.8	0.6	23.0	0.4	868	132	16,617	289
Inferred	59.8	3.7	0.8	30.0	0.5	2,239	432	58,258	915
Total	101.5	3.9	0.6	27.0	0.5	3,968	606	88,806	1,593

Notes:

The Caijiaying Mineral Resources are based on resource modelling work completed by CSA Global Pty Ltd and reported in 2021 in accordance with JORC 2012 guidelines. The information in this report that relates to Mineral Resources is based on, and fairly reflects, information compiled by Mr Serikjan Urbisnov a Competent Person, who is a Member of the Australian Institute of Geoscientists. Mr Serikjan Urbisnov is a full-time employee of CSA Global Pty Ltd. Mr Serikjan Urbisnov has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Serikjan Urbisnov consents to the disclosure of the information in this report of the matters based on his information in the form and context in which it appears.



CAIJIAYING (CONTINUED)

MINERAL RESOURCE ESTIMATES

The 2020 Zone III Mineral Resource estimate based on the updated 2018 Mineral Resource estimate at a zinc cut-off grade of 1%, amended for mining depletion as at 31 December 2020, is shown in Table 1 on page 10. Also included in the table and subsequent to the reporting period are the additional Mineral Resources of Zones II, V and VIII. This new global Measured, Indicated and Inferred Mineral Resource estimate totals 101.5 million tonnes at 3.9% Zn, 0.6% Pb, 27g/t Ag and 0.5g/t Au, resulting in total contained metal of approximately 4.0 million tonnes of zinc, 0.6 million tonnes of lead, 88.8 million ounces of silver and 1.59 million ounces of gold.

Zone III

The 2020 depleted Measured, Indicated and Inferred Zone III Mineral Resource estimate totals 47.5 million tonnes at 4.2% Zn, 0.2% Pb, 21g/t Ag and 0.6g/t Au, resulting in total metal of approximately 2.0 million tonnes of zinc, 0.1 million tonnes of lead, 32.5 million ounces of silver and 0.85 million ounces of gold. Extensive underground diamond drilling throughout 2020 continued to enhance the confidence in the resource model and to test for further extensions adjacent to known ore bodies.

A total of 192 surface diamond drillholes, 34 reverse circulation surface drillholes and 3,683 underground diamond drillholes with an average spacing of approximately 40 metre x 40 metre, define the current Zone III orebody for a combined total of 499,029 metres of drilling.

Zone II

The updated Indicated and Inferred Zone II Mineral Resource estimate as announced on the 26th January 2021 totals 40.7 million tonnes at 3.7% Zn, 0.9% Pb, 28/t Ag and 0.4g/t Au, resulting in total metal of approximately 1.5 million tonnes of zinc, 0.4 million tonnes of lead, 36.8 million ounces of silver and 0.46 million ounces of gold. The Mineral Resource has been depleted using a three-dimensional survey “as built” wireframe which represents the mined-out-voids as at 31 December 2020. To date there has been no stope production in Zone II.

This resource upgrade which is now included into the recently expanded mining licence is the result of improved understanding of the structural controls on mineralisation and on mineralogical associations gained from extensive work over many years. This work is set to continue once

underground drilling access is established and mining activities begin into 2021.

A total of 109 surface diamond drillholes, 91 reverse circulation surface drillholes and 163 underground diamond drillholes define the Zone II deposit at an average spacing of approximately 40 metre x 40 metre for a combined total of 91,383 metres of drilling.

Zone V

The maiden Inferred Zone V Mineral Resource estimate totals 6.0 million tonnes at 3.2% Zn, 1.4% Pb, 56g/t Ag and 0.6g/t Au resulting in total metal of approximately 0.2 million tonnes of zinc, 0.08 million tonnes of lead, 10.8 million ounces of silver and 0.12 million ounces of gold. Zone V is located within the Company’s Retention Licence just 0.8 km west of Zone II. A total of 34 surface diamond drillholes, 3 reverse circulation surface drillholes with an average spacing of approximately 25 metre x 100 metre define the Zone V deposit for a combined total of 15,242 metres of historical drilling.

Zone VIII

The maiden Inferred Zone VIII Mineral Resource estimate totals 7.3 million tonnes at 4.2% Zn, 0.7% Pb, 37g/t Ag and 0.7g/t Au resulting in total metal of approximately 0.3 million tonnes of zinc, 0.05 million tonnes of lead, 8.7 million ounces of silver and 0.17 million ounces of gold. Zone VIII is also located within the Company’s Retention Licence adjacent and to the north of Zone III. A total of 44 diamond drillholes with a spacing of 50 metre to 100 metre define the Zone VIII deposit for a combined total of 32,193 metres. The Retention Licence containing Zones V and VIII covers an area of 2.23 km² and is valid from 16 July 2020 to 16 July 2022. During this period, the Company will commence work on converting the area to a mining licence.



GEOLOGY

The local geology comprises Early Proterozoic granulite and gneiss with marble lenses which is unconformably overlain by the Late Jurassic Baiqi Formation and Zhangjiakou Formation. Porphyry sills and dykes intruding along faults have then cut across the sequence.

The Caijiaying Mine's deposits consist of Zn-Au-Ag-Pb orebodies hosted in a Paleoproterozoic inlier comprising a mixed sequence of amphibolite-grade metavolcanic and metasedimentary rocks intruded by three generations of Jurassic porphyry dikes and sills. The mineralisation comprises sulphide (sphalerite with lesser pyrite and minor galena) lenses that favourably replace units within the folded 2.3 billion-year old metamorphic basement rocks. The base metal and gold mineralisation have some similarities with a skarn type of deposit. Mineralisation lenses are up to 15 metres thick, tend to dip steeply to moderately west and extend along strike and down dip tens to hundreds of metres.

EXPLORATION

Hebei Hua Ao Mining Area

The strategy of focusing on near-mine exploration and resource definition drilling has delivered substantial resource growth culminating in the new Caijiaying Global Mineral Resource in 2021.

In 2020, the near mine exploration programme at the Caijiaying Mine continued to expand existing areas of mineralisation whilst providing and testing new targets designed to increase the resource inventory and extend the existing mine life. Technical targeting studies are an important ongoing component to the geological activities that service mine production. Advanced geochemical and structural modelling techniques continue to deliver prioritised targets in the following categories:

- In-mine areas between or adjacent to known orebodies;
- Near-mine targets within reach of underground drilling from existing or planned drives; and
- Administrative report compilations and tenure applications to the relevant Government agencies.

In 2020, the Zone II mining licence application was the clear administrative priority for the Company. This unflinching determination was rewarded with the approval of the new single expanded mining licence covering 3.13 km² and includes both Zones II and III. The Zone II Mineral

Resource is accessible from the existing Zone III decline and 2021 will see work commence to enable an 80% increase in production over the next 2 years to 1.5 million tonnes per annum. This is a significant achievement that lays out a clear path over the coming years for continued development.

At Zone III, the focus has been on aggressive underground diamond drilling activity to convert Inferred and Indicated Mineral Resources into Measured and Indicated categories and to target extensions of known zinc and gold lodes beyond the resource limits. Despite some Covid-19 related delays in early 2020, a total of 267 underground diamond drill holes were drilled for a total of 27,635 metres utilising 3 underground electric-hydraulic drill rigs. In 2021, diamond drilling will focus on expanding the resource within the mine corridor whilst also testing for extensions at depths well below the current level of development. Continued structural and geochemical data collection has enabled progress toward the development of a robust indicator of proximity to mineralisation. These litho-geochemical indices developed for Zone III will continue to be applied in Zone II. Significant benefits have been achieved from this detailed work resulting in the recent upgrade to the Zone II Mineral Resource estimate and to provide compelling near mine exploration targets. The revised 3D structural model used in this update will continue to be improved and applied as development progresses and diamond drilling commences. This will be the focus throughout 2021.

Hebei Hua Ao Retention Licence

During 2020 the Hebei Hua Ao exploration licence that includes Zone V and VIII was converted to a retention licence. This is the first step in the process to being granted a new mining licence for this area. The retention licence, which now covers 2.23 km², is valid until 16 July 2022.

Hebei Anglo Area

After careful consideration regarding tenement expiry dates and practical limitations to complete the necessary administration requirements, a decision was made to transfer the licence to Griffin's joint venture partner Yuanrun to allow its 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. Given the depth of cover and existing underground infrastructure, the Company remains in a good position to benefit from any new discovery should it eventuate.



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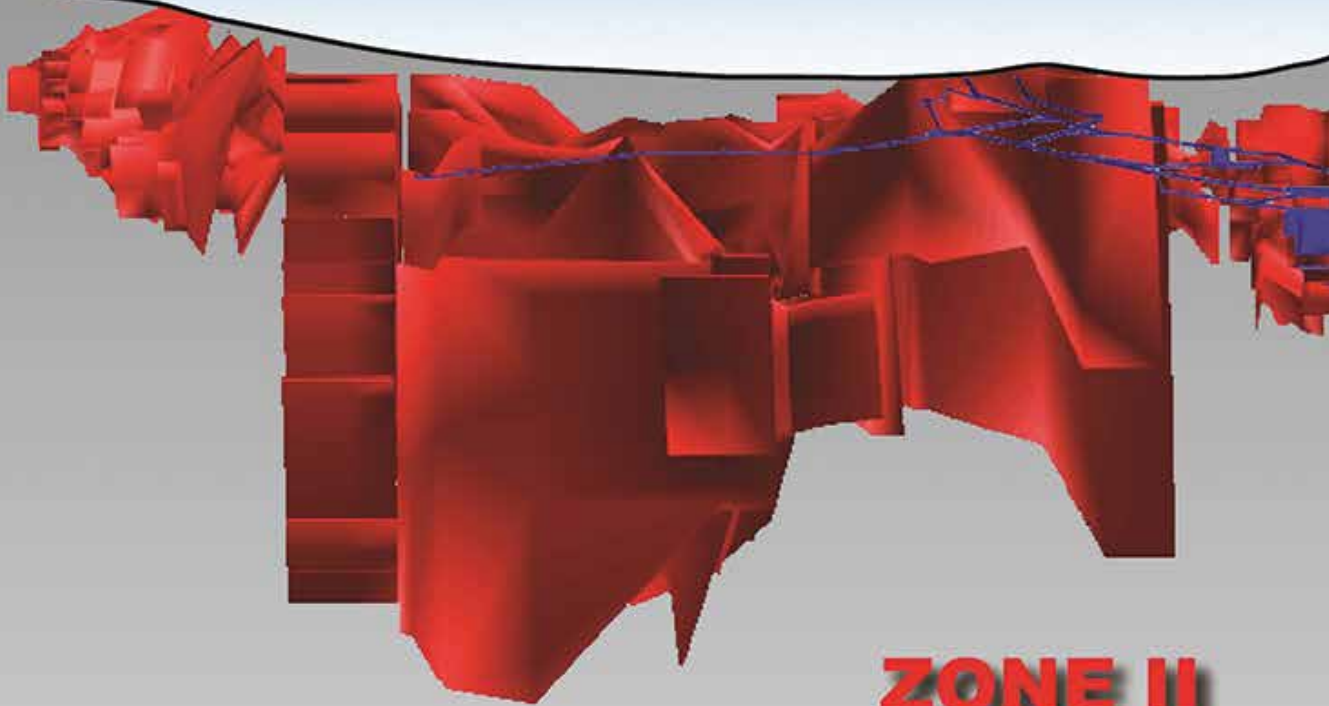
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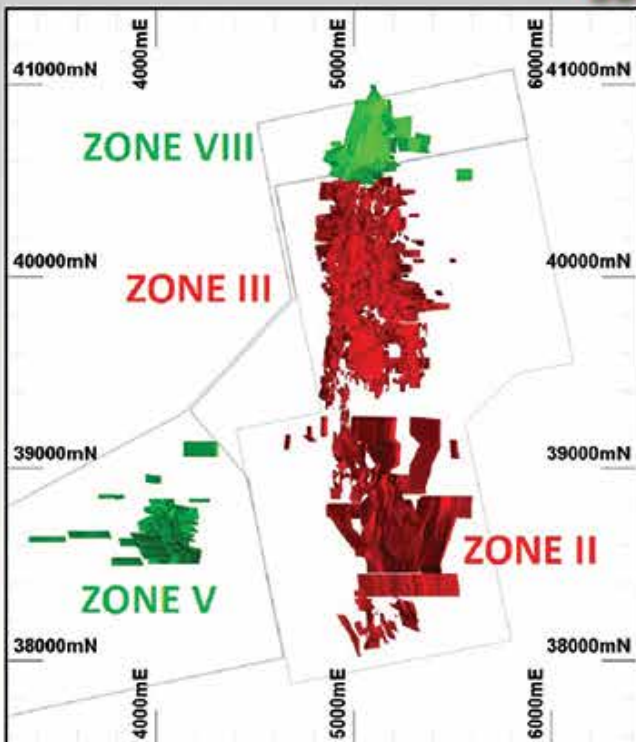
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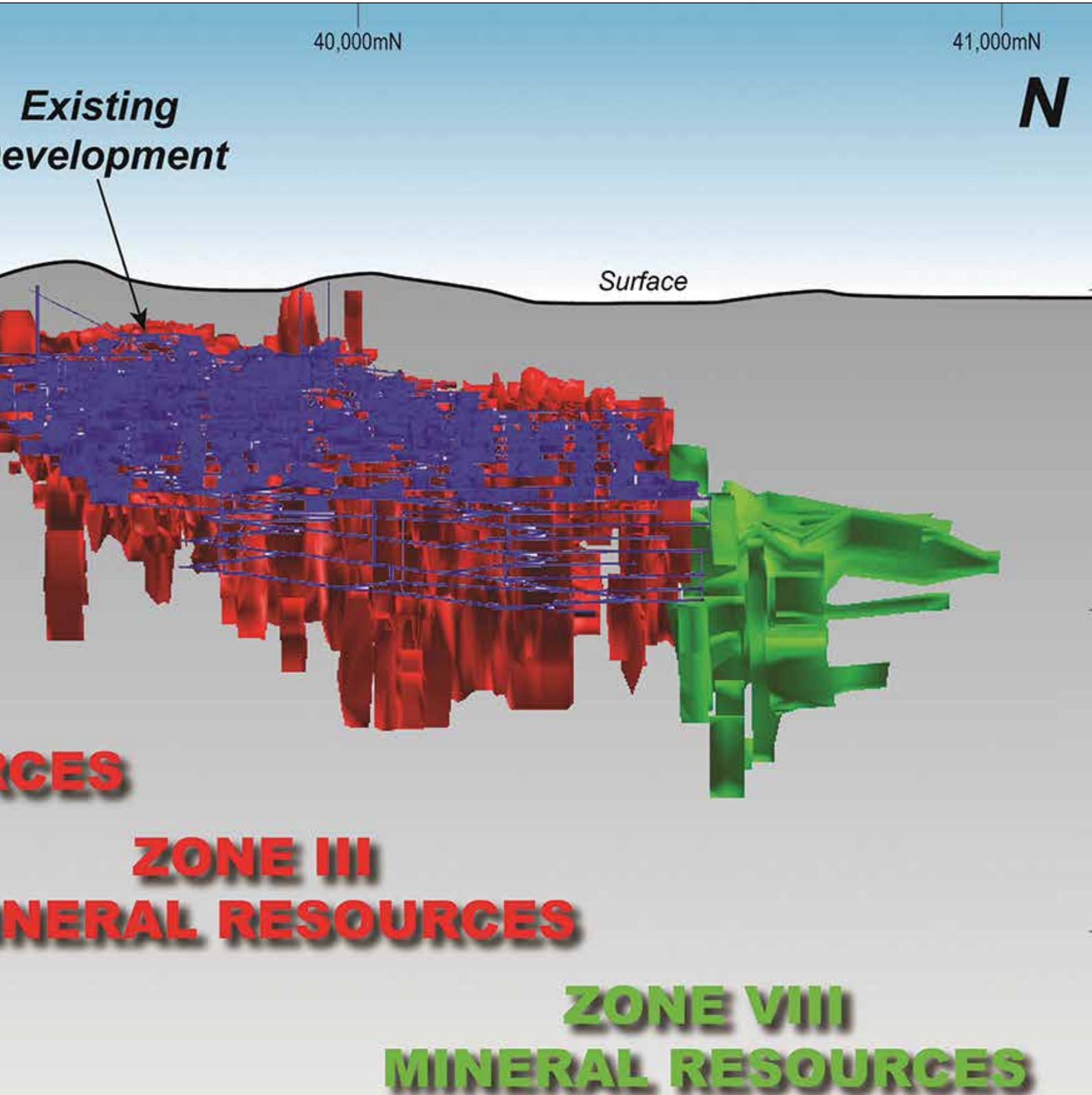
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Long section view facing west of Zone III. Mineral resource wireframes (red) and underground development and stoping (blue). Inset plan view of Caijiaying Mine's major ore lodes. 15



CAIJIAYING (CONTINUED)

Proposed 2021 Exploration

Exploration and resource development at Zones II and III will be the Company's focus throughout 2021. At Zone II, diamond drilling will test exploration targets to the east whilst also testing areas within and adjacent to the resource model. At Zone III, exploration will target inferred depth extensions beneath the lower limits of development as well as a number of near mine exploration targets to the east.

OPERATIONS

Safety

The safety and welfare of the Company's workforce remains a priority with underground and surface operations operated safely and consistently in 2020 without any major incidents.

A continued focus on safety and training of the Chinese workforce resulted in a "Lost Time Frequency Rate" of 1.28 (2019: 2.2) per one million hours and the "Total Recordable Injury Frequency Rate" of 4.5 (2019: 13.3) per one million hours, a significant improvement from the previous year.

PFA approvals

Following 2 years of capital development and the installation of relevant underground services, the Chinese Safety Bureau granted the 3rd Stage Zone III PFA. This significant milestone extends the underground mineable ore zone from just Zone III at the Caijiaying Mine from the current 1175m RL down to the 1000m RL. This will enable the underground operations in Zone III to extract 1.1 million tonnes of ore per annum beginning 2021 compared to the 855,000 tonnes of ore mined in 2020. This represents a 29% increase in mineable ore production per annum.

The PFA works encapsulated internal escapeways, ventilation, dewatering, electrical and communications systems. It is mandated that this critical infrastructure be in place prior to the approvals process and commencement of stoping.

Green Mine Certification

In January 2021 the central Chinese Ministry of Natural Resources (the "MNR") published its formal list of mines operating in China which have passed the national level green mine assessment, with the Caijiaying Mine occupying the first position on the list.

Under its 'Green Mine Construction Plan', the Chinese Central Government is attempting to motivate mining enterprises to improve their resource utilization efficiency, protect the environment and harmonize their relationship with communities. The MNR's Circular of Selection of Green Mines 2019 outlines the criteria for a green mine including a mine's adherence to the law, corporate culture, quality controls relating to health, safety and environmental protection, resource utilisation strategies, environment restoration and reclamation processes and their relationship with local communities. The consequence of failing to ensure certification is closure of the designated mine. Further, in 2020, the Provincial Government of Hebei Province in its 'Green Mines Construction Work Plan' declared that all non-green mines in its provincial area will be shut down from the beginning of 2021.

Green Mine approval comes after the Company's past environmental best practices were recognised by the Chinese government with the Environmental Award and the Mine Development Outstanding Achievement Award at successive China Mining Conferences.

Covid-19

Ore mined, hauled, and processed in 2020 was impacted by restrictions to contain the Covid-19 pandemic. In the first quarter of 2020, operations at the Caijiaying Mine were suspended for a month to comply with restrictions instigated by the PRC authorities to contain the coronavirus pandemic. Operations recommenced on 24 February 2020 and steadily increased such that underground mining reached 100% of budgeted rates by mid-March 2020 and processing operations by late March 2020.

As a preventative measure to protect the Caijiaying Mine neighbouring villages and townships from Covid-19 infection, workers and contractors were prevented from returning to the Caijiaying Mine immediately following the 2020 Chinese New Year Holiday, and thereafter strict quarantine requirements were imposed. Since the 2020 year end, entry restrictions to the Caijiaying Mine have been further strengthened and extensive testing implemented so that to date, there have been no positive cases of Covid-19 reported at the Caijiaying Mine. The Company continues to work closely with the local PRC authorities to prevent Covid-19 infiltrating the Caijiaying Mine.



Production

Production results for the Caijiaying Mine in 2020 can be summarised as follows:

- Ore mined of 854,566 tonnes (2019: 862,029 tonnes);
- Ore hauled of 825,412 tonnes (2019: 925,903 tonnes);
- Ore processed of 822,058 tonnes (2019: 930,613 tonnes);

Whilst metal in concentrate recoveries were broadly maintained, optimising underground stope scheduling, pillar recovery and maximising economic extraction resulted in a planned rise in the combined zinc-gold equivalent head grade to 6.2% in 2020 from 5.5% in 2019.

As a result of the lower tonnes mined and processed:

- Zinc metal in concentrate produced was 32,472 tonnes (2019: 37,413 tonnes);
- Gold metal in concentrate produced was 11,250 ozs (2019: 17,768 ozs);

- Silver metal in concentrate produced was 292,301 ozs (2019: 344,228 ozs); and
- Lead metal in concentrate produced was 1,428 tonnes (2019: 1,219 tonnes)

Operational developments

Underground development work in 2020 was primarily focused on developing future stoping horizons between the 1175m RL and 1000m RL levels with 1080m RL, 1040m RL and 1000m RL levels being developed in 2020 for production in 2021.

Capital development in 2020 totalled 4,510 metres and operational development totalled 4,459 metres compared to 7,178 metres and 3,385 metres respectively driven in 2019. The lower capital metres driven in 2020 was due to the critical completion of development of the North and South declines in late 2019.



20 Tonne Haulage Trucks



CAIJIAYING (CONTINUED)

The programme to further modernise the Caijiaying Mine continued throughout 2020 with the 3rd Stage PFA approval work, Green Mine Certification, ventilation upgrade programme and other numerous upgrades.

A key focus for 2020 was the completion of the installation and commissioning of the main ventilation exhaust fan as part of the ventilation upgrade project (see pages 24 & 25). For the primary ventilation airways, a Central Fresh Air Shaft, Underground Return Airway Shaft, Central Stopping Vent Rise and two Northern Stopping Vent Rises were installed. The Main Ventilation Shaft primary fan and the corresponding backup power arrangement were also installed. A new Howden primary exhaust fan was commissioned in the second quarter of 2020 increasing the exhaust capability to 250 cubic metres per second, significantly enhancing ventilation control and environmental safety of the underground workings.

Significant other infrastructure was installed that will be of benefit over the life of the Caijiaying Mine including at the 1000m RL a new pump station, new electrical substation and new emergency refuge chamber. These were all required as part of the safety production requirements for the lower Zone III PFA approvals.

The Paste Fill plant commissioned in September 2019 was fully utilised in 2020, thereby limiting the storage requirements for tailings facilities. Backfilling methods consist of cemented paste backfill with secondary stopes filled with generated waste rock material.

A new 40 tonne low emission boiler has been installed as part of the upgrade to the Caijiaying Mine's heating system and to limit emissions at the Caijiaying Mine. As well as reducing any emissions the low emission coal boiler has an automated coal feeding system negating the necessity to manually feed coal reducing the need for manual labour and increasing safety.

A new Manitou lifting device, a new underground loader and a 20 tonne haulage truck with a fully enclosed cabin were acquired in 2020. It is planned to acquire a further two 20 tonne haulage trucks in 2021 to increase haulage capacity aided by the one-way traffic system underground with the completion of the North and South Declines. In addition, the Third Brigade is expected to update its fleet in 2021 with a new fit for purpose lifting device, a new electric over hydraulic production drill rig, a new single boom electric over hydraulic development drill rig and a new electric over hydraulic ground support installation drill rig. It is also

planned to enhance remote bogging capabilities with two new underground loaders in 2021.

In 2020, new electronic detonators were introduced with the safety and mining teams together with the on-site mining contractor collaborating with the detonator manufacturer and the Chinese Public Safety Board to ensure their safe and effective use for both development and production blasting purposes.

Zone II

On 28th December 2020, a new mining licence covering both the Zone II and Zone III areas was approved and issued by the MNR.

The magnitude of this accomplishment cannot be diminished. This major milestone was finally reached after 8 years of lengthy and arduous document preparation and written submissions which continually needed to accommodate a significant number of legislative and regulatory changes throughout that time.

The new mining licence allows for the mining of significant additional resources. The granting of the 3rd Stage Zone III PFA Permit will increase the annual mined ore from Zone III to 1.1 million tonnes in 2021, but with the increased ore accessed from Zone II, this will increase to over 1.5 million tonnes per annum in 2022, increasing as more capital development is completed. No additional capital is required for any above ground processing facilities which were upgraded and completed some time ago whilst waiting for the new mining licence.



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY

SUSTAINABLE DEVELOPMENT POLICY

Safety and occupational health as well as care for the environment are central to Griffin's values. Griffin endeavors to achieve economic, social and environmental benefits to its stakeholders while establishing environmentally friendly ("green") operations and developing a circular and low-carbon economy and striving to realise high-quality sustainable development.

STAKEHOLDER COMMUNICATION

Griffin believes that establishing a strong and trustworthy relationship with its stakeholders is essential to the Group's sustainable development. Actively understanding and responding to the needs of stakeholders is the cornerstone of Griffin's sustainable development management. The Company and its subsidiaries regularly communicate with its stakeholders to understand their concerns and act accordingly.

<i>Stakeholders</i>	<i>Key Issues</i>	<i>Communication</i>
Government and regulatory agencies	Compliance with laws, regulations and policies	Carry out community projects and cooperation with government agencies
	Corporate governance	(See separate corporate governance report pages 34 & 35)
	Safety and environmental protection	Daily communication and reporting
Shareholders and investors	Sustainable development governance	Regular reporting (see corporate governance report pages 34 & 35)
	Human rights policy disclosure	Anti-slavery policy, equal opportunities employer
	Anti-corruption	Bribery and corruption policy
Employees and their families	Salary and benefits	Employee performance interviews
	Training and development	Staff representative conference
	Health and safety	Regular safety reporting, safety meetings and safety inductions
Suppliers/contractors	Customer service	Dedicated procurement department
	Product quality	Independent assay and moisture checks of concentrate sold
Community	Community investment	Involvement in local community
	Community benefits	Local community support, including infrastructure, poverty alleviation, schooling
	Environmental protection and ecology	Care and protection of local environment with minimal discharges



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)

ENVIRONMENTAL RESPONSIBILITY

As a responsible corporate citizen, Griffin not only abides by local regulatory requirements but seeks to apply best worldwide practices regarding the protection of the environment. Hebei Hua Ao strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China*, and the *Cleaner Production Promotion Law of the People's Republic of China* and other relevant laws and regulations. In doing so, Griffin is committed to conserving resources and protecting the environment by reducing the impact on the environment and natural resources. Griffin conducts its operational activities in strict accordance with the requirements of laws and regulations with the establishment of internal environmental monitoring plans, the use of professional testing agencies to strictly monitor air emissions, wastewater, solid waste discharge to enable the timely resolution of any issues that might be encountered.

Griffin continues to improve related management systems and technical standards for energy management, improve resource utilisation rates and maximise the efficiency of resources and energy consumption. Such practices include:

- 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 being enhanced with a new 40 tonner low emission boiler being installed;
- 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 storage facilities;
- Noise, dust and blasting vibration from operations being strictly controlled;
- Decommissioning and rehabilitation work on Tailings Dams 1 & 2. This work includes battering the waste dump slope, backfilling, topsoil sheeting and planting of vegetation to international standards and in compliance with PRC environmental regulations;
- Funding the state endorsed China “greening” project including the planting of trees by local villagers in the Caijiaying Mine area;
- Awarding of state endorsed China “green mine” certification;
- Approval from the relevant authorities to increase the capacity of the dry tailing’s storage facility without an increase in the footprint of the facility via modern design practices and with a new tailings facility being constructed in 2021. Crucially, these facilities are “dry” compared to those that are “wet” and have failed internationally;
- 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;
- The planting of 60 landscape trees outside the main gate and 30,000 elm trees and 3,000m² of grass planting around the Caijiaying Mine as part of local Chinese Environmental Protection Agency greening project;
- Planting of Mongolian scotch pine trees over an area of 3,869m² to suppress dust and prevent surface degradation. In addition, paving stones have been laid with grass seed to cover an area of 575m² and 743 m² of paving stones without grass seeding;
- 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 online monitoring systems continually monitored 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;



- Installation of additional fencing and dust cannons on the ROM pad to further control dust and any heavy metal emissions;
- 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 2020 clean production targets with the targeted reduction in heavy metals 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
- Ground hardening of main passageways around the Caijiaying surface facilities.

WASTE GAS TREATMENT

Griffin strictly abides by China's air emissions standards, and strictly controls air pollutants such as sulphur dioxide and nitrogen oxides generated during mining and processing by installing waste gas treatment devices to ensure that air pollutants emissions meet relevant standards. The smoke and dust generated by heating boilers and hot blast stoves are efficiently treated by a series of desulphurisation and dust removal equipment such as bag filters to ensure that the pollutant emission concentration in the exhausted gas meets the requirements of China's "Boiler Air Pollutant Emission Standard" (GB13271-2014). The main dust generating areas such as crushing and screening at the mill are equipped with a sealed cover and bag filters with a dust removal efficiency of 98.65%. The resulting emissions meets the requirements of China's national standard "Pollutant Emission Standard of Lead and Zinc Industry" (GB25466-2010).

In addition, dust removal devices are set up in Hebei Hua Ao's workshops. Areas affected by uncontained dust emissions are controlled by setting up dust nets, spraying water and regular cleaning. Multiple total suspended particulate matter online monitors have been installed in the mining area to ensure that the total suspended particulate matter and the concentration of unorganised

particulate emissions meet the requirements of China's national standard "Comprehensive Discharge Standard of Air Pollutants" (GB162967-1996).

WASTEWATER TREATMENT

Waste water is mainly domestic sewage, production waste water and drain water from the mine. After treatment, domestic sewage and plant wastewater can all be reused for production, with the drain water treated on site and then used for mineral separation. In 2020, all production waste water was recycled achieving waste water "zero discharge".

WASTE STORAGE AND DISPOSAL

Non-hazardous waste produced mainly includes waste rock and tailings. All waste rock produced is backfilled to the underground open stopes resulting 100% utilisation of mined waste rock. Part of the tailings generated is used for underground paste fill while the remainder is used for making bricks or stored in the tailings facility. This results in total utilization and safe disposal of all wastes.

Griffin strictly abides by China's national standard "Hazardous Waste Storage Pollution Control Standard (GB18579-2001)" and has formulated internal documents such as "Hazardous Waste Temporary Storage Management", "Hazardous Waste Ledger Management" and "Hazardous Waste Incident Report". All hazardous waste generated is disposed of by a qualified third party. In accordance with the PRC government's environmental protection requirements, Hebei Hua Ao has installed an online monitoring system for hazardous waste transfer and connected it directly to the National Environmental Protection System to prevent illegal disposal of hazardous waste.

RESOURCE USAGE

In 2020, Griffin established a taskforce to address complex technological challenges. Led by the Caijiaying General Manager, it is mainly responsible for the coordination of scientific and technological research and innovation. It continues to optimise mining methods to maximise the mineral resource utilisation. Griffin actively promotes digital, modern and intelligent mining by formulating a scientific and technological innovation management reward system and annual incentive plan.

Griffin attaches great importance to energy conservation and emission reduction with a series of positive actions implemented in 2020.



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)

- Formulated a “*Water Conservation Management System*” which is strictly implemented and records water consumption in real time. Further employees’ awareness of water conservation is cultivated in daily work and life.
- Strict adherence to the “*Cleaner Production Promotion Law of the People’s Republic of China*” and other relevant laws and regulations, actively carrying out cleaner production and setting up a clean production review team. In 2020, Hebei Hua Ao replaced the metal halide lamps in the workshop with LED lamps. After the replacement, the annual power consumption was reduced by 51,480 kWh.
- An “*Energy Conservation and Emission Reduction Work Leading Team*” was established to make relevant assessments and promote energy conservation. Griffin established a resource utilisation assessment system, set up energy consumption targets for each workshop and team and incorporated the related KPIs into the annual assessment while encouraging employees to build up a sense of responsibility for energy conservation and environmental protection. All of these measures ensure the success of Griffin’s energy conservation and emission reduction work.

ENVIRONMENTAL EMERGENCY RESPONSE PLAN

In order to actively respond to environmental emergencies, a “*One Plant, One Policy*” *Implementation Plan for Emergency Response to Heavy Pollution Weather* has been formulated and strictly implemented during these events. Environmental risk assessments are regularly undertaken in accordance with relevant Chinese regulations, “*Action Plans for Environmental Emergencies*”, which are filed with the local Environmental Protection Agency.

HAZARDOUS CHEMICALS MANAGEMENT

Griffin complies with the “*Regulations on the Safety Management of Hazardous Chemicals*”, “*Regulations on the Management of Precursor Chemicals*”, “*Measures for the Public Security Management of Precursor Explosive Hazardous Chemicals*” and other relevant laws and regulations and realises professional management of hazardous chemicals through dedicated storage facilities for hazardous chemicals.

GREEN MINE CONSTRUCTION

In 2020, Griffin actively enhanced its green mine operation and compiled the “*Green Mine Self-Assessment Report*” and “*Green Mine Building Implementation Plan*”. In doing so it successfully passed the national green mine review in China and was listed in the PRC national green mines list.

For the green mine implementation programme, Griffin established a green mine construction team headed by the Caijiaying General Manager. This team ensured that all the tasks were properly and timely completed for green mine certification. Further, Griffin formulated the “*Mining Geological Environmental Protection*” and assigned specialists to evaluate each key process and point to enhance ecological and environmental governance, train employees to improve the awareness of sustainable utilisation of the mineral resources and apply an effective system to ensure a green mine development.

TAILING FACILITIES CLOSURE

Hebei Hua Ao commenced the closure and re habilitation of the Tailings Facilities 1 and 2 in July 2020 and successfully completed this in November, 2020. Both tailing facilities’ closures and rehabilitation included a number of complex works such as a reservoir area treatment, slope greening, and a safety facilities set-up, with a total investment of more than \$14.2 million.

ENVIRONMENTAL RECOGNITION

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

In January 2021 the central Chinese MNR published its formal list of mines operating in China which have passed the national level green mine assessment, with the Caijiaying Mine heading the list.



Key Environmental Indicators

Emissions

<i>Environmental Performance Indicators</i>	2020
Nitrogen oxides (tons)	11.00
Sulphur dioxide (tons)	6.89
Smoke and dust (tons)	1.80
Wastewater discharge (tons)	0
Wastewater discharge intensity (tons/RMB million)	0
Hazardous waste safely disposed of (tons)	36.11
General solid waste generation (tons)	646,431

- Nitrogen oxides, Sulphur dioxide, and smoke mainly emanates from heating boilers.
- Hazardous waste is mainly from waste mineral oil, and waste oil drums.
- General solid waste is mainly from tailings.

Energy and Resources Consumption

<i>Environmental Performance Indicators</i>	2020
Diesel consumption (tons)	293.87
Coal consumption (tons of standard coal)	2,818.26
Purchased electricity (MWh)	51,658.40
Total water consumption (10,000 tons)	40.25

EMPLOYEES' RIGHTS

Hebei Hua Ao values its employees by adhering to "Talents are the First Resource" policy. This insists on a people-oriented principle and protection of employees' basic rights and interests as well as mutual development between employees and the Company. This is an important part of Griffin's overall sustainable development by continuing to optimise employee talents, improve the overall quality of employees and committing to building a professional and ethical team with a high sense of responsibility.

EMPLOYEE MANAGEMENT POLICY

Griffin is an equal opportunities employer and Hebei Hua Ao strictly complies with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Women's and Children's Rights and other relevant laws and regulations. Griffin has established

a number of employee management systems and procedures to protect the legitimate rights and interests of employees, including recruitment and dismissal, compensation and promotion, working hours, holidays, equal opportunities, diversification and other employee benefits. Griffin has contracts with employees in accordance with all laws and regulations to ensure that all employees are given equal opportunities for career development and to build a harmonious labour relationship.

Hebei Hua Ao implements an 8-hour working day system in accordance with PRC law and stipulates that the average working hours of employees should not exceed 40 hours per week. Due to the nature of some activities, a special working hours system may be implemented after obtaining approval from the relevant departments.

Griffin offers competitive salary and welfare benefits to its employees according to the nature of the job. An employee





New North Ventilation Shaft with Caijiying Mine Site in distance providing perspective of Zone III 25



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (*CONTINUED*)

whose work exceeds regular working hours will be offered additional compensation or compensatory leave. Hebei Hua Ao implements a system of 20 days of continuous work and 10 days of continuous leave. Hebei Hua Ao reimburses travel expenses between the Caijiaying Mine and the employees home.

Griffin advocates a diverse workforce and does not discriminate on the grounds of gender, age, nationality, race, religious beliefs, and physical condition in either recruitment, training, selection, salary and promotion. Griffin is against any forms of slavery, forced labour or child labour and will not deal with any party which it believes engages in such practices.

HEALTH AND SAFETY OF EMPLOYEES

The health and safety of the Group's employees is of paramount importance. All Group companies abide by the relevant laws and regulations of their country of incorporation and operation, including the Law on the Prevention and Control of Occupational Diseases of the PRC and the Measures for Supervision and Administration of Employer's Occupational Health Surveillance. In particular, Hebei Hua Ao has established a sound and safe production management system and improved the emergency plans for production safety accidents to reduce the risks of occupational hazards.

SAFETY MANAGEMENT

Mining is inherently dangerous and without proper safety management and procedures there is a degree of risk of injury, potentially fatal, to anyone in the mine or processing facilities. Griffin is focused on the occupational health and safety awareness of its employees, contractors and all those visiting the Caijiaying Mine and surface facilities. A safe working environment is the top priority. Referring to industry practices and regulatory requirements, Griffin has formulated a comprehensive instruction on health and safety and is committed to building a "dual control" safety management system that is being continually enhanced.

In order to implement the safety management policies and ensure the occupational safety of employees, contractors and those visiting, safety management operational practices include the following:

- Emergency rescue plan and organised emergency drills and exercises on a regular basis;

- Regular production safety meetings;
- Training on safe production to employees, contractors and visitors;
- Occupational hazards health checks before, during and after work;
- Regular safety meetings with all contractors;
- Implementation of and regular upgrading of "Six Systems" including emergency sheltering, monitoring and control, underground personnel positioning, communication, wind pressure self-rescue, and water supply and rescue; and
- Regular underground drainage system checks to prevent the danger of underground surges.

In 2020, Hebei Hua Ao conducted 3 major safety inspections. A total of 395 hidden risks were identified and 395 were rectified. Relying on a meticulous safety management system, the incident rate of all types of accidents decreased significantly this year. The total frequency of recordable injury accidents per million working hours was 4.5, which was 8.8 lower than the result in 2019.

EMPLOYEES' OCCUPATIONAL HEALTH

Griffin strongly values the prevention and control of occupational diseases while constantly upgrading the occupational health protection equipment and facilities to improve the production and working environment of employees. Hebei Hua Ao provides annual occupational health check-ups for employees who are exposed to occupational hazards to ensure their health and safety.

CONTRACTORS SAFETY MANAGEMENT

In 2020 Hebei Hua Ao incorporated three contractors into its safety management system and unified management structure. A "Safety Production Management Agreement" and "Safety Liability Letter" was signed with all contractors stipulating that everyone entering the mine site must wear protective equipment while cautiously fulfilling their responsibilities of safe production. In addition, mine safety education and training was provided for new employees of contractors with safety education and training for all contractors once or twice a month to continuously improve contractors' safety awareness.



Employee Structure of Hebei Hua Ao Mining in 2020

At 31 December 2020, Hebei Hua Ao employed the following personnel:

<i>Category</i>	<i>Employee basic information</i>	<i>Number of employees</i>	<i>Proportion</i>
Total number of employees		438	100%
New employees joined in 2020		49	11.2%
By gender	Male	377	86.1%
	Female	61	13.9%
By management level	Management Personnel	23	5.3%
	General Personnel	415	94.7%
By age	30 years of age or under	33	7.5%
	31 to 50 years of age	262	59.8%
	Above 50 years of age	143	32.7%

COVID-19 CONTROL AND PREVENTION

In order to carry out better prevention and control of Covid-19 during the pandemic, Hebei Hua Ao established an epidemic prevention and control group headed by the Caijiaying General Manager and formulated the “Covid-19 Prevention and Control Plan”. This clarified work responsibilities and set out a series of procedures such as personnel screening, site disinfection and other controls. Hebei Hua Ao guaranteed sufficient stocks of hazard prevention materials which enabled operations to continue with minimal disruption. In addition to employee health and safety protections, a special shuttle bus was sent to Wenzhou City in Zhejiang to return employees after the Spring Festival. Hebei Hua Ao maintains active and continual communication with local governments and provides free nucleic acid testing for all employees returning to work.

Wherever possible, Griffin Group employees were encouraged to work from home in compliance with local regulatory requirements.

CAREER DEVELOPMENT AND TRAINING OF EMPLOYEES

Griffin values the training and development of all employees. It has formulated scientific promotion channels and flexible employee training systems to support employees’ career development and improve employees’ capabilities. In 2020,

the Company invested RMB 350,000 (\$52,000) in employee training. The training coverage rate reached 100%. Training conducted in 2020 included:

- Management personnel training: 6 management personnel received PRC safety officer training and certificates.
- Technician training: 45 technicians received PRC skill training and relevant certificates.
- Safety training: Internal safety training was provided to 438 employees.

SUPPLIER MANAGEMENT

Suppliers are one of the important cornerstones of our sustainable development. To ensure that supplier activities comply with the requirements of local regulatory authorities and our selection criteria, a mature supplier management system has been established that strictly controls the entire process of supplier access, evaluation and subsequent management.

When establishing procurement contracts for equipment, building materials, steel, chemicals and other products, Griffin sets clear environmental and safety management requirements for suppliers, stipulating that they must strictly comply with national and local environmental and safety laws and regulations in production and operating



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)

activities. Product packaging must be solid and clearly marked. The supplied goods must be safe and neatly package and delivered to the designated place safely. In addition, a commitment letter on “Illegal Employment of Employees” from the suppliers is requested, requiring them to strictly comply with the *Constitution of the People’s Republic of China, the Employment Contract Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Minors and the Provisions on Prohibition of Using Child Labour*. Griffin strictly prohibits the employment of child labour and late salary payment to their employees so as to prevent social and environmental risks within the supply chain.

CUSTOMERS AND PRODUCT RESPONSIBILITY

Quality Control

With strict production management and quality control, every effort is made to ensure the production of high quality zinc and lead concentrates that satisfy customers’ needs. The extraction of all lead from the Zinc concentrate produces a separate lead concentrate containing precious metals and ensures that a highly desirable lead free zinc concentrate is produced.

The following measures are undertaken in the efficient production of good quality concentrate:

- Strict maintenance plans to ensure that equipment is always in good and reliable condition;
- Ongoing improvements to the flotation process, including optimisation of system controls, enhancement of process stability resulting in better recovery of lead, zinc, gold and silver;
- PLC control systems to further ensure the stability of processing operations;
- Ongoing technical training to employees to improve their capabilities and their ability to deal promptly and safely with all emergencies;
- Samples taken every two hours during processing to correct variances and ensure the stability of processing; and
- A combination of internal and external inspections for assay analysis to ensure the accuracy of all assay data.

Protection of Rights and Interests of Customers

Griffin takes a responsible and proactive approach to building long-term, harmonious and stable customer



Underground Refuge Chamber at the Caijiaying Mine 1000m RL for 100 personnel



relationships and endeavours to resolve all customer claims promptly. In 2020, Hebei Hua Ao did not receive any complaints or have any returns regarding concentrate quality nor did it recall any concentrate sold due to safety or health issues.

COMMUNITY RELATIONS AND SOCIAL INVESTMENT

Griffin through Hebei Hua Ao has invested heavily in the local community. This includes working with the local community towards eliminating poverty and improving people's livelihood. Griffin believes that the enterprise and community development are closely related, combining corporate strengths with community needs. Griffin actively carries out community improvements, supports local institutions and provides charitable support where needed. By establishing a "Community Development Plan" and other support, Griffin has formulated community development plans in areas such as poverty alleviation, education, medical care, industrial support, infrastructure construction, disaster relief and traditional culture support. These are considered and implemented as a way to promote harmonious economic and social development and to be an excellent corporate citizen of the PRC.

Poverty Alleviation

In order to assist and implement the decisions and directives of the Chinese government to reduce poverty, in accordance with the requirements of the Leading Group of Poverty Alleviation in Hebei Province, Griffin has implemented a poverty alleviation plan in conjunction with the local community. This includes pensions and other financial support as well as non-financial donations to local people.

Education

Since the commencement of operations at the Caijiaying Mine, Hebei Hua Ao has been providing financial support to the only elementary school in No.3 Township, Zhangbei County, Zhangjiakou City, Hebei Province. This includes the establishment of the "Hebei Hua Ao Hope Scholarship" to encourage local high school graduates to enter university. The "Huaao Hope Scholarship" was established with an annual investment of Rmb 100,000, and is specifically implemented and managed by the Zhangbei County Hope Project Leading Group. In 2020, a total of 28 college students were granted this special scholarship, with a total amount of Rmb 73,000.

Community Investment

Community communication is seen as an effective way to build trust with local community people and achieve harmony and co-prosperity between the Company and the community. As well as poverty alleviation and support for local cultural events this has included:

- The construction and maintenance of a new water bore and water supply;
- The construction and maintenance of a sealed road from San Hao township to the Caijiaying Mine area;
- 500 head of cattle to Caijiaying Village to successfully create a dairy and cattle farm.

In 2020, Hebei Hua Ao provided Rmb55,800 for the maintenance of the water pipeline system in Caijiaying Village, No. 3 Township in Zhangbei County, Zhangjiakou City, Hebei Province. Hebei Hua Ao assisted local people in repairing their houses and address any potential impact of blasting vibrations and other disturbances on their properties, with a total investment of more than Rmb12 million. In addition, Hebei Hua Ao provided pension subsidies to 386 elderly people in Xiaobazi Administrative Village in Zhangbei County. The total fund was more than Rmb550,000. 500 head of cattle were paid for and provided 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.

In 2020, Hebei Hua Ao donated money and Covid-19 relief materials for local epidemic prevention and control. During the outbreak, masks, food, and other epidemic prevention materials were donated to No. 3 Township in Zhangbei County, at a cost of Rmb 33,400. A further Rmb 100,000 was donated to support the recovery from Covid-19. These actions have won unanimous praise from the local government and residents.

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

During 2020, Hebei Hua Ao paid Rmb 95 million (\$14.5 million) (2019: Rmb 116 million) in taxes, royalties, social security fees and other duties to Chinese Governmental authorities and agencies. It is recognised as the largest tax payer in the local Zhangbei County and one of the largest in Zhangjiakou City prefecture.







FINANCIAL RESULTS

In 2020, the Company and its subsidiaries (together the “Group”) recorded;

- Revenues of \$75,403,000 (2019: \$82,267,000);
- Operating profits of \$15,148,000 (2019: \$14,225,000);
- Profit before tax of \$14,515,000 (2019: \$11,712,000);
- Profit after tax of \$8,910,000 (2019: \$6,084,000); and
- Basic earnings per share of 5.16 cents (2019: 3.52 cents).

Despite interruptions to operations in the first quarter of 2020 with restrictions imposed by the Chinese authorities to contain the Covid-19 pandemic, the Group recorded a 6.5% increase in operating profits on that recorded in 2019, primarily as a result of higher zinc metal prices received and reduced costs.

Turnover of \$75,403,000 was down \$6,864,000 (8.3%) on that achieved in 2019 of \$82,267,000. This reflects zinc in concentrate sales down \$2,532,000 (4.6%) with 5,535 tonnes (14.6%) less zinc in concentrate sold at average prices of \$174 per tonne (11.8%) higher than in 2019, as the Group benefited from rising market prices and falling smelter treatment charges. Lead and precious metal in concentrate sales were down \$3,851,000 (12.9%) on 2019 with 6,494 ozs (36.7%) less gold in concentrate sold at average prices of \$441 per oz (33.4%) higher than 2019 and 41,337 ozs (12.4%) less silver in concentrate sold at average prices of \$3.9 per oz (28.3%) higher than 2019.

In 2020, metal in concentrate sales were:

- Zinc 32,276 tonnes (2019: 37,811 tonnes);
- Gold 11,218 ozs (2019: 17,712 ozs);
- Silver 291,756 ozs (2019: 333,093 ozs); and
- Lead 1,425 tonnes (2019: 1,221 tonnes).

Average prices achieved in 2020 were:

- Zinc metal per tonne of \$1,645 (2019: \$1,471);
- Gold metal per oz of \$1,759 (2019: \$1,318);
- Silver metal per oz of \$17.70 (2019: \$13.80); and
- Lead metal per tonne of \$1,339 (2019: \$1,575).

Cost of sales of \$42,737,000 in 2020 were down 12.1% on that incurred in 2019 of \$48,609,000. This reduction in the

main reflects less ore mined, hauled and processed with operations impacted by restrictions to contain the Covid-19 pandemic in the first quarter. Additional cost savings were achieved in mining and haulage thereby reducing unit costs per tonne of ore. Despite the reduction in tonnes of ore mined and processed, non-cash depreciation charges rose with additional capital costs.

Administration expenses fell \$1,915,000 (9.9%) from \$19,433,000 in 2019 to \$17,518,000 in 2020. This reduction reflects efforts to contain costs across the Group during the Covid-19 pandemic, despite additional work on the application for a mining licence at Zone II and Green Mine certification.

Foreign exchange gains of \$22,000 (2019: losses \$93,000) were recorded in 2020, mainly on a strengthening of the Renminbi.

Interest of \$108,000 (2019: \$171,000) was received on bank deposits in 2020 whilst interest of \$111,000 (2019: \$51,000) was paid on short term bank loans. Finance interest on the lease of the dry tailings facility at Caijiaying and the London office totalling \$171,000 (2019: \$326,000) was incurred in 2020. Deemed interest on discounted rehabilitation provisions of \$77,000 (2019: \$Nil) was charged in 2020.

Losses on the disposal of \$1,129,000 (2019: \$305,000) were recorded with equipment being replaced to meet higher Chinese environmental standards.

Income taxes of \$5,605,000 (2019: \$5,628,000) have been charged in 2020. This includes a deferred taxation charge of \$424,000 (2019: \$380,000), and PRC withholding taxes on dividend distributions and fees of \$232,000 (\$50,000).

Basic earnings per share in 2020 was 5.16 cents (2019: 3.52 cents) and diluted earnings per share was 4.88 cents (2019: 3.24 cents).

Cash generated from operations of \$24,398,000 (2019: \$21,639,000) have been used in further developing the mine and facilities.

Attributable net assets per share at 31 December 2020 was \$1.35 (2019: \$1.24).



STRATEGIC REVIEW

OVERVIEW

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

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 and 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 new mining licence over Zones II and III permits 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 2020, the Company further expanded the scope and activities of China Zinc to encompass this 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 seeks to meet as regularly as possible within the confines of recent restrictions imposed to contain Covid-19 transmissions, 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 36 to 40. 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;
- Preparation and regular review of cash flow forecasts and funding requirements;
- 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 29.
- **Risks:** The Company and its directors have identified and keeps 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 44 to 47.
- **Board of directors, structure:** The Board is headed by a Chairman, whose services are provided through a service entity Keynes Capital (see report of the remunerations committee on pages 38 to 40). 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 non-executive directors.

- **Board of directors, 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 41.
- **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.
- **Corporate culture:** Both the Chairman and Finance Director regularly visit the Group's operations to meet with management and other personnel. These visits have been limited of late because of travel restrictions to contain the Covid-19 pandemic. 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 Groups operations with individual department heads reporting directly to him. The Company has appointed a Chief Financial Officer in China who reports to both the Chief Operating Officer and directly to the Finance Director, who in turn reports to the board of directors. Individual department managers are able to communicate directly to the Chairman concerning any issues of concern. The Board has responsibility for setting the overall strategy of the Group, its performance, management and financial matters including, inter alia, the approval of budgets, significant capital expenditure and financial reports.

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

Further details are provided on the Company's 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, Adam Usdan and Rupert Crowe, who died on 10 February 2021.

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 approve the statements to be included in the Annual Report concerning internal controls and risk management.

Whistle blowing

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

External Audit

The Audit Committee:

- (a) Considers and 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 auditor's 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 auditor 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 auditor's 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 auditor's 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 auditor's 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.

Adam Usdan
Chairman of the Audit Committee
13 May 2021



REPORT OF THE REMUNERATION COMMITTEE

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

THE ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining and agreeing with the Board the broad policy for the remuneration and employment terms of the 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.

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

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

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

Directors’ Remuneration Policy

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

Nevertheless, 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 being framed around the following key principles:

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

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

In addition, the pay and employment conditions of employees are also considered when determining directors’ remuneration. The Remuneration Committee may also seek advice from external consultants where appropriate and the services of FIT Remuneration Consultants have been utilised in previous years. No director has been involved in deciding the level and composition of their own remuneration.

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 2020

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

No bonuses were paid to the Finance Director in 2020 in view of the challenges facing the Company during the Covid-19 pandemic. 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 2020, Roger Goodwin (Finance Director and Company Secretary) received a basic salary of £315,000 (2019: £315,000) and pension contributions of £30,000 (2019: £30,000). In addition, he received directors' fees of \$201,000 (2019: \$212,000) 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 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 \$2,801,000 (2019: \$2,598,000), for the provision of advisory and support services to Griffin and its subsidiaries in 2020. An additional payment equal to two months fees was made in 2019 in recognition of good services provided.

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 \$201,000 in 2020 (2019: \$212,000).

Long Term Incentives

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

- 4,350,000 new ordinary shares (vested) exercisable at £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 (since 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 43 and 44, 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.



REPORT OF THE REMUNERATION COMMITTEE (CONTINUED)

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.
	Vested	Vested
Roger Goodwin <i>Finance Director</i>	500,000	1,500,000
Dal Brynelsen <i>Director</i>	-	900,000
Rupert Crowe <i>Director</i>	-	900,000
Adam Usdan <i>Director</i>	-	1,166,166
Mark Hine <i>Chief Operating Officer</i>	-	250,000

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 directors fees of \$177,000 (2019: \$188,000) for acting as a director of Hebei Hua Ao. Since the year end Mr Dal Brynelsen has

agreed to forego the fees from the Company in view of the directors fees he receives from Hebei Hua Ao.

In addition to the above Mr Rupert Crowe received fees of \$30,000 (2019: \$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:

	2020				2019				
	Fees \$000	Salary \$000	Pension Contributions \$000	Total \$000	Fees \$000	Salary basic \$000	Salary bonus \$000	Pension Contributions \$000	Total \$000
Mladen Ninkov*	201	-	-	201	212	-	-	-	212
Dal Brynelsen	262	-	-	262	271	-	-	-	271
Rupert Crowe	114	-	-	114	134	-	-	-	134
Roger Goodwin	201	402	38	641	212	399	66	38	715
Adam Usdan	84	-	-	84	84	-	-	-	84
Total	862	402	38	1,302	913	399	66	38	1,416

*Keynes Capital, the registered business name of Keynes Investments Pty Ltd as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,801,000 (2019: \$2,598,000) 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 Ltd.

No share options were granted to the directors in 2020 or 2019. No options were exercised by the directors in 2020 or 2019.

Dal Brynelsen
Chairman of the Remuneration Committee
13 May 2021



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 40 years. He has been responsible for the discovery, development and operation of several underground gold mines during his career.

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 30 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

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.

John Steel, Mine Manager, Australian, is a graduate Mining Engineer from the Ballarat School of Mines and holds a Master of Business Administration from Deakin University. He is a member of the Australian Institute of Mining and Metallurgy. John has extensive global mining experience including over a decade of in site operational expertise with tier one companies in Australia, Canada (Xstrata Mining PLC) and the Middle East (Barrick Gold Corporation). John also has extensive supplier side experience holding country Managing Director positions in Norway (EPC Groupe) as well as General Manger positions with several explosive and technology service providers within Australia.



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 2020.

FINANCIAL RESULTS

The Group profit before taxation for 2020 amounted to US\$14,515,000 (2019: US\$11,712,000). Taxation of US\$5,605,000 (2019: US\$5,628,000) has been provided. No dividends were paid in 2020 (2019: nil). US\$8,910,000 has been credited to reserves (2019: credited US\$6,084,000).

The basic earnings per share amounted to 5.16 cents (2019: 3.52 cents). The attributable net asset value per share at 31 December 2020 amounted to 135 cents (2019: 124 cents).

Whilst the directors do not recommend the payment of a dividend at this time, in February 2021 the Company implemented a share buy back programme of up to a value of \$10 million to acquire up to five million ordinary shares over the next 3 years to return excess monies not required to meet financial commitments and working capital requirements to shareholders, subject to cash balances being available to undertake those purchases. Griffin believes the buybacks will be value accretive and value-enhancing for the shareholders. The Company cannot guarantee that it will be successful in executing this program over the period stated. This arrangement is in accordance with the Company's general authority to repurchase shares.

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 2020 and the indication of likely future developments are set out on page 6 to 33.

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 – Deceased 10 February 2021*

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 2020 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2020			At 1 January 2020		
	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	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 (*CONTINUED*)

On 13 February 2014 options (the “40 pence options”) over 5,000,000 new ordinary shares were granted to directors and key employees of the Company in order to retain and incentivise key personnel with managerial and operating experience in non-standard jurisdictions in a tight mining employment market.

Each 40 pence option entitles the holder to subscribe for new ordinary shares in the Company at an exercise price of £0.40 per share on or before 31 December 2018, 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 entitles the holder to subscribe for new ordinary shares in the Company at an exercise price of 30 pence per new ordinary share on or before 31 December 2020 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 vested on the granting of a new mining licence over Zone II at the Caijiaying Zinc Gold Mine.

SUBSTANTIAL INTERESTS

Apart from Adam Usdan’s interests in the share capital of the Company, the Company has been notified that:

On 25 January 2021 Andrew Goffe and controlling undertakings held an interest in 26,513,657 ordinary shares in the Company representing 15.227% of the Company’s then issued share capital; and

On 1 March 2021 Richard Griffiths and controlling undertakings held an interest in 24,313,224 ordinary shares in the Company representing 13.93% of the Company’s then issued share capital, together with voting rights through third party financial instruments equating to 3.34% of the Company’s then issued share capital.

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 76 to 79.

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 cost.	Moderate	The Renminbi is loosely pegged to the US dollar. Griffin monitors foreign exchange rates and reviews the appropriateness of hedging receivables.



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Comment	Business Impact	Mitigation
<i>Economic Risks (continued)</i>			
Exposure to increases in the market prices of materials, equipment and services the Group uses.	The Group is subject to increases in the market prices for materials, services and equipment.	Moderate	The Group seeks to agree long term contracts for all major services and goods supplied.
Country Risks			
Exposure to political and social risks in the 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 unrelated contractors, particularly for its mining, haulage and drilling activities. Each of these activities has inherent risk, including injury or death to the contractor’s employees. Such events could cause a total shutdown of all operational activities which may take a substantial time to recommence.	Moderate	Griffin has an extensive occupational Health and Safety Department in conjunction with a Mining Manager and his team of underground foremen who constantly oversee all contractors’ activities, inter alia, punishing and fining 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 of directors, taking immediate and appropriate measures to minimise any such risks and hazards identified. In addition, the Group’s operations are regularly monitored by the PRC Safety Bureaus.
Reliability of Mineral Resources and Ore Reserves	The calculation of Mineral Resources and Ore Reserves involves significant assumptions and estimates that may prove inaccurate.	Low	Griffin’s Mineral Resources and Ore Reserve estimates are prepared by third party consultants, based in Australia, who are deemed “experts” under the JORC Code.



DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Comment	Business Impact	Mitigation
<i>Operational Risks (continued)</i>			
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.
Other Risks			
Exposure to a single operation	Griffin is reliant upon a single operation, being the Caijiaying zinc gold mine in the PRC. Factors affecting operations at Caijiaying have an impact upon the Group.	Moderate	It is the Company's policy to pursue growth opportunities through expansion in the Caijiaying area, as well as reviewing acquisition opportunities which can be shown to be value accretive.
Licence administration	Griffin, through its subsidiary companies, holds a number of mining, exploration and other licenses and permits to operate. These normally include conditions for ongoing operation and require periodic renewal. Renewals are not guaranteed.	High	All licensing requirements are kept under review with operational staff liaising with local PRC authorities to ensure conditions are adhered to and applications made timely and in good order.
Key management	The management of Caijiaying is reliant on a small number of key executives, both inside and outside of China. Their death, retirement or departure may have significant effect on the operations of the Company.	Moderate	Griffin has contractual arrangements with all key employees which are renewed on a regular basis.
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.



Risk	Comment	Business Impact	Mitigation
<i>Other Risks (continued)</i>			
Bribery and Corruption	Whilst strict internal policies and procedures to ensure compliance with applicable laws are applied to prohibit all forms of bribery and corruption the risk remains that employees or contractors have circumvented these policies and procedures which could result in prosecution of the Group and its officers.	Moderate	The Group prohibits bribery and corruption in any form by directors, employees or by those working for and/or connected with the business. With the advice and support of the Group's lawyers the Group has implemented anti bribery and corruption policies and procedures including: anti-bribery instruction to staff and third party contractors; on-going monitoring, including setting up reporting channels; and regular review of antibribery 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.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events requiring adjustment to the financial statements or disclosure. Since 31 December 2020 the Company has bought in 316,840 ordinary shares to be held in Treasury at a cost of \$584,000.

GOING CONCERN

Whilst it is difficult to accurately predict 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. This is further considered in the notes to the financial statements on page 60 to 61.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP were re-appointed auditors at the Annual General Meeting of the Company held on 17 December 2020 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



DIRECTORS' REPORT (*CONTINUED*)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE GROUP FINANCIAL STATEMENTS

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

The Bermuda Companies Act 1981 requires the directors to prepare Group financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The directors must not approve the Group financial statements unless they are satisfied that the Group 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 Group 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 Group financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the Group 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 Group 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
13 May 2021



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

OPINION

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 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 2020 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 December 2020; 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.

Our opinion is consistent with our reporting to the Audit Committee.

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

Materiality

- Overall Group materiality: \$1 million (2019: \$1.7m), based on 5% of the 3-year average profit before tax

Audit Scope

- We conducted full scope audits of three components out of the Group's ten entities which were selected due to their size and risk characteristics.
- This enabled us to obtain 100% coverage of consolidated revenue, 99% coverage of consolidated profit before tax and 98% coverage of total assets for the Group.
- To ensure sufficient oversight, direction and responsibility of the audit work performed by the component audit team in China, 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.

Key Audit Matters

- Extension of the business licence.
- 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.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to unethical and prohibited business practices and compliance with the regulations of the Ministry of Land and Natural Resources of the PRC, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 1981 (Bermuda). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate results, and management bias in key accounting estimates. The Group engagement team shared this risk assessment with the component audit team so that they could include the appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/ or the component audit team included:

- Enquiries of the directors, management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Inspection of supporting documentation, where appropriate;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of minutes of meetings of the Board of Directors;
- Challenging assumptions and judgements made by management in relation to their significant accounting judgements and estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Review of related work performed by the component audit team, including their responses to risks related to management override of controls and to the risk of fraud in revenue recognition.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

Approval of the increase in production permit, Impairment of property, plant and equipment, and Basis of going concern, which were key audit matters last year, are no longer included because in December 2020, a new mining licence covering both Zone II and III was granted, that allows production to increase up to 1.5 million tonnes per annum; there have been no impairment trigger events at 31 December 2020 that could imply a risk of impairment in long term assets; and management's going concern assessment, at the date of signing, did not require the increased audit effort necessary in 2019. Otherwise, the key audit matters below are consistent with last year.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Extension of the business licence

Refer to Note 1, the Significant judgements and estimates section and to Note 11, Property, Plant and Equipment.

The current life of mine plan, which includes extraction of resources from ZONE III only, extends beyond 2037 to 2056. 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 working to convert their joint venture agreement 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.

We consider this to be a key audit matter due to the level of judgement being exercised and the impact of this judgement on asset carrying values.

In addition to holding discussions with management, we have discussed with, and obtained correspondence from, management's external legal advisors to understand the process for extending the term of the business licence and confirmed their view that extending the term of the business licence will be routine in nature and that no additional costs will be incurred, once the joint venture agreement is converted to a limited liability company.

We also requested management to sensitise their life of mine plan to show the impact of the business licence not being granted and note that due to the significant headroom, modelling this impact shows no impairment.

Based on these enquiries and procedures, we are satisfied with management's judgement that converting the current joint venture agreement to a limited liability company will enable an extension of the term of the business licence as a matter of routine and at no additional cost.

Finally, we considered the adequacy of management's disclosure of the key judgements in relation to the extension of the business licence and consider them to be reasonable.

Impact of COVID-19

Refer to the 'Caijiaying' and the 'Sustainability, Environment and Local Community' sections of the Annual Report and to Note 1, the Going Concern section, in the Notes to the financial statements.

Covid-19 was declared a pandemic by the World Health Organisation on 11 March 2020 and the ongoing response is having an unprecedented impact on the global economy.

Management have set out in the Annual Report the impact that Covid-19 has had on the Group and Company, and the actions that they have taken and continue to take, to address the pandemic and its effect on the operations.

Our procedures and conclusions in respect of going concern are included in the "Conclusions relating to going concern" section below.

We considered the appropriateness of disclosures in the Annual Report with regards to the impact and risks related to the pandemic and consider these to be appropriate.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

KEY AUDIT MATTER**HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

In the first quarter of 2020, operations at the Caijiaying Mine were suspended for a month to comply with restrictions instigated by the PRC authorities to contain the coronavirus pandemic. However, once operations recommenced, mining and processing operations soon returned to expected levels with minimal further impact.

Management has also considered the potential impact of Covid-19 in undertaking their assessment of going concern. Based on this analysis management concluded that there is no material uncertainty in respect of the Group's going concern assessment

We determined management's consideration of the impact of Covid-19 to be a key audit matter.

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. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group audit team, or by the component auditors in China.

Our Group audit scope focused primarily on the Caijiaying zinc mine in China, which was subject to a full-scope audit by the component auditors. A full scope audit was also performed over the parent company and a service entity by the Group team. The above gave us coverage of 100% of consolidated revenue, 99% coverage of consolidated profit before tax and 98% coverage of total assets for the Group.

As Covid-19 prevented travel to China, we were unable to make a site visit as planned; we instead conducted our oversight of the component audit team through regular dialogue via conference calls, video conferencing and other forms of communication as considered necessary as well as remote working paper reviews to satisfy ourselves as to the appropriateness of audit work performed by the component audit team. We also attended key meetings virtually with local management and the component audit team. We reviewed the audit work of the component audit team, which included file reviews, participation in key audit discussions with local management and participation in the audit clearance meeting.

The Group engagement team directly performed the audit of the consolidation. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

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

Overall materiality	\$1 million (2019: \$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 has impacted profitability, we have used a 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 \$12,000 and \$675,000

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$50,000 (2019: \$85,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing the Group's cash flow forecasts for the going concern period, challenging management's assumptions used and verifying that these were consistent with our existing knowledge and understanding of the business, as well as with the Board-approved budget;
- Reviewing the Group's cash flow forecasts under the severe but plausible downside scenario, evaluating the assumptions used, and verifying that the Group is able to maintain liquidity within the going concern period under these scenarios;
- Testing the model for mathematical accuracy; and
- Assessing the adequacy of the disclosure provided in Note 1 of the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

REPORTING ON OTHER INFORMATION (CONTINUED)

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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Partner responsible for the audit

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

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.

PricewaterhouseCoopers LLP
Chartered Accountants
London

13 May 2021



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(expressed in thousands US dollars)

	Notes	2020 \$000	2019 \$000
Revenue	2	75,403	82,267
Cost of sales	2	<u>(42,737)</u>	<u>(48,609)</u>
Gross profit		32,666	33,658
Administration expenses	2	<u>(17,518)</u>	<u>(19,433)</u>
Operating Profit	3	15,148	14,225
Losses on disposal of plant and equipment	5	(1,129)	(305)
Provisions against intangible assets	12	(10)	(1,985)
Foreign exchange gains / losses		22	(93)
Finance income	6	108	171
Finance costs	7	(359)	(377)
Other income	8	<u>735</u>	<u>76</u>
Profit before tax		14,515	11,712
Income tax expense	9	<u>(5,605)</u>	<u>(5,628)</u>
Profit for the year		<u>8,910</u>	<u>6,084</u>
Basic earnings per share (cents)	10	<u>5.16</u>	<u>3.52</u>
Diluted earnings per share (cents)	10	<u>4.88</u>	<u>3.24</u>

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(expressed in thousands US dollars)

	2020	2019
	\$000	\$000
Profit for the year	<u>8,910</u>	<u>6,084</u>
Other comprehensive income / (expenses) that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	<u>9,662</u>	<u>(2,324)</u>
Other comprehensive income / (expenses) for the year, net of tax	<u>9,662</u>	<u>(2,324)</u>
Total comprehensive income for the year	<u><u>18,572</u></u>	<u><u>3,760</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 2020
(expressed in thousands US dollars)

	Notes	2020 \$000	2019 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	11	266,709	228,287
Intangible assets – exploration interests	12	325	322
		<u>267,034</u>	<u>228,609</u>
Current assets			
Inventories	13	5,333	3,839
Receivables and other current assets	14	6,675	1,861
Cash and cash equivalents		16,435	19,885
		<u>28,443</u>	<u>25,585</u>
Total assets		<u>295,477</u>	<u>254,194</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	15	1,728	1,728
Share premium		68,470	68,455
Contributing surplus		3,690	3,690
Share based payments		2,072	2,072
Shares held in treasury	16	(917)	(917)
Chinese statutory re-investment reserve		2,830	2,500
Other reserve on acquisition of non controlling interests		(29,346)	(29,346)
Foreign exchange reserve		11,365	1,703
Profit and loss reserve		173,814	165,059
Total equity attributable to equity holders of the parent		<u>233,706</u>	<u>214,944</u>
Non-current liabilities			
Other Payables	19	13,487	-
Long-term provisions	20	2,200	2,150
Deferred taxation	21	3,359	2,731
Finance leases	22	-	479
		<u>19,046</u>	<u>5,360</u>
Current liabilities			
Trade and other payables	23	42,342	31,769
Finance leases	22	383	2,121
Total current liabilities		<u>42,725</u>	<u>33,890</u>
Total equities and liabilities		<u>295,477</u>	<u>254,194</u>
Attributable net asset value per share to equity holders of parent	24	\$1.35	\$1.24

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

The financial statements on pages 55 to 81 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

13 May 2021

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2020
(expressed in thousands US dollars)

	Share capital	Share premium	Share	Contributing surplus	Share based payments	Shares held in Treasury	Chinese statutory re-investment reserve	Other reserve on acquisition of non-controlling interests	Foreign Exchange Reserve	Profit and loss reserve	Total attributable to equity holders of parent
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2019	1,727	68,442	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	13	-	-	-	-	-	-	-	14
Transaction with owners	1	13	13	-	-	-	153	-	-	(153)	14
Profit for the year	-	-	-	-	-	-	-	-	-	6,084	6,084
Adjustment for adoption of IFRS 16 Leases	-	-	-	-	-	-	-	-	-	(33)	(33)
<i>Other comprehensive income:</i>											
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	68,455	3,690	2,072	(917)	2,500	(29,346)	1,703	165,059	214,944
Regulatory transfer for future investment	-	-	-	-	-	-	155	-	-	(155)	-
Issue of shares on exercise of options	-	15	15	-	-	-	-	-	-	-	15
Transaction with owners	-	15	15	-	-	-	155	-	-	(155)	15
Profit for the year	-	-	-	-	-	-	-	-	-	8,910	8,910
<i>Other comprehensive income:</i>											
Exchange differences on translating foreign operations	-	-	-	-	-	-	175	-	9,662	-	9,837
Total comprehensive income	-	-	-	-	-	-	175	-	9,662	8,910	18,747
At 31 December 2020	1,728	68,470	68,470	3,690	2,072	(917)	2,830	(29,346)	11,365	173,814	233,706

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 2020
(expressed in thousands US dollars)

	Notes	2020 \$000	2019 \$000
Net cash flows from operating activities			
Profit before taxation		14,515	11,712
Foreign exchange (gains) / losses		(22)	93
Finance income	6	(108)	(171)
Finance costs	7	359	377
Depreciation, depletion and amortisation	11	12,801	12,343
Provision against intangible assets	12	10	1,985
Losses on disposal of equipment		1,129	305
(Increase) / decrease in inventories		(1,494)	1,112
(Increase) / decrease in receivables and other current assets		(4,814)	959
Increase in trade and other payables		5,666	4,016
Taxation paid		<u>(3,644)</u>	<u>(11,092)</u>
Net cash inflow from operating activities		<u>24,398</u>	<u>21,639</u>
Cash flows from investing activities			
Interest received	6	108	171
(Costs) / proceeds on disposal of equipment		(44)	1
Payments to acquire – mineral interests	11	(18,691)	(18,883)
Payments to acquire – plant and equipment	11	(5,684)	(8,193)
Payments to acquire office furniture & equipment		(5)	(69)
Payments to acquire – intangible fixed assets – exploration interests	12	<u>(11)</u>	<u>(308)</u>
Net cash outflow from investing activities		<u>(24,327)</u>	<u>(27,281)</u>
Cash flows from financing activities			
Issue of ordinary shares on exercise of options		15	14
Interest paid		(112)	(52)
Finance lease advance		-	65
Finance lease repayments		<u>(2,469)</u>	<u>(2,762)</u>
Net cash outflow from financing activities		<u>(2,566)</u>	<u>(2,735)</u>
(Decrease) in cash and cash equivalents		(2,495)	(8,377)
Cash and cash equivalents at the beginning of the year		19,885	28,452
Effects of foreign exchange rates		<u>(955)</u>	<u>(190)</u>
Cash and cash equivalents at the end of the year		<u>16,435</u>	<u>19,885</u>
Cash and cash equivalents comprise bank deposits			
Bank deposits		<u>16,435</u>	<u>19,885</u>

Included within net cash flows of \$2,495,000 (2019: \$8,377,000) are foreign exchange gains of \$22,000 (2019: losses \$93,000) 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

1. BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU 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 2020:

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business - amendments to IFRS 3
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Proceeds before Intended Use - Amendments to IAS 16

The amendments listed above did not have any impact on the amounts recognised in the current period and are not expected to significantly affect future periods.

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 2020, 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

The financial statements have been prepared on a going concern basis. The Group regularly prepares cash flow forecasts and revises its budgets to adapt to changing situations as the need arises. These have been extended for more than a year and adapted for a number of plausible scenarios to confirm that in all cases the Group could maintain liquidity cover. Amongst other matters management has taken into account sensitivities for the possible impacts of additional restrictions to contain further outbreaks of Covid-19. Whilst China has experienced localised outbreaks of Covid-19 in the latter part of 2020 and into 2021, strict travel restrictions, testing and quarantine requirements implemented by the PRC authorities and Griffin have limited the impact and spread of Covid-19, such that no cases of Covid-19 have been reported at Caijiaying nor in the surrounding county. As a result, there have been no interruptions to operations at Caijiaying since the initial outbreak of Covid-19 in the first quarter of 2020. In the unlikely event of an outbreak of Covid-19 at Caijiaying, every endeavour would be made to continue operations at Caijiaying, but supplies to and collection of concentrate from Caijiaying could be interrupted whilst the Caijiaying site could be quarantined. With this in mind a one month suspension has been built into the cash flow forecasts on a severe case scenario incorporating:

- A reduction in market prices to \$2,150 per tonne of zinc in July, rising incrementally month by month to \$2,790 by the end of 2020. Management considers this a reasonable downside; and
- 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 Renminbi there is a natural currency hedge.

Management have also considered a two month suspension in operations at the beginning of 2022, without any fall in metal prices, to coincide with the Winter Olympics at Chongli.



NOTES TO THE FINANCIAL STATEMENTS

GOING CONCERN (CONTINUED)

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

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

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 11).

Residual values

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

DEPRECIATION

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

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



NOTES TO THE FINANCIAL STATEMENTS

DEPRECIATION (CONTINUED)

- 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 resources 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 estimate 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, resource estimates, and life of mine plan adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Estimates and assumptions used in determining whether an asset has become impaired are set out in note 11.

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.

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



NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL ASSETS (CONTINUED)

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 14 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 will be reduced and the amount of the loss will be 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 will be recognised in profit or loss.

FINANCIAL LIABILITIES

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

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument.

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".



NOTES TO THE FINANCIAL STATEMENTS

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 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.



NOTES TO THE FINANCIAL STATEMENTS

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 2020 the total expense recognised in profit or loss arising from share based transactions were Nil (2019: 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 indicated as well as measured mineral resources will be recovered from Zones II and III at Caijiaying as good conversion from inferred to indicated and indicated to measured has been achieved historically. 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 11). 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.
- 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 and 1.5 million tonnes per annum thereafter as set out in the life of mine plan. No alterations to existing processing facilities are required to facilitate the increase in production.
- future zinc treatment costs.
- future operating and capital expenditure.
- discount rates calculated using a capital asset pricing model.



NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

Based on these estimates, the directors have determined that the Group requires the market price of zinc to be above \$2,080 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 12). 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.

Provisions for mine closure and rehabilitation costs have been made in accordance with the laws and regulations of the PRC and as set out in the Hebei Hua Ao Mine Ecological Restoration Treatment and Land Reclamation Scheme (“the Scheme”) as approved by Ministry of Natural Resources of the PRC. This Scheme provides for a mine life of 40.11 years from January 2019 to February 2059. The Scheme incorporates a rehabilitation plan for “Mine Geological Environment Recovery” with an estimated cost of RMB 65,619,400 (\$10,060,000), and “Land Rehabilitation” with an estimated cost of RMB 54,566,100 (\$8,360,000). These amounts have been discounted over the deemed Life of Mine at a discount rate of 3.7596%, being the PRC 40 year state bond rate.

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.

The directors continually monitor the basis on which their judgements are formulated. Where required they will make amendments to these judgements. Where judgements and estimates are amended between accounting periods, full disclosure of the financial implications are given within the relevant notes to the Group financial statements.

CASH AND CASH EQUIVALENTS

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

DIVIDENDS

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



NOTES TO THE FINANCIAL STATEMENTS

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 considers 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 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

2. 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 2020 and 2019 were derived from the Caijiaying zinc gold mine.

	2020	2019
	\$000	\$000
REVENUE		
China	<u>75,403</u>	<u>82,267</u>
Zinc concentrate sales	53,095	55,627
Lead and precious metals concentrate sales	25,999	29,850
Royalties and resource taxes	<u>(3,691)</u>	<u>(3,210)</u>
	<u>75,403</u>	<u>82,267</u>
COST OF SALES: CHINA		
Mining costs	16,056	17,652
Haulage costs	7,282	8,277
Processing costs	8,868	10,019
Depreciation (excluding depreciation in administration expenses)	11,780	11,462
(Decrease) / Increase in stocks	<u>(1,249)</u>	<u>1,199</u>
	<u>42,737</u>	<u>48,609</u>
ADMINISTRATION EXPENSES		
China	12,939	14,253
Australia	312	414
UK / Bermuda	<u>4,267</u>	<u>4,766</u>
	<u>17,518</u>	<u>19,433</u>

All revenues, cost of sales and operating expenses charged to profit relate to continuing operations and are allocated by receipt / payment location.

TOTAL ASSETS		
China	290,147	248,119
Australia	967	686
UK / Bermuda	<u>4,363</u>	<u>5,389</u>
	<u>295,477</u>	<u>254,194</u>
CAPITAL EXPENDITURE		
China	24,375	27,076
Australia	-	65
UK / Bermuda	<u>5</u>	<u>4</u>
	<u>24,380</u>	<u>27,145</u>

3. PROFIT FROM OPERATIONS

	2020	2019
	\$000	\$000
Profit from operations is stated after charging	\$000	\$000
Fees for the audit of the Company	165	142
Fees for the audit of subsidiaries	82	129
Staff costs	8,324	8,668
Service fees to Zhangjiakou Yuanrun Enterprise Management	<u>3,320</u>	<u>3,989</u>
	No.	No.
Average number of persons employed by the Group in the year	<u>435</u>	<u>431</u>



NOTES TO THE FINANCIAL STATEMENTS

4. 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 2020	Fees	Salary basic	Salary bonus	Pension contributions	Total 2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mladen Ninkov*	201	-	-	201	212	-	-	-	212
Dal Brynelsen	262	-	-	262	271	-	-	-	271
Rupert Crowe	114	-	-	114	134	-	-	-	134
Roger Goodwin	201	402	38	641	212	399	66	38	715
Adam Usdan	84	-	-	84	84	-	-	-	84
Total	862	402	38	1,302	913	399	66	38	1,416
Key personnel	61	1,831	16	1,908	55	1,729	-	15	1,799
	923	2,233	54	3,210	968	2,128	66	53	3,215

Key personnel comprise individuals in senior management positions.

*Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of \$2,801,000 (2019: \$2,598,000), 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 or exercised by the directors in 2020 or 2019.

5. LOSSES ON DISPOSAL OF PLANT AND EQUIPMENT

	2020	2019
	\$000	\$000
Losses on disposal of plant and equipment	<u>1,129</u>	<u>305</u>

6. FINANCE INCOME

	2020	2019
	\$000	\$000
Interest on bank deposits	<u>108</u>	<u>171</u>

7. FINANCE COSTS

	2020	2019
	\$000	\$000
Interest payable on short term bank loans	111	51
Interest on rehabilitation provisions	77	-
Finance lease interest	171	326
	<u>359</u>	<u>377</u>

8. OTHER INCOME

	2020	2019
	\$000	\$000
Scrap and sundry other sales	<u>735</u>	<u>76</u>



NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

	2020 \$000	2019 \$000
Profit for the year before tax	<u>14,515</u>	<u>11,712</u>
Expected tax expense at a standard rate of PRC income tax of 25% (2019: 25%)	3,629	2,929
<i>Adjustment for tax exempt items:</i>		
- Income and expenses outside the PRC not subject to tax	567	746
<i>Adjustments for short term timing differences:</i>		
- In respect of accounting differences	(298)	(234)
Adjustments for permanent timing differences other	1,051	1,757
Withholding tax on intercompany dividends and charges	232	50
Current taxation expense	<u>5,181</u>	<u>5,248</u>
Deferred taxation expense / (credit)		
Correction of provision brought forward	-	18
Origination and reversal of temporary timing differences	424	362
	<u>424</u>	<u>380</u>
Total tax expense	<u>5,605</u>	<u>5,628</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 2020 (25% in 2019) 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 Group’s Chinese mining operation total US\$109.6m (2019: \$108.6).

10. EARNINGS PER SHARE

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

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

	2020			2019		
	Earnings \$000	Weighted Average number of shares	Per share amount (cents)	Earnings \$000	Weighted Average number of shares	Per share amount (cents)
Basic earnings per share						
Earnings attributable to ordinary shareholders	8,910	172,788,420	5.16	6,084	172,748,831	3.52
Dilutive effect of securities						
Options	-	9,861,227	(0.28)	-	15,107,500	(0.28)
Diluted earnings per share	<u>8,910</u>	<u>182,649,647</u>	<u>4.88</u>	<u>6,084</u>	<u>187,856,331</u>	<u>3.24</u>



NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

	Mineral interests	Mill and mobile mine equipment	Offices, furniture & equipment	Total
	\$000	\$000	\$000	\$000
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 IFRS16 leases	-	-	370	370
Adjustment for change in lease accounting estimate	-	2,792	-	2,792
Disposals	-	(305)	-	(305)
Depreciation charge for the year	(6,912)	(5,268)	(163)	(12,343)
At 1 January 2020	177,583	50,373	331	228,287
Foreign exchange adjustments	8,292	3,408	5	11,705
Additions during the year	18,691	5,684	5	24,380
Provision for licence transfer fees	16,338	-	-	16,338
Change in estimate of mine closure costs	(115)	-	-	(115)
Transfer of rehabilitation provision	697	(697)	-	-
Disposals	-	(1,085)	-	(1,085)
Depreciation charge for the year	(6,542)	(6,084)	(175)	(12,801)
At 31 December 2020	<u>214,944</u>	<u>51,599</u>	<u>166</u>	<u>266,709</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>
At 31 December 2020				
Cost	267,763	90,173	583	358,519
Accumulated depreciation	(52,819)	(38,574)	(417)	(91,810)
Net carrying amount	<u>214,944</u>	<u>51,599</u>	<u>166</u>	<u>266,709</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.

Mill and mobile mine equipment includes \$3,872,000 (2019: \$1,997,000) of assets under construction yet to be depreciated.

The offices, furniture and equipment disclosed above relates solely to the fixed assets, including leased offices, of Griffin Mining (UK Services) Limited and China Zinc Pty Limited.



NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2013 plant and equipment with a deemed value of \$11,381,000, revalued in 2019 to \$14,150,000, were acquired under a finance lease, upon which depreciation of \$6,712,000 (2019: \$5,123,000) has been provided. At 31 December 2019 the net carrying amount of this equipment was \$8,417,000 (2019: \$9,027,000). In 2019 the London office lease was capitalised to comply with IFRS16 with a deemed value of \$371,000 upon which depreciation of \$248,000 has been provided. At 31 December 2020 the net carrying amount of this office was \$124,000 (2019: \$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, 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. Management determined there were no impairment indicators at 31 December 2020. However, as best practice management have updated the impairment model.

In determining any indications of impairment in the carrying value of the Caijiaying Mine the directors have reassessed the net carrying value of capitalised costs at 31 December 2020 by reference to the estimated mineral resources at Caijiaying that may be extracted by 2056 and 2037 when the current business licence of Hebei Hua Ao expires. However, it is expected that Hebei Hua Ao will be converted to an equity joint venture company with an indefinite life before then. Accordingly a Life of Mine plan ("LOM") has been prepared by the Company that indicates the continued extraction of ore until 2056. In estimating the discounted future cash flows from the continuing operations at the Caijiaying mine the following principal assumptions have been made:

- Future market prices for zinc of \$2,500 per tonne, gold of \$1,800 per troy ounce and silver of \$20 per troy ounce;
- Zinc treatment charges of 30% of market prices;
- Extraction of measured and indicated resources of 25.5 million tonnes to 2037 when the current business licence of Hebei Hua Ao expires, with ore mined and processed rising to a maximum rate of 1.6 million tonnes of ore per annum;
- Operating costs, recoveries and payables based upon past performance and that budgeted for 2021;
- Capital costs based upon that initially scheduled with sustaining capital based on future scheduling;
- Discount rate of 10%;
- Continued maintenance and grant of applicable licences and permits; and
- No significant impact as a result of climate change, earthquakes or other natural events.

12. INTANGIBLE ASSETS - EXPLORATION INTERESTS

China – mineral exploration interests	\$000
At 1 January 2019	2,016
Foreign exchange adjustments	(17)
Additions during the year	308
Impairment during the year	<u>(1,985)</u>
At 31 December 2019	322
Foreign exchange adjustments	2
Additions during the year	11
Impairment during the year	(10)
At 31 December 2020	<u><u>325</u></u>

Intangible assets represent costs 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 2020 impairment charges of \$10,000 (2019: \$1,985,000) had been provided and charged to the income statement in respect of the above exploration costs previously capitalised by Hebei Sino Anglo.



NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES

	2020	2019
	\$000	\$000
Underground ore stocks	1,332	530
Surface ore stocks	423	288
Concentrate stocks	728	300
Spare parts and consumables	2,850	2,721
	<u>5,333</u>	<u>3,839</u>

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

14. RECEIVABLES AND OTHER CURRENT ASSETS

	2020	2019
	\$000	\$000
Trade receivables	4,485	-
Other receivables	338	360
Prepayments	1,852	1,501
	<u>6,675</u>	<u>1,861</u>

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

15. SHARE CAPITAL

	2020		2019	
	Number	\$000	Number	\$000
AUTHORISED:				
Ordinary shares of US\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US \$0.01 each				
At 1 January	172,786,228	1,728	172,748,728	1,727
Shares issued in the year on exercise of share purchase options	40,000	-	37,500	1
At 31 December	<u>172,826,228</u>	<u>1,728</u>	<u>172,786,228</u>	<u>1,728</u>

Share purchase options were exercised over 40,000 new ordinary shares at 40 pence per share in 2020 (2019: options over 37,500 new ordinary shares were exercised at 30 pence per share.)

16. SHARES HELD IN TREASURY

	2020		2019	
	Number	\$000	Number	\$000
At 1 January	540,000	917	540,000	917
Bought back in during the year	-	-	-	-
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

17. SHARE OPTIONS

	At 1 January 2020 Number	Granted/ (exercised) Number	At 31 December 2020 Number
Options exercisable at 30 pence per share to 31 December 2022	17,374,166	-	17,374,166
Options exercisable at 40 pence per share to 31 December 2022	4,833,333	(40,000)	4,793,333
	<u>22,207,499</u>	<u>(40,000)</u>	<u>22,167,499</u>

Share purchase options were exercised over 40,000 new ordinary shares in 2020 (2019: 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:

	2020		2019	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 January	22,207,499	32.2	22,244,999	32.5
Exercised during the year	(40,000)	(40.0)	(37,500)	(30.0)
Outstanding at 31 December	<u>22,167,499</u>	<u>32.2</u>	<u>22,207,499</u>	<u>32.2</u>

The estimated value of the options exercisable at 40p up to 31 December 2022, which vested in 3 tranches of 1,666,667 each, were 7.4p, 7.9p and 8.4p.

The estimated value of the options exercisable at 30p up to 31 December 2022, which 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 (2019: \$nil) during the year ended 31 December 2020 relating to equity settled share option scheme transactions.

18. DIVIDENDS

No dividends were paid in 2020 (2019: nil).

19. OTHER PAYABLES

	2020 \$000	2019 \$000
PRC licence fees	<u>13,487</u>	<u>2,302</u>



NOTES TO THE FINANCIAL STATEMENTS

20. LONG-TERM PROVISIONS

PROVISIONS FOR MINE CLOSURE COSTS	2020 \$000	2019 \$000
At 1 January	2,150	2,302
Change in estimate (note 10)	(115)	(115)
Interest charges	77	-
Foreign exchange adjustments	88	(37)
At 31 December	<u>2,200</u>	<u>2,150</u>

Provisions for mine closure and rehabilitation costs have been made in accordance with the laws and regulations of the PRC and as set out in the Hebei Hua Ao Mine Ecological Restoration Treatment and Land Reclamation Scheme (“the Scheme”) as approved by Ministry of Natural Resources of the PRC. This Scheme provides for a mine life of 40.11 years from January 2019 to February 2059. The Scheme incorporates a rehabilitation plan for “Mine Geological Environment Recovery” with an estimated cost of RMB 65,619,400 (\$10,060,000), and “Land Rehabilitation” with an estimated cost of RMB 54,566,100 (\$8,360,000). These amounts have been discounted over the deemed Life of Mine at a discount rate of 3.7596%, being the PRC 40 year state bond rate.

In 2019 and prior years, provision for mine closure and rehabilitation costs had been made in accordance with the then prevailing laws and regulations of the PRC at a rate of Rmb 0.5 per tonne of estimated resources.

21. DEFERRED TAXATION

	2020 \$000	2019 \$000
At 1 January	2,731	2,393
Foreign exchange adjustments	204	(42)
Charge for the year	424	362
Credit re prior years	-	18
At 31 December	<u>3,359</u>	<u>2,731</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.

22. LEASE LIABILITIES

	2020 \$000	2019 \$000
At 1 January	2,600	1,809
Foreign exchange adjustments	81	(31)
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	171	323
Repayments in the year	(2,469)	(2,762)
At 31 December	<u>383</u>	<u>2,600</u>
Amounts falling due in more than one year	-	479
Amounts falling due within one year	<u>383</u>	<u>2,121</u>
	<u>383</u>	<u>2,600</u>



NOTES TO THE FINANCIAL STATEMENTS

22. LEASE LIABILITIES (CONTINUED)

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 \$248,000 provided in the year, and a liability of \$97,000 all of which is current.

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

	2020	2019
	\$000	\$000
Within one year	490	2,778
Between 1 and 2 years	12	467
Between 2 and 3 year	0	11
Between 3 and 4 years	0	0
Between 4 and 5 years	0	0
Later than 5 years	0	0
	<u>502</u>	<u>3,256</u>

23. TRADE AND OTHER PAYABLES

	2020	2019
	\$000	\$000
Trade creditors	13,821	13,522
Other creditors	7,624	2,629
Taxation payable	5,120	3,584
Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd	4,246	4,585
Accruals	11,531	7,449
	<u>42,342</u>	<u>31,769</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.

24. 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 2020 of \$233,706,000 (\$214,944,000 at 31 December 2019) divided by the number of ordinary shares in issue at 31 December 2020 of 172,826,228 (172,786,228 at 31 December 2019).

25. RISK MANAGEMENT

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



NOTES TO THE FINANCIAL STATEMENTS

25. RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk

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

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

The Group currently does not have a formal foreign currency hedging policy but retains foreign currency to meet future requirements. Management monitors foreign exchange exposure and considers hedging significant foreign currency exposure should the need arise. The conversion of Renminbi into foreign currencies is restricted and subject to the rules and regulations of foreign exchange control promulgated by the government of the Peoples Republic of China.

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

	2020	2019
	\$000	\$000
Short term bank deposits	<u>1,270</u>	<u>1,964</u>

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

	2020	2019
	\$000	\$000
Short term bank deposits	<u>909</u>	<u>628</u>

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

	2020	2019
	\$000	\$000
Short term bank deposits	<u>7,420</u>	<u>13,650</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% (2019: 10%) change in the sterling exchange rate for the year ended 31 December 2020. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2020. 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% (2019: 10%) this would have had the following impact:

	2020	2019
	\$000	\$000
Net result for the year and on equity	<u>141</u>	<u>220</u>

If sterling had weakened against the US Dollar by 10% (2019: 10%) this would have the following impact:

	2020	2019
	\$000	\$000
Net result for the year and on equity	<u>(115)</u>	<u>(180)</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

25. 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:

	2020			2019		
	GBP	Rmb	AusD	GBP	Rmb	AusD
	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets	1,470	17,945	967	2,173	16,003	632
Financial liabilities	(414)	(51,399)	(152)	(475)	(29,177)	(75)
Short term exposure	<u>1,056</u>	<u>(33,454)</u>	<u>815</u>	<u>1,698</u>	<u>(13,174)</u>	<u>557</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% (2019: + 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:

	2020		2019	
	Plus 300%	Minus 100%	Plus 300%	Minus 100%
	\$000	\$000	\$000	\$000
Net result for the year	<u>296</u>	<u>(108)</u>	<u>434</u>	<u>(145)</u>

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

	2020			2019		
	Floating interest rate	Non interest bearing	Total	Floating interest rate	Non interest bearing	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets						
Cash at bank	16,435	-	16,435	19,885	-	19,885
Other receivables	-	6,675	6,675	-	1,861	1,861
Total Financial Assets	<u>16,435</u>	<u>6,675</u>	<u>23,110</u>	<u>19,885</u>	<u>1,861</u>	<u>21,746</u>
Finance lease liabilities	(383)	-	(383)	(2,544)	-	(2,544)
Trade and other payables	-	(55,829)	(55,829)	-	(28,185)	(28,185)
Total Financial Liabilities	<u>(383)</u>	<u>(55,829)</u>	<u>(56,212)</u>	<u>(2,544)</u>	<u>(28,185)</u>	<u>(30,729)</u>
Net Financial assets / (liabilities)	<u>16,052</u>	<u>(49,154)</u>	<u>(33,102)</u>	<u>17,341</u>	<u>(26,324)</u>	<u>(8,983)</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 2020 or in 2019.



NOTES TO THE FINANCIAL STATEMENTS

25. 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% (2019: plus 30% and minus 30%), 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.

	2020		2019	
	Plus 30% \$000	Minus 30% \$000	Plus 20% \$000	Minus 20% \$000
Net result for the year – zinc	<u>11,707</u>	<u>(11,707)</u>	<u>12,264</u>	<u>(12,264)</u>
Net result for year – gold	<u>4,440</u>	<u>(4,440)</u>	<u>5,252</u>	<u>(5,252)</u>
Net result for year – silver	<u>1,162</u>	<u>(1,162)</u>	<u>1,034</u>	<u>(1,034)</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 2020 the Group held cash and cash equivalents (bank deposits) with high credit financial institutions of \$16,435,000 (2019 \$19,885,000) to meet financial obligations and apart from lease, trade and other payables had no bank loans or similar financial liabilities. See note 22.

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.

26. 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 \$233,706,000 at 31 December 2020.



NOTES TO THE FINANCIAL STATEMENTS

27. 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, the United Kingdom, Hong Kong and Australia, whose costs are denominated in local currencies.

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

The Group places funds in excess of immediate requirements in US dollar, Chinese Renminbi, 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:

	2020	2019
	\$000	\$000
FINANCIAL ASSETS		
Cash and cash equivalents	<u>16,435</u>	<u>19,885</u>
	16,435	19,885
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost	17,242	2,600
Trade and other payables	<u>33,850</u>	<u>28,185</u>
	51,092	30,785

Contractual maturities of financial liabilities:

At 31 December 2019	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total contractual cash flows	Carrying amount (assets)/liabilities
	\$000	\$000	\$000	\$000	\$000	\$000
Non-derivatives						
Payables	31,769	-	-	-	31,769	31,769
Lease liabilities	<u>2,778</u>	<u>467</u>	<u>11</u>	<u>-</u>	<u>3,256</u>	<u>2,600</u>
Total non-derivatives	<u>34,547</u>	<u>467</u>	<u>11</u>	<u>-</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 2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total contractual cash flows	Carrying amount (assets)/liabilities
	\$000	\$000	\$000	\$000	\$000	\$000
Non-derivatives						
Payables	40,052	3,372	3,372	6,744	53,540	53,540
Lease liabilities	<u>490</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>502</u>	<u>383</u>
Total non-derivatives	<u>40,542</u>	<u>3,384</u>	<u>3,372</u>	<u>6,744</u>	<u>54,042</u>	<u>53,923</u>
Derivatives	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS

28. SUBSIDIARY COMPANIES

At 31 December 2020, 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
Griffin Mining (UK Services) Limited	Ordinary	100%	Service company	England
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 Pty Ltd, China Zinc Ltd, Griffin Mining (UK Services) Ltd and Panda Resources Ltd are directly owned by the Company. China Zinc Ltd has a 100% interest in China Zinc (Resources) Ltd and 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 provides that the foreign party (China Zinc) receives 88.8% of the cash flows and profits of Hebei Hua Ao in accordance with its share in the equity interest in the joint venture. The term of the joint venture's business licence expires on 12 October 2037. Under the terms of an 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 \$2,934,000 (2019: \$3,613,000) are included in net operating costs rather than attributable to non-controlling interests. Likewise, the amounts due at 31 December 2020 of \$4,246,000 (2019: \$4,664,000) are included in other payables rather than due to non-controlling interests within equity within the Consolidated Statement of Financial Position.

29. COMMITMENTS

At 31 December 2020 the Group had capital commitments of \$1,395,000 (31 December 2019: \$528,000).

30. 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 \$2,801,000 (2019: \$2,598,000), for the provision of advisory and support services to Griffin Mining Limited and its subsidiaries during the year including that of the Chairman Mladen Ninkov. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

Zhangjiakou Yuanrun Enterprise Management and Service Centre

During the year \$3,320,000 was charged (2019: \$3,989,000) for services 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 2020 \$4,246,000 (2019: \$3,613,000) was due to this company.

31. POST BALANCE SHEET EVENTS

At 31 December 2020 there were no adjusting post balance sheet events (2019: none). Since 31 December 2020 the Company has bought in 316,840 shares to be held in treasury at a cost of £584,000.







CORPORATE INFORMATION

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Griffin Mining Ltd Registered office:	Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
China Zinc Pty Ltd office:	Level 9, BGC Centre, 28 The Esplanade, Perth, WA 6000, Australia. Telephone: + 61(0)8 9321 7143 Facsimile: + 61(0)8 9321 7035
China Zinc Limited office:	18/F, Wai Wah Commercial Centre, 6 Wilmer Street, Sheung Wan, Hong Kong.
Directors:	Mladen Ninkov (Chairman) Roger Goodwin (Finance Director) Dal Brynelsen Adam Usdan
Company Secretary:	Roger Goodwin
Nominated Adviser And Broker for AIM:	Panmure Gordon (UK) Limited One New Change, London, EC4M 9AF, UK.
Joint Broker:	Joh, Berenberg, Gossler & Co. KG 60 Threadneedle Street, London, EC2R 8HP, UK.
Independent Auditors:	PricewaterhouseCoopers LLP 1 Embankment Place, London, WC2N 6RH, UK.
Solicitors:	Bird and Bird 8/F China World Office 1, Jianguomenwai Dajie, Chao Yang District, Beijing, 10004, PRC. Bird and Bird LLP 12 Fetter Lane, London, EC4A 1JP Conyers Dill & Pearman Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. Addleshaw Goddard LLP Milton Gate, 60 Chiswell Street, London, EC1Y 4AG, UK.
Bankers:	HSBC Bank plc 27-32 Poultry, London EC2P 2BX, UK. The Hong Kong and Shanghai Banking Corporation Limited HSBC Main Building, 1 Queen's Road, Central, Hong Kong. HSBC Bank of Bermuda Ltd 6 Front Street, Hamilton, HM11, Bermuda.
UK Registrars And Transfer Agents:	Link Market Services (Jersey) Limited 12 Castle Street, St Helier, Jersey, JE2 3RT, UK.