



GRIFFIN MINING LIMITED



REPORT &
ACCOUNTS
2022



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

Registered in Bermuda, number: 13667.

Registered Office: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

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Rehabilitated tailings facilities 1 and 2 with foundations and posts awaiting installation of solar panels for generation of solar power for the Caijiaying Mine.



CHAIRMAN'S STATEMENT

As usual, it gives me a great sense of pride and 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 2022 calendar and financial year (the "Annual Report").

Taking into consideration that operations were suspended at the Caijiaying Mine for a full 5 months due to, initially, the Chinese Lunar New Year holiday celebrations, the Winter Olympics and the Winter Paralympics and, subsequently, the Chinese Communist National Party Congress, the Company was still able to generate its 18th continuous operating profit for the year and its 17th net profit, whilst currently holding \$47 million in cash and no debt.

Of course, the most significant operational and financial milestone of 2022 was the fulfilment of the Company's long held aim of having the Caijiaying Mine run at an annualised production throughput of 1.5 million tonnes per annum. This was achieved and has been maintained since the restart of operations post the Chinese Communist National Party Congress in November 2022. A record of 136,000 tonnes of ore were processed in December 2022 and the 1st quarter of 2023 was a record for the 1st quarter of any year since the commissioning of the Caijiaying Mine in 2005. The implications of this achievement cannot be underestimated and are already being reflected in the financial results of the Company in 2023.

What makes these operational results even more remarkable is that not one tonne of ore was sourced from Zone II. All ore was obtained from the traditional mining area of Zone III. With the approval by the Hebei Provincial Emergency Response Bureau of the Mine Design for Zone II, including the expansion of the production throughput rate, it can only portend what is yet to come when Zone II is fully developed and slotted into the production profile.

The decision by the government of the People's Republic of China ("PRC") to allow the Covid-19 epidemic to be considered at an end and the subsequent re-opening of the PRC's borders with the rest of the world in late 2022, has allowed normal staffing and transport to commence with materials and services becoming normalised. Consequently, exploration has recommenced at the Caijiaying Mine and the likelihood that exploration tenements will begin to be issued in Hebei and the southern provinces of the PRC has become more positive. This will include exploration below

the 1000RL at Zone III, the resource drilling in Zone II, further exploration at Zones V & VIII, exploration drilling out to the far eastern boundary of the Caijiaying Mine's mining licence area and the possibility that virgin exploration tenements will be granted over other areas.

With the growing cash balances of the Company and the increasing cash generating capacity of the Caijiaying Mine, and with the relatively recent addition of new directors, discussions have intensified concerning the strategic direction of the Company's future. These discussions have been, and will continue to be, wide ranging and include dividends, share buybacks in various forms, rationalisation and realisation of asset value, acquisitions and joint or primary listings on other stock exchanges. It is expected that these issues will take centre stage at board level this year.

I am fully aware that the value of the Company's assets have not yet been reflected in the share price and that it has taken an inordinate amount of time to do so. Such is the nature of operating at the infancy of mining in a foreign country, the dwindling profile of the London Stock Market and the disappearance of the retail investor as capital is squeezed in less and less hands, mainly institutional, driven by Environment Sustainability and Governance ("ESG") and other non-financial concerns.

Although the following may sound trite, I do not mean it to be. Mining is facing a critical, if not insurmountable, supply problem. The danger is real and frightening. The easily found deposits of all metals have been discovered and generally mined over the past 100 years. The non-carbon future will require large amounts of capital for advanced exploration techniques and drilling. The projected time from exploration discovery to production, even in a perfect world, is now estimated to be over 30 years and that does not take into consideration native title and ESG issues. With just one wind turbine requiring 4 tonnes of zinc, I remain convinced the value of the Caijiaying Mine will be fully revealed in this surge for metals.

As a result, and without knowing the Company's, my or anyone else's future, it would be remiss of me not to thank everyone who has been involved with the success of the Company. It has been a unique, extraordinary and memorable experience. Billions of dollars of metal value have been discovered and added to the Company's resource inventory. The Company has been the sole trailblazer for



foreign mining in China. Extraordinary men have done extraordinary things with little to no recognition by people who have no idea of how to create value, how difficult it has traditionally been to operate in China, mining and, sadly, the bonds of friendship.

I hesitate to name anyone individually for their contribution as it immediately leads to forgetting someone and causing offence. But I am going to repeat what I wrote last year, because I can't do better this year, that I will always be enormously grateful and humbled by the contribution and camaraderie of the directors, whom I'm proud to call "my friends", gave so freely, warmly, genuinely and passionately. It made this impossible dream possible and bearable and I shall always be so grateful I had this journey with these amazing individuals – the deceased and irreplaceable Rupert Crowe and the deceased legend Bill Mulligan, the mining royalty that is Dal Brynelsen, who never tires of taking my calls, and the indefatigable Roger Goodwin who continues to do the work of 3 men. Thank you also to Adam Usdan who stood the ultimate test of time.

The remainder of the list is endless. Our Chinese joint venture partners and their past and current directors, particularly Jin Shengchang. Our past directors, our past ex pat personnel and Operations Managers and Chief Operating Officers. Our past and present China Heads, Dr Bo Zhou and Dr Jeff Sun. Our Australian contractors, particularly CSA Australia who provided so many of our geological support and staff and Ausino, led by Campbell Powell. Our Chinese mining and haulage contractors. Chinese staff, contractors and government departments. The current and past staff of the London office of the Company and the Perth office of Keynes Capital. John Steel, our Chief Operating Officer, Paul Benson, our Chief Geologist and Wendy Zhang, our site Chief Financial Officer, for all their efforts, including, travelling and quarantining in China and Australia for months during the Covid-19 pandemic. Partners, spouses, children and everyone who came into the orbit of the Company.

Lastly to Peg, my wife, and my 3 children Natasha, Stevan and Tatiana. How they put up with my absences, travel, set-backs, stress and relentless telephone and Zoom calls at ridiculous hours of the day and night is beyond me. Never a word of complaint and always delighted to have me home. I'm speechless.

With production running at an annualized 1.5 million tonne throughput since November 2022 through to the date of this statement, I predict 2023 will break all operating and financial records for the Company including tonnes mined, hauled, processed and zinc, gold, silver and lead produced. I look forward to being able to deliver that news as the year progresses.

Mladen Ninkov
Chairman
9 May 2023



OVERVIEW

Griffin Mining Limited (“Griffin” or “the Company”) is a mining and investment company, incorporated in Bermuda whose shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange (“AIM”) in 1997.

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 licences, the operating mine and processing facilities (the “Caijiaying Mine”) near Zhangjiakou City in the People’s Republic of China (“PRC” or “China”).

The Company has held an interest in Hebei Hua Ao since 1997 having financed, explored and managed the development of the Caijiaying Mine from the discovery of mineralisation to currently extracting and processing the annualised equivalent of 1.5 million tonnes of ore per annum to extract primarily zinc, gold, silver, and lead in concentrate.

The Company also holds a 90% interest in Hebei Sino Anglo Mining Development Company Limited (“Hebei Anglo”), which has interests in exploration licences immediately surrounding the Hebei Hua Ao licence area. These tenements are currently held by Hebei Anglo’s joint venture partner, Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd (“Yuanrun”), thereby allowing their retention under PRC law within the Hebei Anglo Group. Should a mining licence be granted over this area at any point in the future, Hebei Anglo has a contractual option to have the new mining licence transferred back to Hebei Anglo.

The Company continues to aggressively explore, expand, and develop the Caijiaying Mine whilst also investigating potential acquisitions of mining projects that are capable, through either advanced exploration or mining expertise, of being brought into production to meet the Company’s historically pre-set, 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 the Hebei Province of the PRC. The Caijiaying Mine is easily accessible by freeway 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 location of the outdoor events of the 2022 Winter Olympic and Paralympic Games, connected via a high speed train link with Beijing.

Climatic conditions are relatively mild with warm summers and very cold, snowy winters, enabling the Caijiaying Mine to operate throughout the 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 its wholly owned subsidiary China Zinc) 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 service contract for accounting purposes for services rendered, resulting in Hebei Hua Ao being in the nature of a wholly owned subsidiary of the Company. In addition, and as part of this purchase agreement, the term of the Hebei Hua Ao joint venture was extended to October 2037.

On 1 January 2020 a new PRC Foreign Investment Law was enabled which repealed the Sino Foreign Joint Venture Law. Pursuant to Article 42 all Joint Ventures established under the previous law must be converted into limited liability companies by 1 January 2025. This will require, inter alia, the adoption of new Articles of Association which

will have significant benefits for the Company including all resolutions of the board of Directors becoming passable by a majority vote and the abolition of the termination of the current joint venture in 2037 with the new limited liability company having an indefinite term.

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 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. Mining rates solely from Zone III have recently reached the equivalent of 1.5 million tonnes of ore per annum. The development of Zone II at the Caijiaying Mine, now being undertaken, will enable current and possibly higher production rates in the future.

To date Griffin has invested over \$380 million on acquiring its interest in the Caijiaying Mine and in the development and construction of the workings and processing facilities financed mainly from internally generated funds.

With the grant of a new mining licence in December 2020 over the combined Zone II and Zone III areas, application was subsequently made for the approval of a mine design for the new Zone II area. This was granted in March 2023 and has enabled development at Zone II to commence. This will allow sustained production of at least 1.5 million tonnes of ore per annum to be extracted from the Caijiaying Mine until 2050, if not longer.



CAIJIAYING (CONTINUED)

MINERAL RESOURCE ESTIMATES

Caijiaying Zone III Remaining Mineral Resources

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	18.6	4.5	0.2	23	0.6	833	42	13,511	363
Indicated	13.1	4.0	0.2	18	0.5	528	22	7,493	211
Inferred	14.1	3.5	0.2	22	0.4	495	28	9,978	173
Sub-Total	45.7	4.1	0.2	21	0.5	1,856	92	30,982	747

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	0.6	0.8	0.1	19	2.8	5	1	386	57
Sub-Total	0.6	0.8	0.1	19	2.8	5	1	386	57

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	18.6	4.5	0.2	23	0.6	833	42	13,511	363
Indicated	13.1	4.0	0.2	18	0.5	528	22	7,493	211
Inferred	14.7	3.4	0.2	22	0.5	500	29	10,364	230
Total	46.3	4.0	0.2	21.1	0.5	1,861	92	31,368	804

Caijiaying Zone II Mineral Resources

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	0.3	35	6	751	11
Inferred	1.6	2.5	0.5	17	0.1	39	8	830	7
Total	2.8	2.7	0.5	18	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	0.3	436	109	10,085	96
Inferred	26.4	3.7	1	30	0.4	977	253	25,108	350
Sub-Total	37.9	3.7	1	29	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	0.3	471	115	10,836	107
Inferred	27.9	3.6	1	29	0.4	1,015	261	25,938	356
Total	40.7	3.7	0.9	28	0.4	1,486	376	36,774	463



Caijiaying Zone V Mineral Resources

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	3.2	1.4	56	0.6	191	84	10,819	116
Total	6	3.2	1.4	56	0.6	191	84	10,819	116

Caijiaying Zone VIII Mineral Resources

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	6.1	4.4	0.7	36	0.5	272	41	7,112	106
Total	6.1	4.4	0.7	36	0.5	272	41	7,112	106

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	2.4	5	5	1,012	54
Total	0.7	0.7	0.7	45	2.4	5	5	1,012	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	6.8	4	0.7	37	0.7	277	46	8,124	160
Total	6.8	4	0.7	37	0.7	277	46	8,124	160

Caijiaying Combined Global Mineral Resources February 2022

Category	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn Metal (kt)	Pb Metal (kt)	Ag Metal (kOz)	Au Metal (kOz)
Measured	18.6	4.5	0.2	23	0.6	833	42	13,511	363
Indicated	25.8	3.9	0.5	22	0.4	999	137	18,329	318
Inferred	55.4	3.6	0.8	31	0.5	1,983	420	55,245	862
Total	99.7	3.8	0.6	27.2	0.5	3,815	598	87,085	1,543

Notes:

The Caijiaying Mineral Resources are based on resource modelling work completed by CSA Global Pty Ltd and reported in 2022 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 Dr. Maxim Seredkin a Competent Person, who is a Member of the Australian Institute of Geoscientists. Dr. Maxim Seredkin is a full-time employee of CSA Global Pty Ltd. Dr. Maxim Seredkin 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). Dr. Maxim Seredkin 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 Caijiaying Mine's Global Mineral Resource estimate comprises Zones II, III, V and VIII at a zinc cut-off grade of 1% as, amended for mining depletion at Zone III at 31 December 2022. In summary, the Global Measured, Indicated and Inferred Mineral Resource estimate totals 99.7 million tonnes at 3.8% Zn, 0.6% Pb, 27.2g/t Ag and 0.5g/t Au, resulting in total contained metal of approximately 3.82 million tonnes of zinc, 0.6 million tonnes of lead, 87.1 million ounces of silver and 1.54 million ounces of gold.

Zone III, which has been the primary source of ore since the Caijiaying Mine was commissioned in 2005, continues underground production down to the 1000RL (1,000 metres above mean sea level) mining licence boundary. In 2022 a total of 199 underground diamond drill holes were completed at Zones III and II for a total of 28,696 metres utilising 4 to 5 underground electric-hydraulic diamond drill rigs. Zones V and VIII are located within a Retention Licence that covers an area of 2.23 square kilometres and is valid until 16 July 2024. Applications for the conversion of the Retention Licence to a Mining Licence are in progress.

Zone III

The Mineral Resource estimate at Zone III has been amended for mining depletion up to 31 December 2022. The 2022 depleted Measured, Indicated and Inferred Zone III Mineral Resource estimate totals 46.3 million tonnes at 4.0% Zn, 0.2% Pb, 21.1g/t Ag and 0.5g/t Au, resulting in total contained metal of approximately 1.9 million tonnes of zinc, 0.1 million tonnes of lead, 31.4 million ounces of silver and 0.80 million ounces of gold. Underground diamond drilling has focused on grade control and resource definition drilling within the Zone III main mine corridor.

The Zone III Mineral Resource estimate is defined by a total of 189 surface diamond drillholes, 32 reverse circulation surface drillholes and 4,603 underground diamond drillholes with an average spacing of approximately 40 metres x 40 metres, for a combined total of 607,959 metres of drilling.

Zone II

Underground resource definition diamond drilling continued in Zone II throughout 2022 with periodic disruptions due to government imposed operational shutdowns and Covid-19 related impediments. The Indicated and Inferred Zone II Mineral Resource estimate first reported in January 2021 remains unchanged at 40.7 million tonnes at 3.7% Zn, 0.9% Pb, 28.0g/t Ag and 0.4g/t Au, resulting in total contained 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.

This estimate was based on a total of 109 surface diamond drillholes, 91 reverse circulation surface drillholes and 163 underground diamond drillholes, to define the Zone II deposit at an average spacing of approximately 40 metres x 40 metres for a combined total of 91,383 metres of drilling. An additional 70 underground diamond drill holes for a total of 16,126 metres were completed for Zone II in 2022.

Zone V

According to the conditions set forth in the Retention Licence, renewed in July 2022, there have been no on ground activities at Zones V and Zone VIII in 2022. As this phase of the licencing procedure involves pursuing administrative applications for a mining licence, the mineral resource at these sites remains unchanged. At Zone V the Inferred Mineral Resource Estimate totals 6.0 million tonnes at 3.2% Zn, 1.4% Pb, 56.0g/t Ag and 0.6g/t Au resulting in total contained 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. A total of 34 surface diamond drillholes, 3 reverse circulation surface drillholes with an average spacing of approximately 25 metres x 100 metres define the Zone V deposit for a combined total of 15,242 metres of historical drilling.

Zone VIII

The Inferred Mineral Resource estimate at Zone VIII totals 6.8 million tonnes at 4.0% Zn, 0.7% Pb, 37.0g/t Ag and 0.7g/t Au resulting in total contained metal of approximately 0.3 million tonnes of zinc, 0.05 million tonnes of lead, 8.1 million ounces of silver and 0.16 million ounces of gold. A total of 44 diamond drillholes with a spacing of 50 metres x 100 metres define the Zone VIII deposit for a combined total of 32,193 metres drilled.



GEOLOGY

The Caijiaying Mine is located at the northern margin of the North China Craton in the Yanshan Metallogenic Belt within Hebei Province of the PRC. This prolific metallogenic belt trends east-west for hundreds of kilometres and contains numerous large mineral deposits of various types making the Yanshan one of the most economic regions in northern China. The local geology at the Caijiaying Mine comprises of 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. Mineralisation is believed to be related to a Jurassic igneous event that altered the 2.3 billion-year-old metamorphic basement rocks.

The Caijiaying Mine hosts base metal and gold mineralisation consistent with that of a replacement skarn type deposit. Lithologies comprise a mixed sequence of amphibolite-grade metavolcanic and metasedimentary rocks intruded by three generations of Jurassic porphyry dikes and sills that crosscut the mineralisation. The mineralisation commonly occurs as sulphide lenses of sphalerite with lesser pyrite and minor galena that favourably replace calc silicate and iron enriched amphibolite units within the folded metamorphic volcanic basement rocks. The Caijiaying Mine orebodies of Zn-Au-Ag-Pb are up to 20 m thick, tend to dip steeply to moderately to the west, and extend along strike and down dip tens to hundreds of metres. Overall, the geology at the Caijiaying Mine is complex and the deposit is the result of a combination of volcanic activity, structural deformation and hydrothermal alteration.

EXPLORATION

Hebei Hua Ao Mining Area

Significant progress has been made at the Caijiaying Mine with the prioritization of underground diamond drilling towards grade control and near mine resource definition targets at Zones III and II. Numerous technical geological studies completed over the past years continue to provide practical exploration-based outcomes. In 2022 the exploration activity has been dominated by desktop data analysis and exploration target generation that is set to expand existing areas of mineralisation and unlock exploration potential in the Hebei Hua Ao Mining area.

Regional Exploration

The successful production and mine expansion at the Caijiaying Mine continues to be the core focus. While there has been no regional exploration activities the Company continues to research and assess appropriate project opportunities.

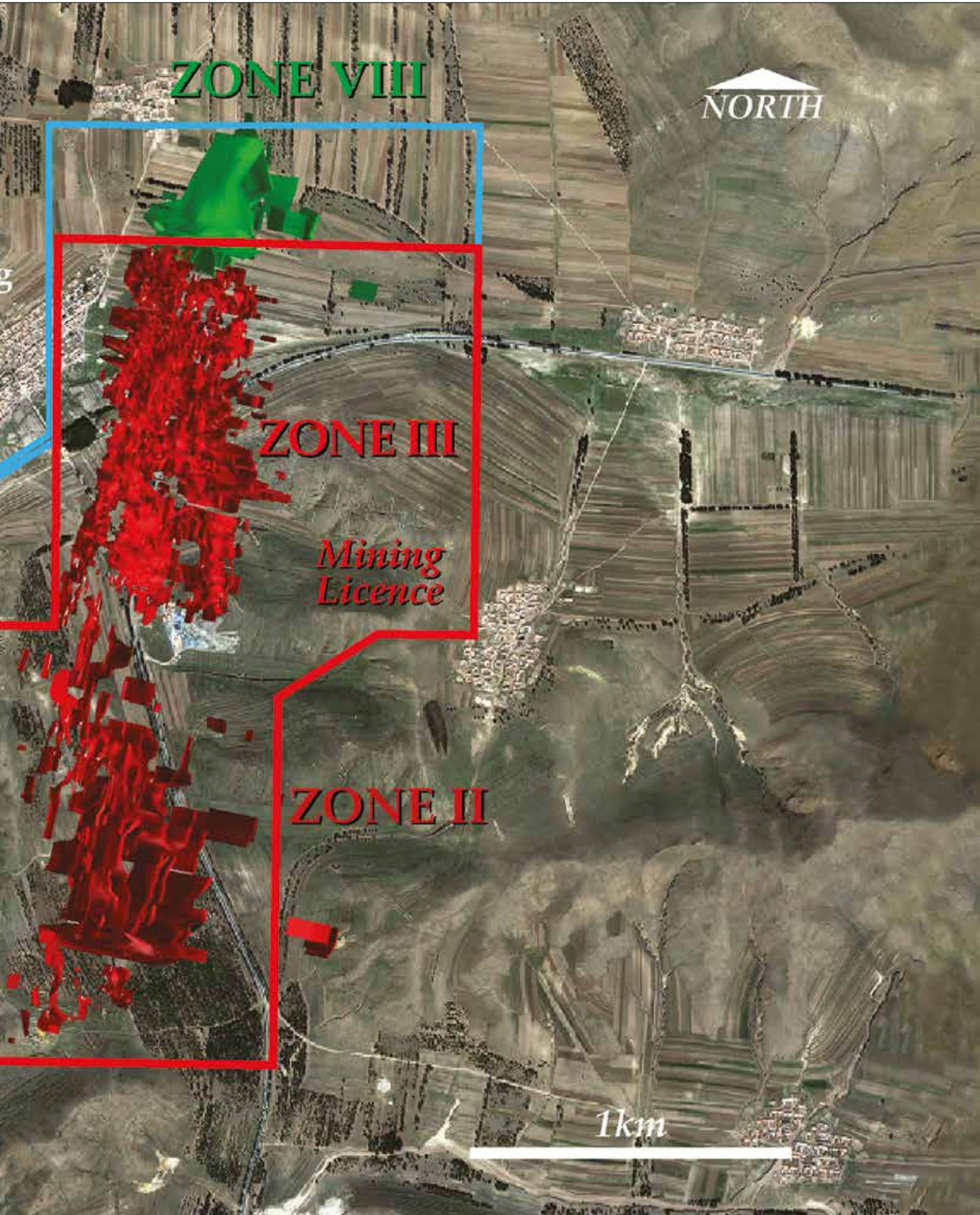
Proposed 2023 Exploration

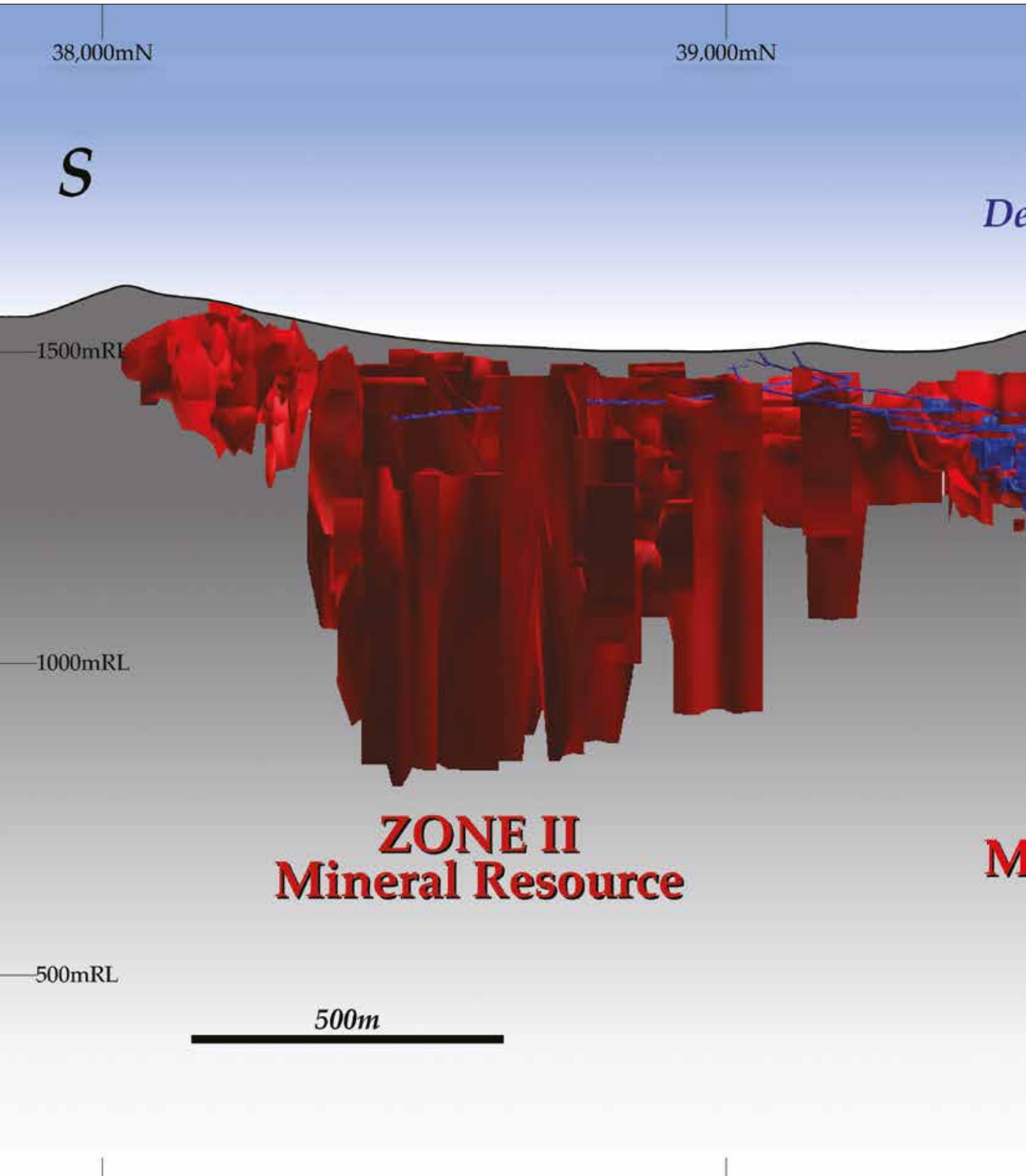
Technical structural lithogeochemical studies have been a significant component to the successful increase in production at Zone III over many years. These research studies continued in 2023 with a focus on advanced geochemical and structural modelling techniques being applied to Zone II.

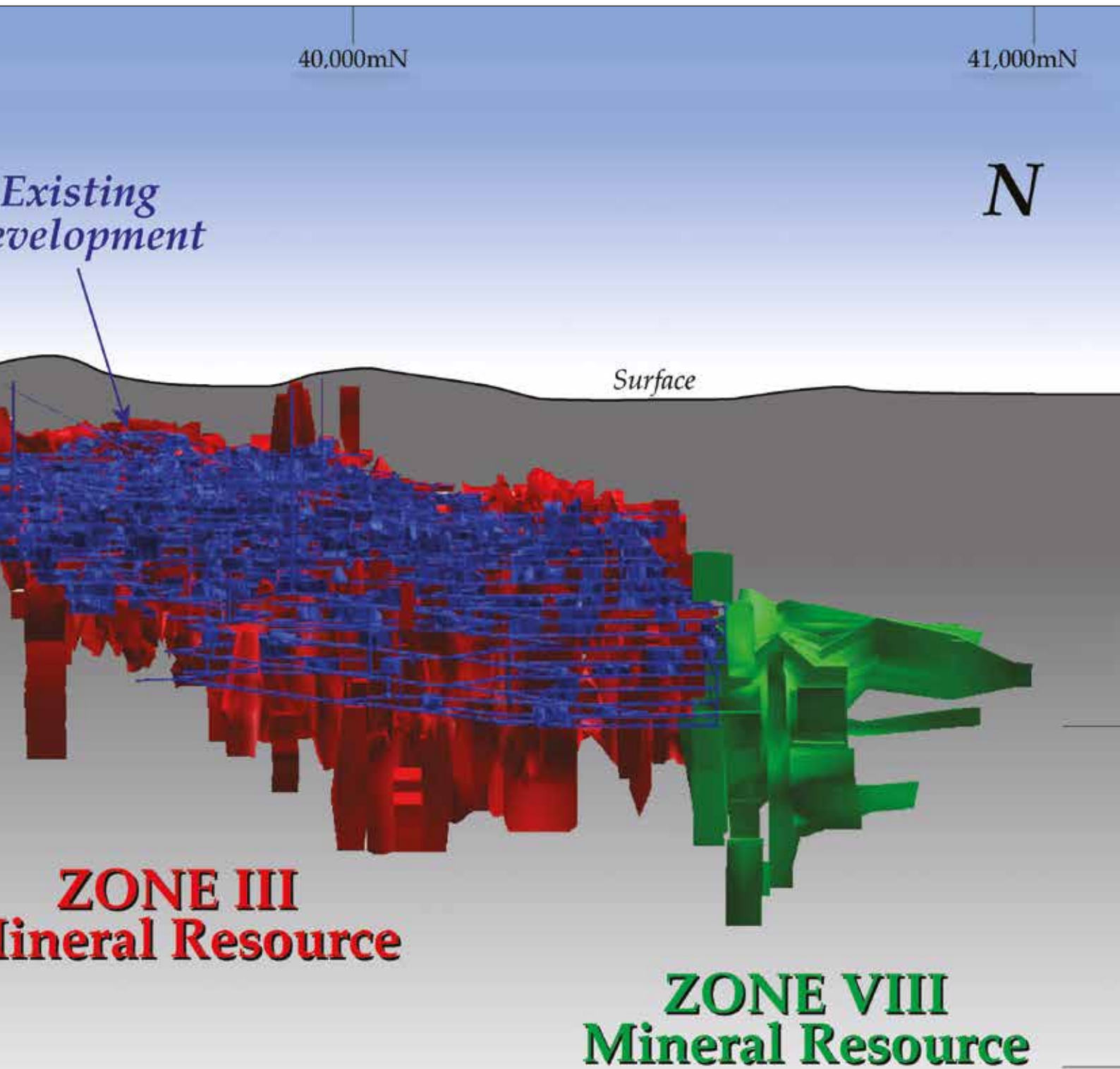
Underground exploration drilling activities for 2023 are set to increase and are summarised into the following categories:

- Zone II resource definition and exploration drilling of Induce Polarization (IP) geophysical anomalies east of the main line of lodes;
- Zone II exploratory drilling west of the main line of lodes;
- Zone III deep exploratory drilling below the 1000RL; and
- Regional project evaluations including administrative report compilations and tenure applications to the relevant PRC Government agencies.









Long section view orientated west of the Zone III Mineral Resource wireframes (red) and underground development and stoping (blue)

**CAIJIAYING (CONTINUED)****OPERATIONS**

Production at the Caijiaying Mine in 2022 and 2021 may be summarised as follows:

		Year to 31 December 2022	Year to 31 December 2021
Ore mined	Tonnes	852,579	971,492
Ore processed	Tonnes	831,549	985,404
Zinc in concentrate Produced	Tonnes	31,787	41,587
Gold in concentrate produced	Ozs	10,137	14,447
Silver in concentrate produced	Ozs	224,587	269,570
Lead in concentrate produced	Tonnes	940	1,069

First quarter 2022 results were impacted by the enforced suspension of all operations at the Caijiaying Mine for the Chinese Lunar New Year holiday celebrations, the Winter Olympics and the subsequent Winter Paralympics. Mining recommenced on the 23 March 2022 and processing on the 25 March 2022. Operations were again suspended due to the relevant Chinese authorities restricting the supply and use of explosives for the duration of the Chinese Communist National Party Congress from 22 September 2022 to 17 November 2022.

2022 was one of the most disrupted and challenging years in the history of the Group with ongoing Covid-19 pandemic issues and 143 days of lost production due to restrictions imposed by the PRC authorities during the Winter and Paralympic Olympics and the Chinese Communist Party 20th National Congress.

Despite these extreme challenges the persistence and resilience of the operational team delivered all required objectives to achieve an annualised 1.5 million tonnes of ore per annum production capability by the conclusion of 2022 with a record 136,000 tonnes of ore processed in December 2022.

Covid-19 remained an ever-present challenge throughout 2022 with multiple lock downs and travel restrictions persisting right up until the major outbreak of Covid-19 in China at the conclusion of 2022.

Thanks to the Covid-19 risk management process implemented by Hebei Hua Ao with local PRC government agencies, there was minimal disruption to operations at the Caijiaying Mine with all employees being vaccinated

and zero hospitalisations. Deployment of onsite Covid-19 care facilities supported by local government agencies ensured that the effect of Covid-19 on personnel has been minimised enabling operations to continue unabated.

The operational improvements to reach the capability of processing 1.5 million tonnes of ore per annum was the result of a culmination of a three-year mine capability project to improve mine safety, planning, mechanisation, and automation, including modernisation of contractor equipment and skills.

Sustained improvements throughout 2022 continued with a fully modernised fleet of trucks, Jumbos and production drills supported by optimised paste back fill systems resulting in a record 150,000 tonnes of ore blasted and 138,000 tonnes of ore hauled in December 2022.

The commercial benefits of higher production and sound cost management were realised financially in 2022 despite 143 days without production.

Mine safety improvements have been critical to supporting the push for higher production with the implementation of digital reporting systems and culturally appropriate safe production bonuses further aligning all workers and contractors to the Company operating objectives with safe production.

Sustainable safe performance is the foundation of the Company's commitment to our employees, contractors and stakeholders and developing a unique, beneficial relationship with all the communities, including the 80% of all employees who reside locally.



Griffin, through Hebei Hua Ao, seeks to support the local rural community by providing access to advanced training, education through scholarships, community support programs and stable employment with the benefit of giving Hebei Hua Ao ongoing access to employees of the requisite calibre.

Sustainable production for the foreseeable future is secure. Zone III, above the 1000RL, has all infrastructure and ore access fully developed providing access to over 6 million tonnes of ore. The focus of development now rests on Zone II which has a current mine life of over 20 years.

Following the grant of the new mining licence to include Zone II, all technical design specifications for the mine design of Zone II were submitted by 17 December 2022 with final PRC approval received in March 2023.

Diamond drilling with 3 rigs commenced in Zone II in 2022 with the recommencement of operations after the Chinese Communist Party National Congress in March 2022.

The Zone II diamond drilling program is focused on the conversion of inferred and indicated resources to proven status ahead of production and drilling will increase with 5 rigs in 2023 as development expands the drilling horizons.

Zone III diamond drilling comprising of 2 rigs will focus on expanding the 6 million tonnes of accessible ore and extending the life of mine significantly.

To support future growth strategies and sustained production the construction of a new tailing's storage facility ("TSF4") was successfully achieved in November 2022. TSF4 will utilise the existing dry stack system with industry leading safety techniques eliminating water containment and thereby preventing dam failures.

The dry stack method of tailings storage is environmentally and socially responsible with tailings upcycled into bricks and reclaimable to its original condition as grazing land at the end of its service life.

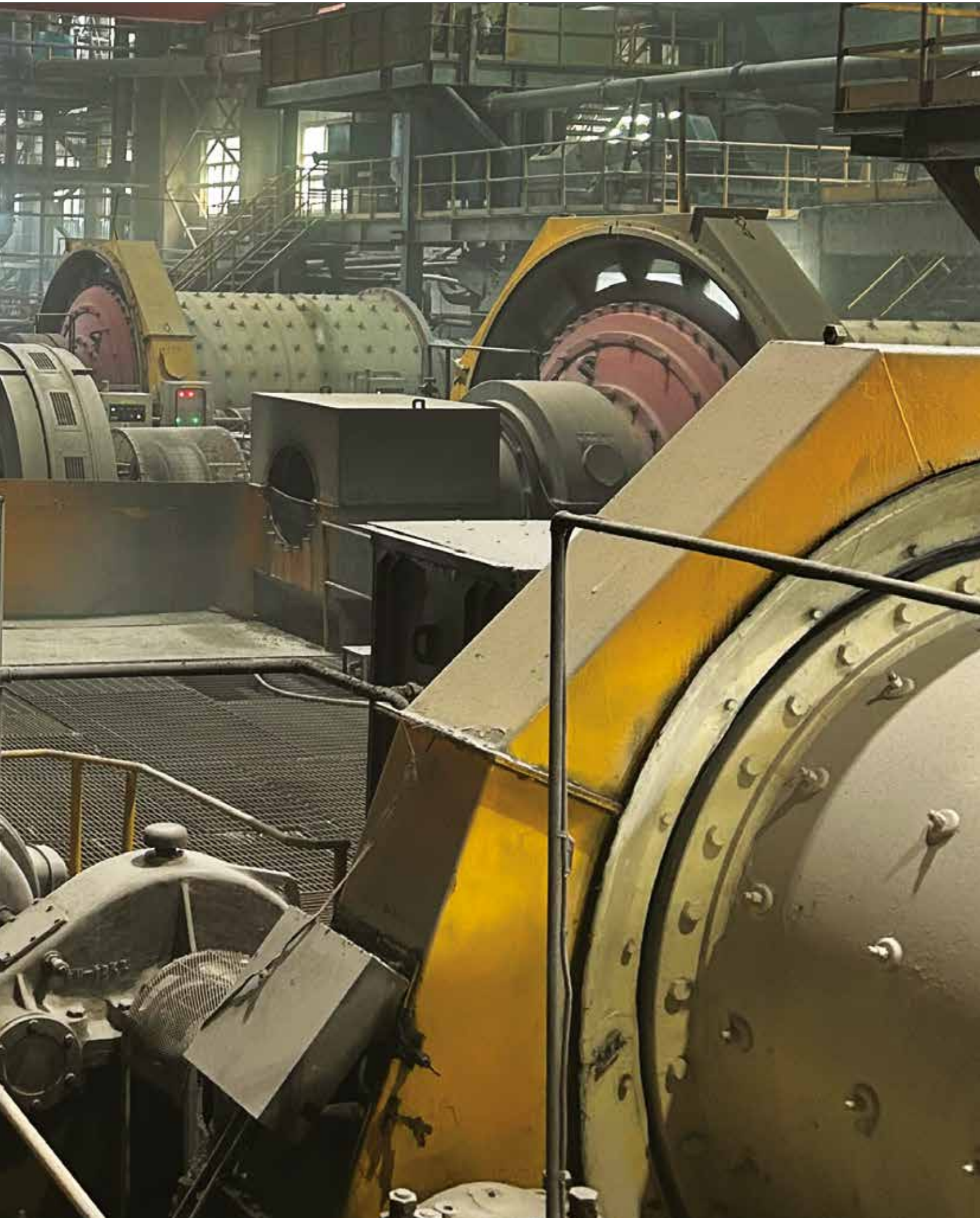
In 2022, Griffin committed to supporting renewable energy providing access to land on the closed tailings facilities 1 and 2 for a 6 megawatt solar farm and committing to local wind power projects as a consumer.

2023 will see further optimisation benefits of the 1.5 million tonne per annum growth strategy in what is expected to be

the first uninterrupted year of production since the isolation of China due to Covid-19 in early 2020.

In 2023 the mine will enter its next phase of growth by seeking to progress approvals for mining in Zone V and Zone VIII and the expansion of operations below the 1000RL for ongoing sustained production out to 2050 at equivalent or higher production rates.





Mill showing Primary Ball Mill in the background and two Secondary Ball Mills in the foreground. 19



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY

SUSTAINABILITY REVIEW

The directors and management are focused on ensuring the long-term sustainability of the Company and its business to benefit its shareholders and other stakeholders. Sustainability is supported by the Group’s values; operating in an environmentally responsible manner by continually improving circular and low-carbon operations, prioritising

the health and safety and development of employees, conducting business with integrity throughout the Group and supply chain as well as actively engaging and contributing to the local community around the Caijiaying Mine.

<i>Key Goals</i>	<i>Actions</i>	<i>Corresponding Chapters</i>
	Griffin invests in community and public welfare activities, fulfilling its corporate social responsibility.	Engagement with local communities (page 33)
	Griffin cares for the physical safety and mental health of employees, carries out occupational disease prevention work and provides comprehensive social security, salary and welfare for employees.	Development of Employees (page 25)
	Griffin promotes the concept of water-saving, advocating employees to save water, strengthens water control at business sites and eliminates waste to build a water-saving society.	Adhering to Green Development and Heading for a Zero-carbon Future (page 21)
	Griffin encourages the development of talent amongst its employees to create an inclusive and harmonious working environment for the benefit of the business and employees.	Development of Employees (page 28)
	Griffin prohibits the use of child labour and forced labour, adheres to the principle of equal employment, has established fair promotion mechanisms, abides by relevant laws and regulations related to human rights, and provides equal opportunities to all employees.	Development of Employees (page 29)
	Griffin seeks to ensure safe production, “green” purchases and environment conservation, developing a circular economy, and fulfilling social obligations together with suppliers and business partners.	Reinforcing Health and Safety Management (page 25) Building a Sustainable Supply Chain (page 30) Enhancing Quality Management and Protecting the Rights and Interests of Customers (page 32)
	Whilst there was no significant impact on operations from climate change in 2022, Griffin actively considers and responds to climate change issues, advancing green and low-carbon strategies, improving resource efficiency, and leads the industry in China in transforming to a low-carbon economy.	Adhering to Green Development and Heading for a Zero-carbon Future (page 21)
	Griffin seeks to ensure no wastewater is discharged into the local environment with water conservation initiatives, including the recycling of all production wastewater, resulting in the treatment and utilisation of 100% of mining wastewater.	Adhering to Green Development and Heading for a Zero-carbon Future (page 21)
	Griffin maintains the highest standards of business ethics, continuously improving transparent compliance supervision and reporting systems, to ensure zero tolerance for corruption and any illegal acts.	Strengthening Risk Management and Regulating Business Ethics (page 33)



GREEN DEVELOPMENT AND HEADING FOR A ZERO-CARBON FUTURE

Griffin fully understands that transitioning to a low-carbon economy is a major global challenge. As a responsible enterprise, Griffin 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*, the *Cleaner Production Promotion Law of the People's Republic of China* and other relevant laws and regulations. Griffin implements a low-carbon strategy, actively promoting the construction of a green mine, studies and applies resource-saving technologies, improves resource utilisation efficiency and implements energy-saving and emission-reduction measures. Griffin aims to reduce any negative impact of its operations on the environment and to ensure that environmental protection is planned and implemented in conjunction with the mine's operations.

Green Mining Construction

The Caijiaying Mine is designated as one of the PRC's national green mines. Griffin actively implements the PRC's policy of "developing green mining and building green mines", adheres to the policy of "developing while protecting and protecting while developing", fully promotes the construction of a green mine, ensures environmental protection in the whole life cycle of mining development, such as mine exploration, mining, beneficiation and closure and seeks to integrate mine production and construction with ecological protection.

A Mine Geological Environmental Protection System has been established and the green mine construction team is headed by the Caijiaying Operations Manager. During 2022 Griffin practised sustainable development and consolidated the achievements of its green mine construction by increasing investment in scientific research, regulating emissions, greening and treating mining areas and establishing local cooperation relationships.

Geological environmental damage within the mine area has been managed by restoring the ecological environment around the mining area and establishing geohazard and environmental monitoring systems. Potential geohazard inspections are regularly conducted to reduce environmental risks as much as possible.

Griffin continued to work according to the *Green Mine Construction Plan*, and has invested 5%-10% of the total enterprise output value in the "Mine Environmental

Protection and Treatment Fund" to assist in the completion of field renovation, tailings pond reclamation, road hardening, and covering of temporary dumps aiming to achieve 100% greening of the land exposed in the mining area and the goal of "As Green as Possible".

Responding to Climate Change

Climate change related risks from extreme weather such as heavy rain, snowstorms, floods, typhoons, and sudden natural disasters could disrupt operations, cause closure of the mine and accidents, with consequent economic loss and harm to employees.

Griffin strictly abides by the *Guidelines on Strengthening Response to Heavy Pollution Weather and Consolidating Emergency Emission Reduction Measures* issued by the PRC Ministry of Ecology and Environment and has formulated response plans to climate change related risks. When severe weather occurs, the production plan will be adjusted promptly; production will be shutdown, ore crushing and screening, lead flotation, zinc flotation, concentration, filtration, tailings conveying and other processes will be stopped. Vehicle transportation activities are minimised to avoid dust pollution.

Environmental Emergency Response Plan

In accordance with the requirements of the *PRC Interim Measures for the Management of Emergency Response Plan for Environmental Incidents* documents such as the *Emergency Response Plan for Environmental Pollution Incident in Caijiaying Zinc and Gold Mine of Hebei Hua' Ao Mining Development Company Limited* and *Operation Plan for Emergency Response in Heavy Pollution Weather* have been drawn up. A special emergency response leadership group regularly conducts environmental risk assessments and, in the event of an incident, takes the necessary measures to complete any rescue safely and efficiently and reduce the extent of environmental pollution and ecological damage.

In addition, Griffin regularly provides training and organises emergency drills to raise the environmental awareness of employees.





**SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)****Key Environmental Performance Indicators - Emissions:**

	2022	2021
Total GHG emissions (Scope 1 and Scope 2) (tonnes)	45,044.79	42,644.31
Direct GHG emissions (Scope 1) (tonnes) including:		
Diesel	925.61	1,166.88
Coal	7,812.28	n/a
Indirect GHG emissions (Scope 2) (tonnes) including:		
Purchased electricity	36,306.90	41,477.43
NO _x (tonnes)	2.21	n/a
SO ₂ (tonnes)	0.90	n/a
Dust (tonnes)	0.19	n/a
Wastewater discharge (10,000 tonnes)	0	0
Wastewater discharge intensity (tonnes/RMB million)	0	0
Hazardous waste (tonnes)	35.43	47.60
General solid waste generation (10,000 tons)	79.12	68.93

Notes:

- *The greenhouse gas (GHG) inventory includes carbon dioxide, methane, and nitrous oxide. GHG emissions are presented in carbon dioxide equivalents and calculated based on the electricity emission factor in the 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the People's Republic of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Revision) issued by the Intergovernmental Panel on Climate Change (IPCC). Scope 1 GHG covers GHG emissions directly generated from the businesses owned or controlled by the Company; Scope 2 GHG covers "indirect energy" GHG emissions from the Company's internal consumption (purchased or obtained).*
- *Nitrogen oxides, sulphur dioxide and dust mainly emanate from heating boilers*
- *During the reporting period, the new low-emission coal-fired boiler has been put into use, so the total waste gas emissions, total GHG emissions, and the energy consumption data increased compared with the previous year.*

Key Environmental Performance Indicators - Energy and Resources Consumption:

	2022	2021
Total energy consumption (MWh)	75,308.123	58,263.004
Direct energy consumption (MWh) Including:		
Diesel	0.003	0.004
Coal	24,308.12	n/a
Indirect energy consumption (MWh) Including: Purchased electricity	51,000.00	58,263.00
Total water consumption (10,000 tonnes)	38.56	40.90

Notes:

- *Total energy consumption is calculated based on direct and indirect energy consumption according to the conversion factors listed in the National Standards of the People's Republic of China General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020).*
- *The Group's business does not involve the use of packaging materials and data disclosure.*



REINFORCING HEALTH AND SAFETY MANAGEMENT

The health and safety of employees are a priority of the Group as is adherence to the PRC's "Safety and Prevention First, Comprehensive Governance" safety policy and continual improvements to its safety management systems. According to the *Law of the People's Republic of China on Work Safety, Safety in Mines* and other laws and regulations, Griffin has revised its *Safety Production Responsibility System, Safety Production Rules and Regulations, Operating Procedures* and other system documents with which all employees are required to comply. Griffin has strengthened production safety management as well as inculcating a culture of safety.

During 2022, Griffin established a Safety Management Committee comprising the Chief Operating Officer, the Operations Manager and Chief Safety Manager and the heads of all departments. Griffin has set up a well-resourced safety department specifically responsible for production safety management and established a "Safety Production Responsibility System" and "Double Prevention System for Safety Production" so that all employees are crystal clear about their safety responsibilities

At the beginning of 2022, the Company formulated the *Annual Work Safety Plan*, which specified the following objectives:

- No work-related fatalities or serious injuries;
- 3% reduction in minor injuries;
- 100% safety training rate;
- "Three positions" personnel (the main person in charge, safety management personnel, special operators) with a certificate on duty rate of 100%;
- Special equipment inspection pass rate of 100%.

Griffin values the development of the "production safety system", in doing so establishing and revising more than 90 production safety rules and regulations and more than 150 safety operating procedures to improve the production safety management level. Griffin seeks to identify and rectify any risks that may involve high-risk positions.

Employees at the Caijiaying Mine are required to conduct a Job Safety Analysis before starting work to ensure that safety hazard inspections are completed and potential risks identified. In 2022, Griffin conducted 4 quarterly safety inspections, more than 180 regular safety production

inspections in areas such as ore processing, mining workshops, bases and warehouses and organised and completed professional special safety inspections nearly 50 times. Griffin completed the rectification of all the hidden dangers found in the safety inspections in 2022. In 2022, there were no work-related fatalities and the days lost to work injury continued to decline.

Health and Safety of Employees

Indicators	2022	2021	2020
Total number of work-related fatalities	0	0	0
Lost days due to work injury	86	180	570

Emergency Plan For Accidents

To implement its safety management policy, Griffin has continuously improved work health and safety guidelines and formulated; *Emergency Plan for Production Safety Accidents and Special Emergency Plan for Tailings Dam; Underground and Processing Plant*; and other system documents according to the requirements of relevant laws and regulations and the *Workplace Accident Emergency Plan Management Measures* and the *Guidelines for Work and Business Units Work Safety Accident Emergency Plan Preparation (GB/T 29639-2020)*. Griffin seeks to strengthen the identification of safety risks, reinforcing accident emergency management by displaying posters and slogans, educating employees on safety and conducting fire drills.

At the Caijiaying Mine a "six systems for underground safety" has been set up, encompassing an underground wireless intercom system and video monitoring system. Management can thus monitor the underground working environment, location of personnel and equipment working status and ensure that, in the event of underground emergencies, personnel can be identified and quickly evacuated. In addition, an emergency rescue team has been formed to protect the lives of employees.

Safety Training And Emergency Drills

Regular safety education and training continued to be improved during 2022 with an 18% increase in total safety training hours. External production safety experts conduct education and training for all employees and contractors. Griffin also seeks to prepare all operating personnel for





The Caijiaying Mine with wind turbines in the background

**SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)**

emergency situations through regular drills such as fire, flood control in the tailings storage, sudden failure of ventilation fans, power failure in the explosives storage and down-hole backwind tests.

In 2022, the Company conducted safety training as follows:

<i>Training Type</i>	<i>Number of Participants (Person-time)</i>
Annual safety training for all employees	427
Occupational health training	336
Emergency rescue team training	779
New employee's safety induction	152
Other Safety training	2,620

The total safety training hours in 2022 was 9,754 hours.

Contractor Safety Management

Griffin has formulated a contractor safety management and assessment system. Each contractor has a *Work Safety Management Agreement* with Griffin which defines the management responsibilities of both parties for hazard screening, treatment, and control. Griffin reviews the contractor's "Non-Coal Mining Enterprise Safety Production Licence" and other relevant qualifications or certificates, supervises the implementation of laws and training, coordinates with the contractor's management and incorporates the contractor's safety management into the safety management system at the mine.

DEVELOPMENT OF EMPLOYEES

A diverse and inclusive corporate culture at Griffin which focuses on the long-term development of employees, care of their physical and mental health and fostering a harmonious and safe working environment underpins the success of the Group.

Employee Management Policy

The development of a talented diversified workforce is encouraged by ensuring employee rights and interests are protected in accordance with all PRC labour laws. Education to promote diversity and recruitment through a variety of channels will continue to ensure the most talented employees are attracted and retained at Griffin. As of 31 December 2022, the Griffin Group had 461 employees.

Employment

<i>Category</i>	<i>As of 31 December 2022</i>	
By gender	Male	394
	Female	67
By management level	Management personnel	26
	General personnel	435
By age	Aged 30 and below	30
	Aged 31 to 50	271
	Aged 50 and above	160
By employment type	Full-time	461
	Part-time	0
By region	China	454
	Overseas	7

Employee Turnover Rate

<i>Category</i>	<i>As of 31 December 2022</i>	
Employee turnover rate	8.8%	
By gender	Male	7.9%
	Female	0.9%
By management level	Management personnel	0.4%
	General personnel	8.3%
By age	Aged 30 and below	0.4%
	Aged 31 to 50	3.9%
	Aged 50 and above	4.4%
By employment type	Full-time	8.8%
	Part-time	0%
By region	Domestic	8.5%
	Overseas	1.9%

SALARY AND WELFARE MANAGEMENT

Employees receive a competitive base salary and allowances according to their job title, years of experience and responsibilities, as well as additional rewards for outstanding performance, behaviour and attitude to motivate and inspire them.



Griffin monitors the welfare of employees to ensure all legal entitlements to holidays and other leave are taken. To help create a harmonious workplace environment, Griffin regularly organises holiday dinners, departmental reunions and other activities and has set up activity rooms, gymnasiums and other venues for employees to rest and interact with each other to enhance their cohesion and sense of belonging.

HUMAN RIGHTS PROTECTION POLICY

A comprehensive human rights protection policy is in place to respect and protect human rights and establish legal and stable labour relations with employees. In addition, Griffin provides employees with training on human rights and makes every effort to promote the protection of human rights. In 2022, there were no major labour disputes or human rights complaints from employees.

Griffin complies with the PRC national working hours system, setting reasonable workloads for employees, continuously optimising the working hours management policy, encouraging employees to work efficiently during normal working hours and take their full entitlement to holidays. Griffin operates on a working system of 8 hours a day and an average working week of no more than 40 hours. Any arrangement requiring a variation to these hours will only be implemented after obtaining the consent of the employees and relevant responsible departments. If employees need to work overtime or exceed normal working hours, Griffin will pay overtime or arrange rest periods in accordance with the relevant national and Company regulations.

Griffin strives to create a safe and harmonious work environment, strictly prohibiting the employment or use of child labour, opposes any form of forced labour and requires suppliers and vendors to implement the same employment standards. Griffin strictly enforces the national minimum working age regulations and verifies the identity and age of candidates at the time of recruitment.

Employees are encouraged to participate in the democratic management of the Company, elect employee representatives and hold regular employee representative meetings. The right of employees to participate in labour unions is respected. A transparent employee communication mechanism has been established including employee suggestion boxes to encourage contributions to the development of the Group.

STAFF DEVELOPMENT AND TRAINING

Employees are the key resource for the Group. Griffin develops annual training plans in collaboration with employees, designing diversified training courses, providing induction training, on the job training and continuing education and training to optimise the potential of employees.

In 2022, the training coverage rate at Caijiaying reached 100%, with a total of 17,160 hours spent on various training programmes. 457 employees participated in training and the average training time per employee was 38 hours. Various types of training were provided at Caijiaying as follows:

- *Management personnel training*: 26 management personnel received safe production and management development training;
- *Special operation training*: 41 operators received training to obtain special equipment operation certificates;
- *Special equipment training*: 9 operators and management personnel received special equipment management and operation training;
- *New employees training*: 54 new employees received three-tier training; and
- *Safety Training*: All employees received internal safety training.

Occupational Health

In accordance with the overriding “Life First” safety concept, Griffin works to prevent occupational diseases, strives to prevent, control and eliminate occupational hazards in the workplace, provides employees with sound occupational health protection equipment and facilities and improves the production and working environment for employees. Qualified third parties have formulated the *Implementation Plan for the Identification and Rectification of Occupational Hazards for the Company*. Regular testing of occupational hazard factors is carried out to identify and minimise the severity of occupational disease hazards. Effective preventive measures are taken in response to the findings. In 2022, Griffin formulated the *Annual Work Plan for Safety Production*, specifying the target of “0 incidences of occupational diseases among employees”.



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)

Social medical insurance and supplemental medical insurance are provided for employees. Pre-employment, on-the-job and post-employment health checkups for occupational hazards are undertaken at the Caijiaying Mine, so that occupational diseases, occupational contraindications and other abnormal conditions are detected as early as possible.

Griffin equips workers at the Caijiaying Mine with earplugs and other protection including personal protective equipment, in addition to striving to reduce the incidence of occupational hazard accidents and occupational diseases, by providing related training to improve safety management and awareness.

Throughout the Covid-19 pandemic Griffin implemented the PRC national and local epidemic prevention requirements, instigating regular management policies in response to the epidemic, carried out comprehensive and regular disinfection of the office environment and sourced sufficient protective equipment and medicines for the health and safety of employees. In addition, close attention was paid to the mental health of employees and they were provided with psychological counselling when necessary.

BUILDING A SUSTAINABLE SUPPLY CHAIN

Griffin commits to working with suppliers to create a mutually beneficial relationship as responsible procurement is essential for Griffin to achieve sustainable development. Accordingly, Griffin seeks to continuously improve supplier management systems and procurement processes in accordance with established company policies.

Griffin regularly evaluates and assesses suppliers to ensure they are fulfilling their environmental and social responsibilities.

Supplier Access And Daily Management

Griffin strives to build a transparent and honest supply chain and has established a strict and standardised supplier access process and evaluation system.

Suppliers are assessed against a strict set of criteria. At the Caijiaying Mine, a *Supplier Basic Information Form*, is used to select suitable suppliers according to criteria including environmental protection, safety management,



Occupational Health and Safety Training



technology application and priority is given to suppliers with professional qualification certificates for quality management, environmental management, occupational health and safety management and other special product safety marks. Griffin also evaluates the reasonableness of suppliers' product prices through multiple quotations and price comparisons. To ensure that product quality meets Griffin's requirements, product samples are collected from suppliers, and where appropriate sent to third-party independent institutions for testing and analysis, following which the results are evaluated to select the most appropriate supplier.

Annual evaluations are carried out on qualified suppliers to ensure standards are being maintained by carrying out onsite inspections, testing product quality, assessing production, delivery and transportation capacities. Any suppliers who have not maintained their standards or who have negatively impacted on the environment are required to undertake timely rectification. Griffin will terminate the supply of goods and services from those suppliers who continue to fail to meet Griffin's requirements, do not deliver on time and cannot provide high quality after-sales service.

Griffin provides training to its procurement employees, actively communicates with suppliers in the course of daily procurement work, encourages suppliers to use environmentally friendly products or services and has developed corresponding implementation and monitoring methods. Griffin will cancel cooperation with suppliers who do not accept Griffin's sustainability concepts.

ENVIRONMENTAL AND SOCIAL RISKS MANAGEMENT

Griffin is committed to growing with its suppliers, reassessing their environmental, safety and social responsibility risks at the beginning of each year and improving environmental and social risk management in tandem with them. Griffin requires suppliers to conduct environmental and health management when entering into procurement contracts for equipment, building materials, steel, chemicals and other products and requires suppliers to strictly comply with national and local laws and regulations.

In the context of global warming, in order to reduce greenhouse gas emissions, Griffin selects suppliers providing environmentally friendly products or services.

For example, when selecting dust removal equipment, boiler desulphurisation and denitration equipment, minerals, geomorphous fabrics, electromagnetic flowmeters and other materials, suppliers with professional qualification certification such as the quality management, environmental management, and occupational health and safety management of electric water boilers were chosen. Heavy diesel and gas vehicles should meet the emission standards of the *National V Emission Standard*. In addition, priority is given to suppliers with short transportation distances to reduce logistics costs and environmental pollution during transportation, and further promote sustainable development.

At Caijiaying Griffin requires suppliers to sign the *Legal Employment Commitment* to reduce the risk of illegal employment, requires suppliers to comply with relevant laws and regulations, pay labour compensation on time, resolutely prevents the occurrence of child labour and violations of human rights of employees and safeguards the legitimate rights and interests of suppliers and employees.

As of 31 December 2022, the Company had 309 suppliers in total in Mainland China.

ENHANCING QUALITY MANAGEMENT AND PROTECTING THE RIGHTS AND INTERESTS OF CUSTOMERS

Griffin continually optimises its product quality management system and the process configuration to produce high-quality lead, gold, silver and zinc concentrate products that meet customers' needs through strict management of mining and processing.

To ensure the stability of product quality, Griffin strictly abides by the *Product Quality Law of the People's Republic of China* and other laws and regulations, has formulated product quality standards and requirements for daily management and regularly adjusts the standards and requirements according to the quality of the ore.

Site Selection Management

Quality control of the production of lead and zinc concentrate products takes place principally in the processes of milling, flotation, and dehydration. Griffin continuously monitors sampling and processing, to ensure the maintenance of the lead, gold, silver and zinc concentrate grades and moisture content to meet customer requirements.



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (CONTINUED)

In the milling process, overflow ball mills and cyclones are used to form a closed-circuit grinding system, which can ensure the granule size required for flotation in the processing of ore and ensure the recovery rate of various metals. The milling process is also equipped with automatic sampling equipment for sampling and assaying to analyse and test the grade and particle size of the product at various stages in the process.

In the flotation process of lead and zinc, three stage cleaners maintain the concentrate grade. Automatic samplers are installed to check data in the circuit. Griffin continually seeks to optimise the flotation process and improve the flotation conditions to simplify the operation. In 2020, an automatic dosing system was installed to replace manual dosing, making the dosing process control more accurate and product quality more stable. For the key points in the flotation process, manual sampling is conducted every two hours to analyse the concentrate moisture so as to correct chemical or other inputs into the process, or repair equipment, to ensure stable production and quality concentrates.

In the dewatering process, a two-stage dewatering process consisting of thickener and ceramic filter keeps the moisture of the concentrate product at about 10% to better meet the requirements of customers. The dewatered zinc concentrate is stored in bulk while the dewatered lead, gold and silver concentrate is packed in concentrate bags.

Equipment and devices are checked and repaired regularly to maintain normal operations and stable processing and to further improve the product quality. In addition, Griffin has formulated an annual training plan to cover requirements for product quality and other special training for employees and regular meetings take place to deliver training to all employees.

DIGITAL MINING CONSTRUCTION

Griffin believes that scientific and technological innovation is essential to promote high quality development and encourages research and innovation. It does this by bringing together technical talent teams, setting up groups to tackle key scientific and technological problems and ensures sufficient investment funds are available.

A digital mine construction programme has been developed to improve process technology and thereby optimise and improve mining design and mining management. Digital systems are utilised such as automated centralised control systems, mine automation systems, unmanned working

surfaces, 3D models of resources and reserves and reserve management software. Technical research is undertaken to support the green and innovative development of the enterprise. This includes:

- Advanced Micromine 3D mining engineering software and digital technologies such as multi-pointer geological body boundary rapid delineation, to carry out ore body definition, reserve calculation and 3D modelling, improving the efficiency of mineral resources exploration and economically mining on the basis of realising sustainable development and utilisation of mineral resources;
- A frequency conversion control system has been adopted to adjust the operational frequency of the main fan and air compressor through remote operation according to the change and demand of underground production, so as to reduce operational energy consumption of the equipment and save operational and labour costs

Griffin has established a long-term co-operative relationship with the Beijing University of Science and Technology to jointly develop and innovate and are committed to providing advanced professional technical service support for on-site production.

PROTECTION OF RIGHTS AND INTERESTS OF CUSTOMERS

Griffin adheres to the principle of “promoting cooperation, mutual benefit and win-win”, and aims to establish a harmonious and stable cooperative relationship with customers, constantly improving customer service and helping customers solve problems. Griffin has established a complaint and supervision mechanism to identify any problems with product quality. Concentrate samples are taken to check metal and moisture content internally and externally. Griffin takes responsibility for any quality problems arising in accordance with relevant contracts and laws and compensates the customers where appropriate.

In 2022 Griffin did not receive any complaints or returns regarding the quality of its products.

Protection Of Customer Privacy

In order to protect customer privacy Griffin abides by the *Personal Information Protection Law of the People’s Republic of China*, the *Network Security Law of the People’s Republic of*



China and other laws and regulations and has established a system which specifies those employees responsible for maintaining the confidentiality of customer information. Griffin provides regular training to employees on the confidential management of customer information and conducts regular inspections to enforce the requirements of its policy.

STRENGTHENING RISK MANAGEMENT AND REGULATING BUSINESS ETHICS

Griffin has formulated strategies for identifying material risks; ensuring appropriate mitigating measures are in place, regularly evaluating operational and business risks; and seeking to strengthen the controls on internal risk. Griffin endeavours to ensure its management, partners, suppliers and customers operate to high standards and actively works with them to conduct business with integrity and ethics.

Anti-Corruption Management

Griffin adheres to the business values of fairness, transparency, integrity and honesty, to comply with the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China* and other relevant laws and regulations. Griffin has formulated employee codes of conduct, set requirements for business ethics and commits to ongoing improvements in its compliance management system. Griffin has zero tolerance for any unethical practices such as bribery, extortion, fraud and money laundering, and has implemented a series of initiatives to strengthen anti-corruption management. These include:

- Anti-corruption policies and employee code of conduct, supervision of the business activities of employees and third-party contractors, and prohibition of directors and employees from engaging in illegal or unethical economic practices;
- Clearly stated prohibition against taking and offering bribes and a requirement for all employees to declare in advance when offering gifts and entertainment;
- Regular review and update of the code of conduct by the Head of Human Resources and the Operation Manager at Caijiaying to identify the possible risks in the business and operational links;
- Daily supervision and regular management review to optimise the anti-corruption and anti-fraud reporting process and ensure compliance requirements are implemented;
- Regular training to strengthen the ideological education of anti-corruption and further improve compliance with Griffin's policies; and
- Formulation of anti-corruption provisions in supplier agreements and goods and services contracts, adhering to transparent procurement.

Whistle-blowing

Griffin takes very seriously the process of whistle-blowing and has established protection for whistle-blowers to eliminate the occurrence of irregularities and disciplinary incidents. Griffin encourages all employees to participate in the supervision of integrity and honesty, and has established a two-way reporting channel. Whistle-blowers can report anonymously, and Griffin keeps the content of whistle-blowers' reports strictly confidential and prohibits any form of retaliation against whistle-blowers to fully protect each whistle-blower from threats, suspension, transfer, dismissal or other discriminatory punishment.

ENGAGEMENT WITH LOCAL COMMUNITIES

Griffin has followed the PRC national call to address community needs in a variety of ways, promoting support mechanisms and public welfare, helping to build infrastructure where it operates and creating a harmonious and stable community relationship. *The Community Development Plan* sets out its commitment to the social welfare of the local communities.

In 2022, Griffin donated a total of Rmb3,462,800 and provided 100.25 hours of voluntary support.



SUSTAINABILITY, ENVIRONMENT AND LOCAL COMMUNITY (*CONTINUED*)

Charity Donation

Griffin is committed to creating value for the local community and developing together with the community. In 2022, Griffin invested Rmb604,800 in residents' pension subsidies to improve their living conditions. Griffin donated Rmb75,000 to the Hebei Youth Development Foundation as a scholarship to support college students from Sanhao Township, Zhangbei County, Zhangjiakou City, and Hebei Province, to encourage their academic development.

In September 2022, Griffin donated 950 bags of flour and 500 bags of rice to Caijiaying Village for the Mid-Autumn Festival. In addition, Griffin sent its medical staff every month to provide free nucleic acid testing services to the residents of Caijiaying Village and donated materials to the Zhangbei County government and relevant epidemic prevention departments of Zhangjiakou City, Hebei Province.

Rural Revitalisation

Griffin supports rural revitalisation to achieve common prosperity and actively assists in rural development. In 2022, Griffin invested Rmb1,857,000 in repairing houses for local villagers and alleviating the impact of blasting vibration and other operations. Griffin also invested Rmb700,000 in a community fund to strengthen the infrastructure around the mining area. To facilitate the travel of residents around the mining area, Griffin invested Rmb250,000 in repairing potholes on the roads around the mining area to reduce traffic safety hazards. To prevent the soil erosion of farmland by rainwater in the rainy season, Griffin invested Rmb45,000 in widening the road in Baishuinao Administrative Village, Sanhao Township and in helping farmers lay culvert pipes in the upper reaches of farmland. In addition, Griffin helped villagers replace water pumps, helping to solve the water problems in Xiaobazi Administrative Village and thereby improve the overall quality of life of the surrounding residents.



FINANCIAL RESULTS

SUMMARY

Despite operations being suspended by the Chinese authorities for external events, for nearly five months in 2022, the Company and its subsidiaries (together the “Group”) recorded;

- Revenues of \$94,397,000 (2021: \$121,648,000);
- Gross profit of \$38,252,000 (2021: \$58,424,000);
- Operating profits of \$15,625,000 (2021: \$36,925,000);
- Profit before tax of \$15,272,000 (2021: \$36,526,000);
- Profit after tax of \$7,704,000 (2021: \$25,376,000); and
- Basic earnings per share of 4.41 cents (2021: earnings per share 14.53 cents).

The results for 2022 were severely impacted by various suspensions in operations for nearly five months of the year. First quarter results were impacted by the enforced suspension of all operations at the Caijiaying Mine for the Chinese Lunar New Year holiday celebrations, the Winter Olympics and the subsequent Winter Paralympics. Mining recommenced on the 23 March 2022 and processing on the 25 March 2022. Operations were again suspended by the Chinese authorities restricting the supply and use of explosives for the duration of the Chinese Communist National Party Congress from 22 September 2022 to 17 November 2022.

As a result of the suspensions in operations in 2022, Group profits before tax decreased from \$36,526,000 in 2021 to \$15,272,000 in 2022 with metal in concentrate production

down on that produced in 2021, whilst zinc, gold and lead metal in concentrate prices achieved in 2022 were higher than those achieved in 2021.

With the suspension in operations during 2022 mining, haulage, and processing costs (cost of sales) were down 11.2%. This reduction is less than the reduction in tonnes milled of 15.6% as a result of fixed costs and higher depreciation charges as assets are brought into use.

Operating (administration) costs excluding minority service charges interests rose by 14.9%, reflecting inflationary costs in China, additional fees on the appointment of new directors and the resumption of travel.

TURNOVER

Turnover in 2022 of \$94,397,000 was down \$27,251,000 (22.4%) on that achieved in 2021 of \$121,648,000. This reflects zinc in concentrate sales down \$20,495,000 (21.1%) with 30,422 tonnes of zinc metal in concentrate sold in 2022 compared with 41,949 tonnes in 2021, a decrease of 27.5% with lower production, and average zinc metal in concentrate prices received in 2022 of \$2,513 per tonne compared with \$2,311 received in 2021 an increase of 8.7%. This price increase reflects an increase in market prices with the average LME zinc metal price of \$3,488 per tonne in 2022 compared with \$3,007 in 2021 (an increase of 16.0%), mitigated by an increase in smelter treatment charges with average smelter treatment charges equating to 27.9% of the average LME zinc price in 2022 compared with 23.1% in 2021.

Sales may be summarised as follows:

	2022	2021
Zinc metal in concentrate revenue before royalties (\$000s)	76,456	96,951
Lead metal in concentrate revenue before royalties (\$000s)	2,052	2,216
Silver metal in concentrate revenue before royalties (\$000s)	3,829	5,326
Gold metal in concentrate revenue before royalties (\$000s)	17,672	24,373
Royalties	(5,612)	(7,218)
Zinc metal in concentrate sold (tonnes)	30,422	41,949
Lead metal in concentrate sold (tonnes)	926	1,069
Silver in concentrate sold (ozs)	221,506	269,505
Gold in concentrate sold (ozs)	10,649	14,447
Average price per tonne received (zinc) (\$)	2,513	2,311
Average price per tonne received (lead) (\$)	2,216	2,074
Average price per ounce received (silver) (\$)	17.9	20.4
Average price per ounce received (gold) (\$)	1,814	1,748



FINANCIAL RESULTS (CONTINUED)

Lead and precious metal in concentrate sales in 2022 of \$23,553,000 were down \$8,362,000 (26.2%) on that achieved in 2021 of \$31,915,000. This reflects less lead and precious metals sold, with lower production, with higher gold and lead prices received, but lower silver prices received.

COST OF SALES

Total cost of sales in 2022 of \$56,145,000 was down \$7,079,000 (11.3%) on that incurred in 2021 of \$63,224,000. In the main this reflects less tonnes mined, hauled, and processed in 2022 than 2021. Operations in 2022 were impacted by the enforced suspensions in operations for the Winter Olympics and PRC National Party Congress. Whilst costs were down 11.2%, ore tonnes mined were down 12.2% and ore tonnes milled were down 15.6% with fixed costs mitigating further cost reductions.

Mining costs in 2022 were down \$2,221,000 (11.7%) on that in 2021 reflecting a 12.2% decrease in tonnes of ore mined, and reduced operational development work. Some further fixed cost savings were made in mine administration and other costs.

Haulage costs in 2022 were down \$1,089,000 (9.5%) on that in 2021 reflecting a 14.3% decrease in tonnes of ore hauled and a 10.4% increase in average distances hauled from 2.97 km in 2021 to 3.28 km in 2022.

Processing costs in 2022 were down \$2,364,000 (14.1%) on that incurred 2021 with a 153,855 tonne (15.6%) reduction in ore throughput and fixed costs mitigating a further reduction in costs. There was a modest improvement in tailings being backfilled as opposed to discharged to dry tailings of 48% compared with 42% in 2021.

Depreciation charges in 2022 were up \$3,276,000 (22.6%) on that incurred in 2021 as assets are brought into use and with an additional charge to ensure all development costs capitalised, including future development costs as estimated in the Life of Mine Plan, are fully written off at the end of the Life of Mine.

PRODUCTION

Tonnes of ore processed in 2022 were down 15.6% on that in 2021. With the zinc head grade down 0.41% in absolute terms on that in 2021, and recoveries down 0.1% on that in 2021, zinc metal in concentrate production was down 23.5% on that in 2021.

With lower throughput, recoveries, and the gold grade down 0.11 g/t (15.7%) gold metal in concentrate production in 2022 was down 29.8% on that produced in 2021.

With lower throughput and with the silver head grade down 0.88 g/t but better recoveries silver metal in concentrate production in 2022 was down 16.7% on that produced in 2021.

OPERATING EXPENSES

Operating (administration) costs (excluding service fees to Yuanrun) in 2022 of \$20,228,000 were up \$2,605,000 (14.9%) on that incurred in 2021 of \$17,623,000.

Hebei Hua Ao's operating costs in 2022 were up \$1,026,000 (8.4%) on that incurred in 2021 albeit this is masked by a 3.4% fall in the value of the Renminbi. Renminbi denominated administration costs have increased by 12.1%, primarily on increased salaries and bonuses and ongoing increased environmental and safety regulatory compliance costs.

Griffin and other subsidiary company costs were up with increased directors' fees and bonuses, increased travel costs and increased directors' and officers' liability insurance premiums.

Service fees to Yuanrun of \$2,399,000 based on 11.2% of the profits of Hebei Hua Ao, as adjusted for force majeure days when operations were suspended, has been charged to profit and loss in 2022 compared with \$3,876,000 in 2021.

PROFITS BEFORE TAX

After interest, foreign exchange adjustments and other income, a profit before tax of \$15,272,000 was recorded for 2022 compared to \$36,526,000 in 2021. The profit before tax in 2022 was after charging / crediting;

- FX losses of \$387,000 (2021: losses \$51,000);
- Bank interest charges of \$nil (2021: \$309,000);
- Finance lease interest \$48,000 (2021: \$11,000);
- Interest in respect of rehabilitation provisions \$87,000 (2021: \$84,000);
- Interest receipts of \$369,000 (2021: \$236,000);
- Losses on the disposal of fixed assets of \$404,000 (2021: \$293,000);



- Provisions against capitalised intangible assets (Hebei Sino Anglo) \$nil (2021: \$11,000); and
- Other income of \$204,000 (2021: \$124,000).

TAXATION

Taxation of \$7,568,000 has been provided for in 2022 (2021: \$11,150,000) being 25% of Hebei Hua Ao's profits under PRC GAAP amounting to \$6,931,000; withholding tax primarily of 5% on intercompany dividends received of \$803,000; UK corporation tax on Griffin Mining (UK Services) Limited profits of \$67,360 and a deferred tax credit of \$260,000.

CASH FLOW

Cash generated from operations of \$15,734,000 (2021 \$42,880,000) have been used in further developing the mine and facilities.

NET ASSETS

Attributable net assets per share at 31 December 2022 was \$1.40 (2021: \$1.50).







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 the PRC, 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 the PRC. 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 financial returns provided by the Caijiaying Mine.

CAIJIAYING MINE

The Caijiaying Mine's metal production capability has been augmented with continued extensive exploration, expansion of the mill processing facilities (including grinding and flotation circuits) and ongoing underground infrastructure development. Exploration has been focused 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 has enabled production rates 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 effect this strategy, the Company has 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.

CLIMATE CHANGE

Griffin studies the possible impact of climate change on business operations and actively tackles climate change where it is able to do so. This has involved identifying risks related to climate change such as extreme weather and sudden natural disasters including rainstorms, snowstorms, drought, etc. that may lead to power supply interruptions and production accidents, causing significant economic losses and threatening personal safety. Accordingly, Griffin has developed relevant measures to address these risks including back-up diesel generators and ensuring sufficient supplies of essential goods. In 2021, the Company upgraded the emergency power generation facility from 3,200KW to 4,000KW. The upgraded facilities can ensure the continued operation of underground ventilation, drainage and mill maintenance work in case of an emergency, thereby reducing the risk of underground workers being trapped due to power outages.



CORPORATE GOVERNANCE

The board of directors of Griffin 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. Key decisions are based on the regular review of financial performance, capital and operational budgets and regular operational reports.

The directors continue to seek to add value and minimise costs to ensure the long-term sustainability of the Company and its business in order to fulfil their responsibility to benefit shareholders and other stakeholders.

The Company and its directors have identified and keep under consideration the risks facing the Company and its subsidiaries (“the Group”). These risks and how they are managed are detailed in the directors’ report on pages 52 to 57.

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

The Company and its directors have adopted the Corporate Governance Code published by the UK Quoted Company Alliance (“QCA”) and are guided by the principles contained therein, so far as the Board of Directors is able and considers practicable.

The Board meets quarterly with all members in attendance in 2022. The Board is headed by a Chairman, who whilst not employed by the Company, spends a significant part of his time on the Company’s business. The Chairman’s services are provided by Keynes Capital (see report of the Remuneration Committee on page 46). 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 Finance Director is employed full-time. He is also the Company Secretary and, in accordance with best practice, these roles are to be separated during 2023.

Two independent non-executive directors were appointed to the Board in 2022 to join the Senior Independent

Director (“SID”), Clive Whiley. Independent directors therefore now constitute 50% of the Board. Dean Moore was appointed Chair of the Remuneration Committee and Linda Naylor is Chair of the Audit Committee. The shareholdings of these three non-executive directors are less than 0.2% of the Company’s issued share capital and they are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Although a non-executive director, Adam Usdan is not an independent director as he is also a major shareholder.

During 2022, the SID received additional compensation to reflect his commitment to make 25% of his time available to help the Chairman with strategic support. The Chairman requires this support since he has the operational responsibilities of a Chief Executive Officer and the Board is of the view that the specialist nature of this support could not be sourced from the Company’s advisers. Notwithstanding the additional responsibilities and remuneration received by the SID, the Board’s judgement is that he remains an independent director as the additional responsibilities represent a minority of his employment and he is demonstrably independent in character and judgement.

The SID supports the Chairman and executive director by regularly communicating with the major shareholders to build a strong relationship with them, other shareholders and potential investors.

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.

The Board is supported by the Audit Committee and Remuneration Committee. The reports of these Committees are given on pages 44 to 49. A Nomination Committee has not been formally established with, in effect, the whole Board fulfilling this function.

The existing board of directors brings a balance of skills and experience to the Company, including legal, financial, mining and market expertise. Details of each director are given in the biographies on page 50. All directors are subject to re-appointment annually at the annual general meeting of the Company’s shareholders.



CORPORATE GOVERNANCE (CONTINUED)

Dal Brynelson, a director of the Company's Chinese subsidiary Hebei Hua Ao, provides additional support to the Board who benefit from his 40 year involvement in the mining industry.

As a result of the major changes to the membership of the Board in 2022, a review of Board effectiveness has been delayed until 2023. The Board is seeking to establish a regular schedule of meetings during 2023, including visits to the Caijiaying Mine Site in the PRC, following the appointment of the new directors. The Chairman and Finance Director regularly visit the Group's operations (when possible, following the restrictions imposed due to the Covid pandemic) to meet with management and other personnel. When travel has not been possible meetings have been held virtually.

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 organisation or individual which it believes to be involved with slavery. The Group

has formal procedures regarding the avoidance of bribery and corruption. The Group engages personnel regardless of race or gender.

The Company has appointed a Chief Operating Officer who reports directly to the Chairman, who in turn reports directly to the board of directors. The Chief Operating Officer oversees the Group's operations with individual department heads reporting directly to him. The Company has appointed a Chief Financial Officer in China who reports to the Chief Operating Officer and directly to the Finance Director, who in turn reports to the Chairman and the board of directors. Individual department managers are able to communicate directly to the Chairman concerning any issues of concern.

The Company, through Hebei Hua Ao, has invested heavily in the local community in China and continues to maintain and further implement best practices for the protection of the environment and for the benefit of the local community.

Further details are given on pages 33 to 34.



Griffin directors:

Back row from left to right: Dean Moore, Roger Goodwin (Finance), and Adam Usdan.

Front row from left to right: Clive Whiley, Mladen Ninkov (Chairman), and Linda Naylor.



STAKEHOLDER ENGAGEMENT

The Board has identified the following internal and external stakeholders. The needs, interests and expectations of these stakeholders are regularly monitored and assessed with the understanding that the long-term success of

Griffin depends on good relations with all stakeholder groups. Feedback from all channels of communication with stakeholders is integrated into Griffin's strategy.

<i>Main Stakeholders</i>	<i>Key Issues</i>	<i>Communication and Feedback Channels</i>
Government and regulatory agencies	Implementation of laws, regulations and policies.	Compliance with laws and regulations including payment of taxes
	Corporate governance and compliance operation	Daily communication and reporting (see Corporate Governance on pages 41 & 42)
	Safety and environmental protection	
Shareholders and investors	Profitable operations	Regulatory reporting
	Sustainable development governance	Equal opportunity employer
	Human rights policy disclosure	Anti-slavery policy
	Anti-corruption policies	Bribery and corruption policy
Employees and their families	Salary and benefits	Employee performance reviews
	Training and development	Staff representative conference
	Health and safety	Regular safety reporting, safety inductions and safety meetings
Suppliers and business partners	Customer service	Dedicated procurement department
	Supply chain management	
	Product quality	Independent assay and moisture checks of concentrate sold
Community	Community investment	Involvement in the local community
	Community benefits	Local community support, including infrastructure, poverty alleviation, schooling
	Environmental protection and ecology	Care and protection of the local environment with minimal discharges



REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the main board of directors in its oversight of the Company's financial reporting, internal control and risk management within the corporate governance framework.

The Chair is Linda Naylor, a qualified Chartered Accountant with relevant sector experience who was appointed on 10 May 2022. The other members, Adam Usdan and Clive Whiley, bring extensive fund management and capital markets experience to benefit the work of the Committee. Dal Brynelsen resigned on 5 May 2022.

Four meetings of the Committee took place in 2022 with all those who were members in attendance. A review of the Committee's effectiveness will be held in 2023 as part of the Board's effectiveness review.

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 before recommending their approval to the Board. 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).

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. The Audit Committee seeks to ensure all reporting is up to date and relevant to shareholders, to aid their understanding of the Company and its performance.

Significant issues considered by the Committee in relation to the 2022 Financial Statements

- (a) The value of fixed assets and the need for any impairment provisions based on the updated life of mine plan prepared by the COO. The Committee considered the key judgements made by management in relation to commodity price forecasts, operating and capital expenditures, discount and exchange rates as well as mineral reserves and resources estimates together with processing capacity.
- (b) The conversion of Hebei Hua Ao from a Joint Venture to a limited liability company with an indefinite life to enable the extension of the business licence which is currently due to expire in 2037. The Committee received regular updates on progress to achieve this objective from management.

Internal Controls

The Audit Committee continued to keep the effectiveness of the Company's systems of internal controls under review. The Committee monitors and reviews the budgets prepared each year for approval by the Board. Actual performance against budget is presented in the monthly management accounts. There is no internal audit function as due to the size of the Group the current level of internal controls are considered to be adequate. Monitoring of internal controls also takes place through the external audit.

Risk Management

The Audit Committee monitors and reviews management's approach to risk management including the process of the identification of emerging risks and their mitigation. The risks and the process of identification is then further scrutinised and approved by the Board as a whole.



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) Annual assessment of 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) Satisfying 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) Agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (vi) Monitoring the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) Annual assessment of 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 has the right 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 and the materiality is appropriate;
- (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.

Linda Naylor
Chair of the Audit Committee

9 May 2023



REPORT OF THE REMUNERATION COMMITTEE

To comply with Corporate Governance requirements set by AIM, a remuneration committee (the “Remuneration Committee”) was formed in 2018 which now comprises the non-executive directors Dean Moore (Chair), Clive Whiley, and Adam Usdan. Dal Brynelsen resigned on 5 May 2022.

THE ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining and agreeing with the Company’s board of directors 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 Remuneration Committee is also responsible for the review of, and making recommendations to, the board of directors in connection with share option plans and performance related pay and their associated targets and for the oversight of employee benefit structures across the Group.

Apart from the Finance Director, all the other 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 PRC.

The remuneration of non executive directors is a matter for the board of directors. 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 of 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. This has included the services of FIT Remuneration Consultants and Deloitte. No director has been involved in deciding the level and composition of their own remuneration.

The Finance Director receives an amount of fixed pay made up of a base salary, fixed fees from subsidiary companies and pension contributions.



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

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

Executive directors' remuneration for 2022

With effect from 1 April 2022 the salary payable to the Finance Director was increased from £315,000 to £350,000, in recognition of his continuing service and having not received an increase in fees from the Company since 1 January 2014.

A bonus of £87,873.46 was awarded to the Finance Director in 2022 in recognition of the services provided and, in particular, financial management during the Covid-19 pandemic.

In 2022, Roger Goodwin (Finance Director and Company Secretary) received a basic salary of £341,250 (2021: £315,000) and pension contributions of £30,000 (2021: £30,000). In addition, he received directors' fees of \$219,000 (2021: \$210,000) 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

Over the past 25 years, 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 \$3,367,000 (2021: \$2,737,000), for the provision of advisory and support services including office premises, staff and consultants to Griffin and its subsidiaries in 2022.

Having considered relevant data on directors fees, particularly for companies of comparable size and complexity in the mining sector and having considered inflationary factors, currency exchange rates, the state of the mining sector and limited number of suitably qualified

individuals, and having further considered the services provided by Keynes under its consultancy agreement with the Company, the Keynes Capital consultancy agreement with the Company was renewed in September 2022. Having last been increased with effect from 1 July 2019, the fees payable to Keynes Capital were increased from £2,000,000 to £2,200,000 per annum with effect from 1 September 2022.

In recognition of the exceptional services provided by Keynes Capital and, in particular, in obtaining a new mining licence at Caijiaying covering both Zones II & III, a bonus of £600,000 was paid to Keynes Capital in two tranches in 2022.

The consultancy agreement with Keynes Capital is subject to appropriate performance criteria and a minimum one month termination notice. In addition to the above, the Chairman received directors' fees from subsidiary companies of \$219,000 in 2022 (2021: \$210,000).

Long Term Incentives

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, all of which subsequently vested. 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 2023. 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, all of which subsequently vested. 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 2023.

An offer was made on 30 December 2022 to all option holders for the purchase and cancellation of outstanding options over 19,520,000 shares in the Company ("the Offer"). Acceptances were received from option holders in respect of options to purchase 17,520,000 shares in the Company, which have subsequently been purchased and cancelled, which based on the mid-market price on the Offer date of 76 pence per share, have resulted in 10,130,526 new ordinary shares being issued pursuant to the Offer for nil consideration.

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

At 31 December 2022 the following directors held share purchase options in which they have an interest:

<i>Name</i>	<i>Number of options exercisable at 40 pence per new ordinary share Vested</i>	<i>Number of options exercisable at 30 pence per new ordinary share Vested</i>
Roger Goodwin <i>Finance Director</i>	500,000	1,500,000

On 4 April 2023 7,805,000 new Ordinary Shares in the Company were issued under a Share Incentive Plan (“the Plan”) including the following persons holding management responsibility under the terms of the Plan:

	<i>Number of Shares</i>
Mladen Ninkov (Chairman)	6,000,000
John Steel (Chief Operating Officer)	250,000
Shengchang Jin (Deputy Chairman & Deputy General Manager – Hebei Hua Ao)	250,000

The new ordinary shares issued are subject to certain contractual terms including that the shares issued will not be sold or otherwise transferred or disposed of before 31 December 2024, except in the event of a Transaction occurring with the Company, and that the shares issued will be returned in the event of malus and pro rata return of the shares upon leaving the Company or its subsidiaries before 31 December 2024. This acknowledges the crucial personal relationships developed by the Chairman over the past twenty five years in the PRC and the importance of others in retaining their services which would be difficult to replace and critical to the future of the company in the PRC.

Non-executive directors

The non-executive Directors’ fees were last reviewed in March 2022 and held at £66,125 per annum.

Since 1 April 2022, Clive Whiley has been engaged to provide 25% of his time for consultancy services to the Company, being in addition to that expected of him as a director of the Company, at a rate of £20,000 per month subject to UK PAYE, in addition to his non-executive fees of £66,125 per annum, on a rolling 90 day notice period.



Total Directors' Remuneration

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

	<i>Fees</i>	<i>Salary</i>	<i>Pension</i>	<i>Total</i>	<i>Fees</i>	<i>Salary</i>	<i>Pension</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>contributions</i>	<i>2022</i>	<i>\$000</i>	<i>\$000</i>	<i>Contributions</i>	<i>2021</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Mladen Ninkov*	219	-	-	219	210	-	-	210
Dal Brynelsen (resigned 5 May 2022)	66	-	-	66	186	-	-	186
Rupert Crowe (Died 10 February 2021)	-	-	-	-	23	-	-	23
Roger Goodwin	219	556	37	812	210	431	41	682
Dean Moore (Appointed 5 May 2022)	53	-	-	53	-	-	-	-
Linda Naylor (Appointed 5 May 2022)	53	-	-	53	-	-	-	-
Adam Usdan	83	-	-	83	91	-	-	91
Clive Whiley	295	-	-	295	61	-	-	61
	988	556	37	1,581	781	431	41	1,253
Key personnel	70	1,841	-	1,911	121	1,933	5	2,059
Total	1,058	2,397	37	3,492	902	2,364	46	3,312

* Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of \$3,367,000 (2021: \$2,737,000), for the provision of advisory and support services to Griffin Mining Limited and its subsidiaries during the year. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

No share options were granted to the directors in 2022. In 2021 Trellus Partners LLP in which Adam Usdan has a controlling interest exercised share purchase options over 1,166,666 new ordinary shares in the Company at an exercise price of 30 pence per share.

Dean Moore

Chair of the Remuneration Committee

9 May 2023



DIRECTORS, GRIFFIN MINING LTD

Mladen Ninkov, Chairman, 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, 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.

Dean Moore, Non-executive Director, is a Fellow of the Institute of Chartered Accountants in England & Wales with extensive public company experience having previously been Chief Financial Officer at Cineworld Group plc, N Brown Group plc, T&S Stores plc and Graham Group plc and formerly non-executive Chairman of Tuxedo Money Solutions Limited. He is currently a non-executive director of Dignity plc and an independent non-executive director and Chairman of the Remuneration Committee at Cineworld Group plc, non-executive director and Audit Committee Chair of Volex plc and non-executive director and Chair of the Audit and Remuneration Committees of THG plc.

Linda Naylor, Non-executive Director, is a graduate of the London School of Economics and a Fellow of the Institute of Chartered Accountants in England & Wales. A former partner in Grant Thornton UK LLP, her experience has been gained over more than twenty years working as a Nominated Adviser in the Capital Markets team and

as an Audit Partner specialising in the natural resource sector. She was Chair of the Audit Committee whilst a Governor of Portsmouth University. As Finance Director of AIM listed Chaarat Gold Holdings Limited from 2009 to 2018, she worked as part of a small executive team. Her responsibilities encompassed financial reporting, investor relations and fund raising as that company transitioned from gold explorer to developer in the Kyrgyz Republic.

Adam Usdan, Non-executive Director, 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.

Clive Whiley, Non-executive Director, has some forty years' experience in regulated and listed company governance positions, both as an executive and non-executive director, across a wide range of industries and geographies, including extensive business experience in the People's Republic of China since becoming a member of the London Stock Exchange in 1983. Mr Whiley is currently Chairman of Mothercare Plc, China Venture Capital Management Ltd, First China Venture Capital Ltd, Y-LEE Ltd, and a non-executive Director of Sportech Plc.



SUBSIDIARY DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS

Shegchang Jin, Deputy Chairman and Deputy General Manager, Hebei Hua Ao, has been with Hebei Hua Ao since its inception in 1994, initially as its Chief Accountant, subsequently appointed Chief Financial Officer, then Deputy Chairman and Deputy General Manager of Hebei Hua Ao. He primarily liaises with the PRC authorities concerning licences, permits and land acquisitions.

Dal Brynelsen, Director, Hebei Hua Ao, 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.

Dr Bo Zhou, Director, Hebei Hua Ao, 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.

Shirley Tsang, Director, China Zinc Limited, is a Chartered Management Accountant (United Kingdom) and a CPA (Hong Kong & Australia). She holds an MBA (Finance) from the City University Business School. She started her career as an auditor with Ernst & Whinney before moving on to the 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.

SENIOR EXECUTIVES

John Steel, Chief Operating Officer, 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 Manager positions with several explosive and technology service providers within Australia.

Wendy Zhang, Chief Financial Officer, Hebei Hua Ao, 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. 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.

Glenn Sheldon, China Zinc Ltd, Business Development Manager, 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; 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 China; Hunan Pacific Geological Exploration Inc; Site Manager Jinfeng for Sino Gold Limited and Exploration and Business Development Manager for Newmont China Limited.

Paul Benson, Geology Manager, Hebei Hua Ao, is a graduate of Curtin University of Western Australia with over 30 years' experience covering mining geology, mine management, corporate roles, project development, project evaluation and exploration management. His career has taken him across Australia and Asia to a diverse range of projects across precious, base and specialty metals, agri-minerals and uranium. Prior to joining Griffin in 2016 Paul held a number of senior operational and consultancy roles including CEO of Aragon Resources.



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 2022.

FINANCIAL RESULTS

The Group profit before taxation for 2022 amounted to US\$15,272,000 (2021: US\$36,526,000). Taxation of US\$7,568,000 (2021: US\$11,150,000) has been provided. No dividends were paid in 2022 (2021: nil). US\$7,704,000 has been transferred to reserves (2021: credited US\$25,376,000).

The basic earnings per share amounted to 4.41 cents (2021: earnings 14.53 cents). The attributable net asset value per share at 31 December 2022 amounted to 140 cents (2021: 150 cents).

Whilst the directors do not recommend the payment of a dividend at this time, all possible alternatives will be considered in 2023 by the board of directors to either return excess cash to shareholders, or increase shareholder value.

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 2022 and the indication of likely future developments are set out on pages 6 to 40.

DIRECTORS

The Directors of the Company during the year were:

Mladen Ninkov – *Australian – Chairman*

Dal Brynelsen – *Canadian – Non-executive director – Resigned 5 May 2022*

Roger Goodwin – *British – Finance Director*

Dean Moore – *British – Appointed 5 May 2022 – Non-executive director*

Linda Naylor – *British – Appointed 5 May 2022 – Non-executive director*

Adam Usdan – *American (USA) – Non-executive director*

Clive Whiley – *British – Non-executive director*

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 2022 and their immediate families in the share capital of the Company were as follows:

Name	At 31 December 2022			At 1 January 2022 or on date of appointment		
	Ordinary shares, number	Options over ordinary shares, number exercisable at 30 pence	Options over ordinary shares, number exercisable at 40 pence	Ordinary shares, number	Options over ordinary shares, number exercisable at 30 pence	Options over ordinary shares, number exercisable at 40 pence
Mladen Ninkov	33,001	-	-	33,001	-	-
Roger Goodwin	877,830	1,500,000	500,000	877,830	1,500,000	500,000
Dean Moore	100	-	-	100	-	-
Linda Naylor	10,000	-	-	10,000	-	-
Adam Usdan*	29,209,348	-	-	29,209,348	-	-
Clive Whiley	100,100	-	-	100,100	-	-



* Mr. Adam Usdan is interested in 29,209,348 shares in Griffin representing 16.7% of the Company's issued share capital, 7,960,221 of which are held directly with the remaining 21,249,127 shares being held by Trellus Partners LLP, the General Partner of a Limited Partnership in which Mr. Usdan has a controlling interest. Other than this, all the directors interests disclosed are beneficial.

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, all of which subsequently vested. 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 2023. 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, all of which subsequently vested. 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 2023.

As part of a rationalisation of the capital structure of the Company, an offer was made on 30 December 2022 to option holders for the purchase and cancellation of outstanding options over 19,520,000 shares in the Company ("the Offer"). Acceptances were received from option holders in respect of options to purchase 17,520,000 shares in the Company which were subsequently purchased and cancelled, which, based on the mid-market price on the Offer date of 76 pence per share, resulted in 10,130,526 new ordinary shares being issued pursuant to the Offer for nil consideration. Options granted over 500,000 new ordinary shares in the Company exercisable at 40 pence per share and options granted over 1,500,000 new ordinary shares in the Company exercisable at 30 pence per share remain outstanding.

SUBSTANTIAL INTERESTS

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

On 22 January 2021, Andrew Goffe and controlled 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 controlled 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 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 87 to 90.

Risk	Comment	Business Impact	Mitigation
Economic Risks			
Exposure to a fall in zinc, gold, silver and lead metal prices.	Revenue is dependent upon metal prices.	High	In common with other mining companies operating in China the Group sells its products by auction to local smelters and agents, however, Griffin continues to review the appropriateness of hedging and indicative cost of put options.
Exposure to fluctuations in the Renminbi / US dollar exchange rate.	A fall in the value of the Renminbi would reduce the US dollar value of revenues, whilst an increase in the value of Renminbi would increase operating costs.	Moderate	The Renminbi is loosely pegged to the US dollar. Management continually reviews foreign exchange rates and the appropriateness of hedging.

**DIRECTORS' REPORT (CONTINUED)****PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED**

Risk	Comment	Business Impact	Mitigation
Economic Risks (continued)			
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 PRC.	Griffin's primary 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 25 years in which time the country has been relatively stable, and retains good relationships with PRC authorities.
Exposure to changes in fiscal and regulatory regime.	In addition to political/social risks, the Group is exposed to changes in permitting, environmental, health and safety, and tax regulations in the PRC which may result in a more challenging, or costly, operating environment.	High	Griffin actively engages and works 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 continually 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.



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Comment	Business Impact	Mitigation
Operational Risks (continued)			
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 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 on a timely basis and in good order.
Key management	The management of Caijiaying is reliant on a small number of key personnel, notably the Chairman, both inside and outside of China. Their death, retirement or departure may have significant effect on the operations of the Company.	High	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.
Climate Change	Climate change may have an impact on operations and demand for metals	Low	Griffin studies the possible impact of climate change on operations, identifying risks that may interrupt operations and developing measures to counter these.

**DIRECTORS' REPORT (CONTINUED)**

Risk	Comment	Business Impact	Mitigation
Other Risks (continued)			
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 the 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 etc)	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

As a rationalisation of the capital structure of the Company, on 30 January 2023 10,130,526 new ordinary shares in the Company were issued for nil consideration pursuant to the offer to holders of share purchase options for the purchase and cancellation of outstanding options over 17,520,000 shares in the Company which have subsequently been purchased and cancelled (notes 19 and 25).

On 4 April 2023, a further 7,805,000 new ordinary shares in the Company were issued as an incentive and to retain the services of officers and other personnel of the Company, including 6,000,000 for the benefit of Mladen Ninkov. These new ordinary shares have been issued subject to agreements between each of the said persons and the Company to confirm that the shares issued will not be sold or otherwise transferred or disposed before 31 December 2024 or earlier in the event of a Transaction, subject to malus and a pro rata purchase option in favour of the Company if any holder of these shares leaves before 31 December 2024. Following this issue Mladen Ninkov holds 6,033,001 shares in the company, representing 3.1% of the Company's issued share capital.

At 31 December 2022 there were no adjusting post balance sheet events (2021: none).

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. 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 restrictions imposed by the Chinese authorities during sensitive periods, such as Chinese Communist Party Congresses, and / or to contain outbreaks of Covid-19 or other pandemics. With this in mind a three month suspension has been built into the cash flow forecasts on a severe case scenario. This is further considered in the notes to the financial statements on page 70.



INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP were re-appointed auditors at the Annual General Meeting of the Company held on 15 July 2022 and have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their appointment will be put to the forthcoming Annual General Meeting

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

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

The Bermuda Companies Act 1981 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are responsible for:

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

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure the financial statements comply with applicable law and regulation.

DIRECTORS' CONFIRMATIONS

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

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

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

Roger Goodwin
Finance Director and Company Secretary
9 May 2023



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 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 2022 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

Independence

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

OUR AUDIT APPROACH

Overview

- | | |
|-------------------|---|
| Materiality | <ul style="list-style-type: none">• Overall Group materiality: \$1.1 million (2021: \$1.0 million), based on 5% of the 3-year average profit before tax.• Performance Group materiality: \$0.8 million (2021: \$0.8 million). |
| Audit Scope | <ul style="list-style-type: none">• 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, 97% coverage of consolidated profit before tax and 100% coverage of total assets for the Group. |
| Key Audit Matters | <ul style="list-style-type: none">• Extension of the business licence.• Impairment assessment of property, plant and equipment.• 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.

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.

Impairment assessment of property, plant and equipment is a new key audit matter this year. 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 (Significant Judgements and Estimates section) and to Note 11, Property, Plant and Equipment.

The new life of mine plan, which includes extraction of resources from Zone II and Zone III, extends beyond 2037 to 2050. 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.

On 1 January 2020, a new PRC Foreign Investment Law was enabled, which will automatically convert all joint ventures, established under the previous Sino Foreign Joint Venture Law, into limited liability companies by 1 January 2025. Management has appointed legal advisors to convert their joint venture agreement to a limited liability company. Based on legal advice 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 from 2037 to 2050 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.

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Impairment assessment of property, plant and equipment

Refer to Note 1 (Significant Judgements and Estimates section) and to Note 11, Property, Plant and Equipment.

As at 31 December 2022, the carrying value of the mining assets totalled \$257.2 million.

As disclosed in Note 11, management assessed the mining assets for impairment indicators and concluded that there were no impairment indicators as at 31 December 2022; accordingly, there is no requirement to perform an impairment test. Notwithstanding this, management have undertaken such an assessment based on the new life of mine plan in line with good practice and governance as well as in line with their established internal policy. As a result, we have reviewed management's assessment.

The determination of recoverable amount, being the higher of value in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires judgement and estimation on the part of management in identifying and then determining the recoverable amounts for the relevant cash generating unit ("CGU"), which is considered to be the Caijiaying Mine. Recoverable amounts are based on management's view of key value driver inputs and external market conditions such as future commodity prices, budgeted operating expenditure, the timing and approval of future capital expenditure, the most appropriate discount rate and foreign exchange rate. Estimation uncertainty is considered to be significant due to the long lives of the assets and uncertainty in the quantum and timing of cash flows, including the uncertain impact of climate change on the Group's operations, as described in Note 11 to the financial statements.

We focused on this area due to the material nature of the balance and the estimates and judgements involved in the impairment assessment.

We obtained management's impairment assessment and performed the following audit procedures:

- we understood and evaluated management's processes and controls in respect of the impairment trigger assessment process;
- we evaluated and challenged management's assessment and judgments, including ensuring that the impact of climate change, and recent commodity price and foreign exchange volatility, were appropriately considered in management's impairment assessment and conclusions.

Management prepared a detailed cash flow model on a VIU basis to estimate the recoverable amount.

Our procedures in respect of the impairment model included:

- verifying the integrity of formulae and the mathematical accuracy of management's valuation model;
- consideration of the impact of the latest life of mine plan assumptions and ensuring that the impairment model reflected the latest plans;
- assessing the reliability of management's forecast capital and operating expenses with reference to comparing budgeted results with actual performance in prior periods;
- used our independent valuation experts to assist us in evaluating the appropriateness of the discount rate used and whether it fell within a reasonable range taking into account external market data;
- benchmarking management's forecast commodity price and foreign exchange assumptions against our own collated consensus data to assess whether they fell within an external analyst range;
- assessing whether the assumptions had been determined and applied on a consistent basis, where relevant, across the Group; and
- assessing the disclosure made over the impairment assessment and the sensitivities within Note 11 of the financial statements and challenging management where any inconsistencies were noted.

As a result of our work, we determined that the impairment assessment performed by management is appropriate and that adequate disclosures, including around the sensitivities, have been made in the financial statements.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Impact of Covid-19

Refer to the 'Caijiaying' and the 'Sustainability, Environment and Local Community' sections of the Annual Report and to Note 1 (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 subsequently had 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 the actions that they have taken, and continue to take, to address the pandemic and its effect on the operations.

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.

In 2022 the People's Republic of China continued to have significant Covid-19 restrictions, however, there were no major Covid-19 outbreaks in the Caijiaying Mine during the year.

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.

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.

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 the Alternative Investment Market ("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. We determined the level of involvement, oversight and direction we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained. 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, 97% coverage of consolidated profit before tax and 100% 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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

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.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. We used our knowledge of the Group to consider the completeness of the risk assessment performed by management, giving consideration to both physical and transition risks, and management's own reporting and announcements.

Management recognises that the changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group. This is a strategic risk which the Group is mitigating by working closely with regulators to ensure that all required planning consents and permits for operations are in place and by maintaining continual dialogue with all stakeholders to understand emerging requirements.

Whilst the impact is uncertain, we particularly considered the impact of both physical and transition risks arising due to climate change on the recoverable value of the Group's property, plant and equipment. We also read the disclosures made in relation to climate change, in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from our audit.

Materiality

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

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

Overall materiality	\$1.1 million (2021: \$1.0 million).
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 \$200,000 and \$900,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$55,000 (2021: \$50,000) 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 the assumptions used by management and verifying that these were consistent with our existing knowledge and understanding of the business, as well as with the Board-approved budget;



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

- 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 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 Group 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRIFFIN MINING LIMITED

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.

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 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 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;
- 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.

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

Use of this report

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

Partner responsible for the audit

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 May 2023



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(expressed in thousands US dollars)

	Notes	2022 \$000	2021 \$000
Revenue	2	94,397	121,648
Cost of sales	2	<u>(56,145)</u>	<u>(63,224)</u>
Gross profit		38,252	58,424
Administration expenses	2 & 3	<u>(22,627)</u>	<u>(21,499)</u>
Operating Profit		15,625	36,925
Losses on disposal of plant and equipment	5	(404)	(293)
Provisions against intangible assets	12	-	(11)
Foreign exchange losses		(387)	(51)
Finance income	6	369	236
Finance costs	7	(135)	(404)
Other income	8	204	124
Profit before tax		<u>15,272</u>	<u>36,526</u>
Income tax expense	9	<u>(7,568)</u>	<u>(11,150)</u>
Profit for the year		<u><u>7,704</u></u>	<u><u>25,376</u></u>
Basic earnings per share (cents)	10	<u><u>4.41</u></u>	<u><u>14.53</u></u>
Diluted earnings per share (cents)	10	<u><u>4.11</u></u>	<u><u>13.47</u></u>

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(expressed in thousands US dollars)

	2022	2021
	\$000	\$000
Profit for the year	<u>7,704</u>	<u>25,376</u>
Other comprehensive income/expense that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	<u>(15,498)</u>	<u>3,336</u>
Total other comprehensive (expense)/income for the year, net of tax	<u>(15,498)</u>	<u>3,336</u>
Total comprehensive (expense)/income for the year	<u>(7,794)</u>	<u>28,712</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 2022
(expressed in thousands US dollars)

	Notes	2022 \$000	2021 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	11	258,041	275,296
Intangible assets – exploration interests	12	407	387
Other non-current assets	13	1,494	-
		<u>259,942</u>	<u>275,683</u>
Current assets			
Inventories	14	8,077	4,516
Receivables and other current assets	15	3,433	2,174
Cash and cash equivalents	16	34,138	38,159
		<u>45,648</u>	<u>44,849</u>
Total assets		<u>305,590</u>	<u>320,532</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	1,749	1,749
Share premium		69,334	69,334
Contributing surplus		3,690	3,690
Share based payments		168	2,072
Shares held in treasury	18	(1,644)	(1,644)
Chinese statutory re-investment reserve		2,992	2,896
Other reserve on acquisition of non-controlling interests		(29,346)	(29,346)
Foreign exchange reserve		(618)	14,635
Profit and loss reserve		199,140	199,190
Total equity attributable to equity holders of the parent		<u>245,465</u>	<u>262,576</u>
Non-current liabilities			
Other payables	21	6,317	10,352
Long-term provisions	22	2,649	2,667
Deferred taxation	23	2,717	3,240
Finance leases	24	683	794
		<u>12,366</u>	<u>17,053</u>
Current liabilities			
Trade and other payables	25	47,590	40,726
Finance leases	24	169	177
Total current liabilities		<u>47,759</u>	<u>40,903</u>
Total equities and liabilities		<u>305,590</u>	<u>320,532</u>
Attributable net asset value per share to equity holders of parent	26	1.40	1.50

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

The financial statements on pages 65 to 93 were approved by the Board of Directors and signed on its behalf by:

Mladen Ninkov
Chairman

Roger Goodwin
Finance Director

9 May 2023

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2022
(expressed in thousands US dollars)

	Share capital	Share premium	Share based payments	Contributing surplus	Share Treasury	Shares held in Treasury	Chinese statutory reserve re-investment	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 2021	1,728	68,470	2,072	3,690	(917)	2,830	(29,346)	11,365	173,814	233,706	
Regulatory transfer for future investment	-	-	-	-	-	-	-	-	-	-	-
Purchase of shares held in treasury (note 18)	-	-	-	-	(727)	-	-	-	-	-	(727)
Issue of shares on exercise of options (note 19)	21	864	-	-	-	-	-	-	-	-	885
Transaction with owners	21	864	-	-	(727)	-	-	-	-	-	158
Profit for the year	-	-	-	-	-	-	-	-	-	25,376	25,376
<i>Other comprehensive income:</i>											
Exchange differences on translating foreign operations	-	-	-	-	-	66	-	-	3,270	-	3,336
Total comprehensive income	-	-	-	-	-	66	-	-	3,270	25,376	28,712
At 31 December 2021	1,749	69,334	2,072	3,690	(1,644)	2,896	(29,346)	14,635	199,190	262,576	
Regulatory transfer for future investment	-	-	-	-	-	341	-	-	-	(341)	-
Transfer on surrender of options (note 19)	-	-	(1,904)	-	-	-	-	-	-	(7,413)	(9,317)
Transaction with owners	-	-	(1,904)	-	-	341	-	-	-	(7,754)	(9,317)
Profit for the year	-	-	-	-	-	-	-	-	-	7,704	7,704
<i>Other comprehensive income:</i>											
Exchange differences on translating foreign operations	-	-	-	-	-	(245)	-	-	(15,253)	-	(15,498)
Total comprehensive income	-	-	-	-	-	(245)	-	-	(15,253)	7,704	(7,794)
At 31 December 2022	1,749	69,334	168	3,690	(1,644)	2,992	(29,346)	(618)	199,140	245,465	

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 2022
(expressed in thousands US dollars)

	Notes	2022 \$000	2021 \$000
Net cash flows from operating activities			
Profit before taxation		15,272	36,526
Foreign exchange losses		387	51
Finance income	6	(369)	(236)
Finance costs	7	135	404
Depreciation	11	19,590	16,530
Provisions against intangible assets	12	-	11
Losses on disposal of equipment		404	293
(Increase) / decrease in inventories		(3,561)	817
(Increase) / decrease in receivables and other current assets		(1,807)	4,936
(Decrease) in trade and other payables		(6,284)	(2,871)
Taxation paid		(8,033)	(13,581)
Net cash inflow from operating activities		<u>15,734</u>	<u>42,880</u>
Cash flows from investing activities			
Interest received	6	369	236
(Costs) / proceeds on disposal of equipment		(178)	1
Payments to acquire – mineral interests	11	(7,348)	(13,564)
Payments to acquire – property, plant, and equipment	11	(13,749)	(6,365)
Payments to acquire - office lease, furniture & equipment		(6)	-
Payments to acquire - intangible fixed assets – exploration interests	12	(20)	(73)
Net cash outflow from investing activities		<u>(20,932)</u>	<u>(19,765)</u>
Cash flows from financing activities			
Issue of ordinary shares on exercise of options		-	885
Interest paid		-	(309)
Purchase of shares for treasury		-	(727)
Bank loan advances		-	15,500
Repayment of bank loans		-	(15,500)
Finance lease repayments including interest		(167)	(462)
Net cash outflow from financing activities		<u>(167)</u>	<u>(613)</u>
(Decrease) / increase in cash and cash equivalents		(5,365)	22,502
Cash and cash equivalents at the beginning of the year		38,159	16,435
Effects of foreign exchange rates		1,344	(778)
Cash and cash equivalents at the end of the year	16	<u>34,138</u>	<u>38,159</u>
Cash and cash equivalents comprise bank deposits.			
Bank deposits	16	<u>34,138</u>	<u>38,159</u>

Included within net cash flows of \$5,365,000 (2021 \$22,502,000) are foreign exchange losses of \$387,000 (2021 losses \$51,000) 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 of Griffin Mining Limited and its subsidiaries, together “the Group”, 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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use - Amendment to IAS 16;
- Onerous contracts - Cost of Fulfilling a Contract - Amendment to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework - Amendment to IFRS 3.

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 year ended 31 December 2022, 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 severe but plausible scenarios to confirm that in potential adverse 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 or other pandemic. Whilst China has experienced outbreaks of Covid-19 into 2022, strict travel restrictions, testing and quarantine requirements implemented by the PRC authorities and Griffin have limited the impact and spread of Covid-19. As a result, apart from a suspension in operations during and in the lead up to the winter Olympics at Chongli in the first quarter of 2022, and during the PRC National Party Congress in September and October 2022 there have been no significant interruptions to operations at Caijiaying since the initial outbreak of Covid-19. In the 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 three month suspension has been built into the cash flow forecasts on a severe case scenario incorporating:

- Market prices of \$3,000 per tonne of zinc. Management considers this reasonable; 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATION BASIS

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December each year. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights. Management has assessed its involvement in Hebei Hua Ao and Hebei Sino Anglo in accordance with IFRS 10 and concluded that it has control.

In making its judgment, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of the 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 or collection basis as at this point the performance obligations are satisfied. Delivery or 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 is 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 and where adjustments are required these are made prospectively.

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 (included in mineral interests) - on a unit of production basis.
- Plant and buildings - over 25 years on a straight line basis with a 10% residual value.*
- Dry tailings facility held under finance lease- over 15 years on a straight line basis with no residual value.*
- Mechanical equipment - over 10 years on a straight line basis with a 10% residual value.*
- All other equipment, including vehicles - over 5 years on a straight line basis with a 10% residual value.*

* included in mill and mobile mine equipment



NOTES TO THE FINANCIAL STATEMENTS

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 estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, 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:	Current market and expectations of 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 (see note 22) 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 the Statement of Other Comprehensive Income "OCI" or through profit or loss); and
- those to be measured at amortised cost.

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



NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL ASSETS (CONTINUED)

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 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 15 for further details.

Assets carried at amortised cost

For loans and receivables, the amount of a loss is 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 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 equating to 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 company is US dollars. The functional currency of Hebei Hua Ao is the Renminbi.

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” represents retained profits and losses.

Non-controlling interests are determined by reference to the underlying agreements, with the allocation of the purchase consideration on acquisition of non-controlling interests and extension of the Hebei Hua Ao business licence between that capitalised to mineral interests and that charged to reserves by reference to the impact of future cash flows. Following the acquisition of Griffin’s Chinese partner’s equity interests in the Hebei Hua Ao Joint Venture in 2012 and a reappraisal of the arrangements with the Chinese partners, the relationship with them is now in the nature of a service provider facilitating Hebei Hua Ao’s operations in China rather than that of non-controlling interests. In line with this new arrangement an annual service charge is paid to the Chinese partners, however, due to the potential variables the Directors are unable to estimate what this will be in any future year.



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 2022 the total expense recognised in profit or loss arising from share based transactions was Nil (2021: 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, III, V and VIII 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, and in order to comply with amended PRC corporate law, 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 so that its business licence will be renewed without significant cost.

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

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 forecast production of circa 1.5 million tonnes per annum up to 1.6 million tonnes per annum as set out in the life of mine plan. No alterations to existing processing facilities are required to facilitate the increase in production.



NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT JUDGEMENTS AND ESTIMATES (*CONTINUED*)

Estimates continued

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

Based on these estimates, the directors have determined that the Group requires the market price of zinc to be above \$3,000 on an ongoing basis per tonne with gold, silver and lead prices remaining at current prevailing levels, to avoid an impairment charge. It is also conditional upon mining licences continuing and permits being granted, which the directors consider will be maintained or obtained as appropriate.

MINE CLOSURE COSTS

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 the 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 (\$10,292,000), and “Land Rehabilitation” with an estimated cost of RMB 54,566,100 (\$8,558,000). These amounts have been discounted over the deemed Life of Mine at a discount rate of 3.25%, being the PRC 40 year state bond rate.

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.

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



NOTES TO THE FINANCIAL STATEMENTS

TAXATION (CONTINUED)

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 in note 2, as determined by the Board, 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

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 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 PRC. All revenues and costs of sales in 2022 and 2021 were derived from the Caijiaying zinc gold mine.

	2022	2021
	\$000	\$000
REVENUE		
China	<u>94,397</u>	<u>121,648</u>
Zinc concentrate sales	76,456	96,951
Lead and precious metals concentrate sales	23,553	31,915
Royalties and resource taxes	(5,612)	(7,218)
	<u>94,397</u>	<u>121,648</u>

Whilst Griffin sells zinc concentrate and lead and precious metal concentrate by way of open auction in the PRC, 67.4% (\$51,578,000) (2021: 76% \$74,072,000) of zinc concentrate revenues were to a single customer with the remainder to another single customer (2021: two) and 60.8% (\$14,330,000) (2021: 89% \$21,867,000) of lead and precious metal concentrate revenues were to a single customer and the remainder to another single customer (2021: three).

	2022	2021
	\$000	\$000
COST OF SALES: CHINA		
Mining costs	16,782	19,003
Haulage costs	10,377	11,466
Processing costs	14,390	16,754
Depreciation (excluding depreciation in administration expenses)	17,757	14,481
Stock movements	(3,161)	1,520
	<u>56,145</u>	<u>63,224</u>
ADMINISTRATION EXPENSES		
China	16,136	16,433
Australia	75	136
UK / Bermuda	6,416	4,930
	<u>22,627</u>	<u>21,499</u>

Administration expenses cover the cost of managing the Group's operations, including; payroll; office costs, including depreciation; fees; travel; and insurance. All revenues, cost of sales and administration expenses charged to profit relate to continuing operations and are allocated by receipt / payment location.

	2022	2021
	\$000	\$000
TOTAL ASSETS		
China	299,810	312,026
Australia	1,044	1,011
UK / Bermuda	4,736	7,495
	<u>305,590</u>	<u>320,532</u>
CAPITAL EXPENDITURE		
China	21,117	19,929
UK / Bermuda	6	963
	<u>21,123</u>	<u>20,892</u>



NOTES TO THE FINANCIAL STATEMENTS

3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging	2022	2021
	\$000	\$000
Fees for the audit of the Company	203	190
Fees for the audit of subsidiaries	112	98
Staff costs	12,825	10,304
Service fees to Zhangjiakou Yuanrun Enterprise Management	2,788	4,279
	2022	2021
	No.	No.
Average number of persons employed by the Group in the year	465	448

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	2022 Total	Fees	Salary	Pension Contributions	2021 Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mladen Ninkov*	219	-	-	219	210	-	-	210
Dal Brynelsen (resigned 5 May 2022)	66	-	-	66	186	-	-	186
Rupert Crowe (Died 10 February 2021)	-	-	-	-	23	-	-	23
Roger Goodwin	219	556	37	812	210	431	41	682
Dean Moore (Appointed 5 May 2022)	53	-	-	53	-	-	-	-
Linda Naylor (Appointed 5 May 2022)	53	-	-	53	-	-	-	-
Adam Usdan	83	-	-	83	91	-	-	91
Clive Whiley	295	-	-	295	61	-	-	61
	988	556	37	1,581	781	431	41	1,253
Key personnel	70	1,841	-	1,911	121	1,933	5	2,059
	1,058	2,397	37	3,492	902	2,364	46	3,312

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 \$3,367,000 (2021: \$2,737,000), for the provision of advisory and support services to Griffin Mining Limited and its subsidiaries during the year. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

No share options were granted to the directors in 2022 or 2021. In 2021 Trellus Partners LLP, in which Adam Usdan has a controlling interest, exercised share purchase options over 1,166,666 new ordinary shares in the Company at an exercise price of 30 pence per share.



NOTES TO THE FINANCIAL STATEMENTS

5. LOSSES ON DISPOSAL OF PLANT AND EQUIPMENT

	2022	2021
	\$000	\$000
Losses on disposal of plant and equipment	<u>404</u>	<u>293</u>

6. FINANCE INCOME

	2022	2021
	\$000	\$000
Interest on bank deposits	<u>369</u>	<u>236</u>

7. FINANCE COSTS

	2022	2021
	\$000	\$000
Interest payable on short term bank loans	-	309
Interest on rehabilitation provisions	87	84
Finance lease interest	<u>48</u>	<u>11</u>
	<u>135</u>	<u>404</u>

8. OTHER INCOME

	2022	2021
	\$000	\$000
Scrap and sundry other sales	<u>204</u>	<u>124</u>

9. INCOME TAX EXPENSE

	2022	2021
	\$000	\$000
Profit for the year before tax	<u>15,272</u>	<u>36,526</u>
Expected tax expense at a standard rate of PRC income tax of 25% (2021: 25%)	3,818	9,132
<i>Adjustment for tax exempt items:</i>		
- Income and expenses outside the PRC not subject to tax	1,054	934
<i>Adjustments for short term timing differences:</i>		
- In respect of accounting differences	1,862	890
- In respect of other timing differences	-	(4)
Adjustments for permanent timing differences other	291	372
Withholding tax on intercompany dividends and charges	803	21
Current taxation expense	<u>7,828</u>	<u>11,345</u>
Deferred taxation (credit)		
Origination and reversal of temporary timing differences	(260)	(195)
	<u>(260)</u>	<u>(195)</u>
Total tax expense	<u>7,568</u>	<u>11,150</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 2022 (25% in 2021) 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\$128.5m (2021: \$124.9m) upon which PRC withholding tax, currently 5%, may be deducted on distribution.



NOTES TO THE FINANCIAL STATEMENTS

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:

	2022			2021		
	Earnings \$000	Weighted Average no of shares	Per share amount (cents)	Earnings \$000	Weighted Average no of shares	Per share amount (cents)
Basic earnings per share						
Basic earnings attributable to ordinary shareholders	7,704	174,892,894	4.41	25,376	174,653,602	14.53
Dilutive effect of securities Options	-	12,384,576	(0.30)	-	13,730,107	(1.06)
Diluted earnings per share	<u>7,704</u>	<u>187,277,470</u>	<u>4.11</u>	<u>25,376</u>	<u>188,383,709</u>	<u>13.47</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Mineral interests \$000	Mill and mobile mine equipment \$000	Offices, furniture & equipment \$000	Total \$000
At 1 January 2021	214,944	51,599	166	266,709
Foreign exchange adjustments	3,405	1,224	(2)	4,627
Transfer (note 22)	(773)	773	-	-
Additions during the year	13,564	6,365	963	20,892
Change in estimate of mine closure costs	327	-	-	327
Release of rehabilitation provision	(435)	-	-	(435)
Disposals	-	(294)	-	(294)
Depreciation charge for the year	(10,200)	(6,180)	(150)	(16,530)
At 31 December 2021	220,832	53,487	977	275,296
Foreign exchange adjustments	(12,832)	(4,836)	8	(17,660)
Transfer re rehabilitation deposit	(1,012)	-	-	(1,012)
Additions during the year	7,348	13,749	6	21,103
Change in mine closure costs	130	-	-	130
Disposals	-	(226)	-	(226)
Depreciation charge for the year	(13,328)	(6,104)	(158)	(19,590)
At 31 December 2022	<u>201,138</u>	<u>56,070</u>	<u>833</u>	<u>258,041</u>
At 1 January 2021				
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>
At 31 December 2021				
Cost	285,471	97,910	1,544	384,925
Accumulated depreciation	(64,639)	(44,423)	(567)	(109,629)
Net carrying amount	<u>220,832</u>	<u>53,487</u>	<u>977</u>	<u>275,296</u>
At 31 December 2022				
Cost	275,250	101,763	1,106	378,119
Accumulated depreciation	(74,112)	(45,693)	(273)	(120,078)
Net carrying amount	<u>201,138</u>	<u>56,070</u>	<u>833</u>	<u>258,041</u>



NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

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 include \$14,007,000 (2021: \$5,795,000) 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.

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 \$8,601,000 (2021: \$8,132,000) has been provided. At 31 December 2022 the net carrying amount of this equipment was \$5,573,000 (2021: \$7,351,000). In 2019 the London office lease was capitalised, and in November 2021 renewed. At 31 December 2022 the net carrying amount of this office was \$826,000 (2021: \$963,000).

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 2022 (2021: nil). However, as best practice and in response to an updated Life of Mine Plan ("LOM"), 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 2022 by reference to the estimated mineral resources at Caijiaying that may be extracted by 2050 (2021: 2056). While the current business licence of Hebei Hua Ao expires in 2037, Hebei Hua Ao will be converted to an equity joint venture company with an indefinite life in order to comply with new PRC legislation. Accordingly, a LOM has been prepared by the Company that indicates the continued extraction of ore until 2050. 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 \$3,097 (2021: \$3,000) per tonne, gold of \$1,800 (2021: \$1,800) per troy ounce and silver of \$22.7 (2021: \$22.5) per troy ounce;
- Zinc treatment charges of 30% (2021: 30%) of market prices;
- Extraction of measured and indicated resources of 40.4 million tonnes (2021: 50.3 million tonnes) to 2050 (2021: 2056) with ore mined and processed rising to a maximum rate of 1.6 million tonnes (2021: 1.6 million tonnes) of ore per annum;
- Operating costs, recoveries and payables based upon past performance and that budgeted for 2023 and on internal management forecast, for future years;
- Capital costs based upon that initially scheduled with sustaining capital based on future scheduling;
- Discount rate of 10% (2021: 10%);
- Continued maintenance and grant of applicable licences and permits;
- No significant impact as a result of climate change, earthquakes or other natural events; and
- A Renminbi to US dollar exchange rate of 7Rmb to \$1 (2021: 6.5Rmb to \$1)

Sensitivities have been considered to assess the impact of changes in key assumptions including, forecast metal prices, foreign exchange and discount rates. If ongoing market prices for zinc fall below \$3,000 per tonne, with all other assumptions unchanged, this would result in an incremental impairment of \$2.5 million. A decrease in ongoing market prices for gold of 14% with all other assumptions unchanged would result in the discounted cash flows equating to the net carrying value. An increase in the discount rate to 11.1% with all other assumptions remaining the same, would result in the discounted cash flows equating to the net carrying value.



NOTES TO THE FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS - EXPLORATION INTERESTS

China – mineral exploration interests	\$000
At 1 January 2021	325
Additions during the year	73
Impairment during the year	(11)
At 31 December 2021	<u>387</u>
Additions during the year	20
At 31 December 2022	<u><u>407</u></u>

Intangible assets represent cost on acquisition, plus subsequent expenditure on licences, concessions, exploration, appraisal and development work in respect of 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.

13. CHINA - REHABILITATION DEPOSITS

	2022	2021
	\$000	\$000
At 1 January	-	-
Transfer mineral interests	1,012	-
Additions in period	482	-
At 31 December	<u><u>1,494</u></u>	<u><u>-</u></u>

14. INVENTORIES

	2022	2021
	\$000	\$000
Underground ore stocks	1,076	603
Surface ore stocks	524	277
Concentrate stocks	2,345	123
Spare parts and consumables	4,132	3,513
	<u><u>8,077</u></u>	<u><u>4,516</u></u>

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

The Group did not have any significant slow moving or defective inventories at 31 December 2022 (2021: nil) requiring write off to the Income Statement.

15. RECEIVABLES AND OTHER CURRENT ASSETS

	2022	2021
	\$000	\$000
Other receivables	374	344
Prepayments	3,059	1,830
	<u><u>3,433</u></u>	<u><u>2,174</u></u>

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

Prepayments include \$349,000 (2021: \$428,000) in respect of supplies and services for non-current assets.



NOTES TO THE FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS

	2022	2021
	\$000	\$000
Interest bearing money market deposits	16,500	-
Interest bearing bank term deposit, 3 to 9 months	979	762
Bank deposit on demand	16,659	37,397
	<u>34,138</u>	<u>38,159</u>

17. SHARE CAPITAL

	2022		2021	
	Number	\$000	Number	\$000
AUTHORISED:				
Ordinary shares of US\$0.01 each	1,000,000,000	10,000	1,000,000,000	10,000
CALLED UP ALLOTTED AND FULLY PAID:				
Ordinary shares of US\$0.01 each				
At 1 January	174,892,894	1,749	172,826,228	1,728
Shares issued in the year on exercise of share purchase options	-	-	2,066,666	21
At 31 December	<u>174,892,894</u>	<u>1,749</u>	<u>174,892,894</u>	<u>1,749</u>

No share purchase options were exercised in 2022. In 2021 share purchase options were exercised over 1,791,666 new ordinary shares at 30 pence per share and over 275,000 new ordinary shares at 40 pence per share.

18. SHARES HELD IN TREASURY

	2022		2021	
	Number	\$000	Number	\$000
At 1 January	939,799	1,644	540,000	917
Bought back in during the year	-	-	399,799	727
At 31 December	<u>939,799</u>	<u>1,644</u>	<u>939,799</u>	<u>1,644</u>

No shares in the Company were purchased in 2022 (2021: 399,799 at average price of 132p per ordinary share).

19. SHARE OPTIONS

	At 1 January 2022	Surrendered	At 31 December 2022
	Number	Number	Number
Options exercisable at 30 pence per share to 31 December 2022	15,582,500	(13,920,000)	1,662,500
Options exercisable at 40 pence per share to 31 December 2022	4,518,333	(3,600,000)	918,333
	<u>20,100,833</u>	<u>(17,520,000)</u>	<u>2,580,833</u>

No share purchase options were exercised in 2022 (2021: 1,791,666 at 30 pence per share and 275,000 at 40 pence per share).



NOTES TO THE FINANCIAL STATEMENTS

19. SHARE OPTIONS (CONTINUED)

As part of a rationalisation of the capital structure of the Company, an offer was made on 30 December 2022 to option holders for the purchase and cancellation of outstanding options over 19,520,000 shares in the Company (“the Offer”). Acceptances have been received from option holders in respect of options to purchase 17,520,000 shares in the Company which have subsequently been purchased and cancelled (note 25). \$9,317,000 has been provided and charged directly to reserves in respect of this cancellation against which share based option provisions of \$1,904,000 have been released.

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

	2022		2021	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 January	20,100,833	32.2	22,167,499	32.2
Surrendered / Exercised during the year	(17,520,000)	32.05	(2,066,666)	(31.3)
Outstanding at 31 December	<u>2,580,833</u>	<u>33.7</u>	<u>20,100,833</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 (2021 \$nil) during the year ended 31 December 2022 relating to equity settled share option scheme transactions.

20. DIVIDENDS

No dividends were paid in 2022 (2021: nil).

21. OTHER PAYABLES

	2022 \$000	2021 \$000
PRC licence fees	<u>6,317</u>	<u>10,352</u>



NOTES TO THE FINANCIAL STATEMENTS

22. LONG-TERM PROVISIONS

PROVISIONS FOR MINE CLOSURE COSTS	2022 \$000	2021 \$000
At 1 January	2,667	2,200
Change in estimate (note 11)	130	327
Interest charges	86	84
Foreign exchange adjustments	(234)	56
At 31 December	<u>2,649</u>	<u>2,667</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 (\$10,292,000), and “Land Rehabilitation” with an estimated cost of RMB 54,566,100 (\$8,558,000). These amounts have been discounted over the deemed Life of Mine at a discount rate of 3.25% (2021: 3.39%), being the PRC 40 year state bond rate.

23. DEFERRED TAXATION

	2022 \$000	2021 \$000
At 1 January	3,240	3,359
Foreign exchange adjustments	(263)	76
(Credit) for the year	(260)	(195)
At 31 December	<u>2,717</u>	<u>3,240</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.

24. LEASE LIABILITIES

	2022 \$000	2021 \$000
At 1 January	971	383
Foreign exchange adjustments	-	76
Advance during the year	-	963
Interest charges	48	11
Repayments in the year	(167)	(462)
At 31 December	<u>852</u>	<u>971</u>
Amounts falling due in more than one year	683	794
Amounts falling due within one year	<u>169</u>	<u>177</u>
	<u>852</u>	<u>971</u>

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 asset 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. This lease was renewed in October 2021 with a deemed value of \$1,581,000 discounted using an incremental borrowing rate of 5% upon which depreciation of \$755,000 (2021: \$618,000) has been provided.



NOTES TO THE FINANCIAL STATEMENTS

24. LEASE LIABILITIES (CONTINUED)

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

	2022 \$000	2021 \$000
Within one year	151	177
Between 1 and 2 years	151	169
Between 2 and 3 year	151	169
Between 3 and 4 years	151	169
Between 4 and 5 years	151	169
Later than 5 years	151	338
	<u>906</u>	<u>1,191</u>

25. TRADE AND OTHER PAYABLES

	2022 \$000	2021 \$000
Trade creditors	17,010	19,358
Other creditors	8,943	6,174
Business taxation payable	2,680	2,884
Zhangjiakou Yuanrun Enterprise Management Consulting Service Co., Ltd (note 32)	3,237	5,638
Accrual for shares to be issued upon surrender of options (note 19)	9,317	-
Accruals	6,403	6,672
	<u>47,590</u>	<u>40,726</u>

\$9,317,000 has been accrued for 10,130,526 new ordinary shares in the Company at 76 pence per share being issued as part of a rationalisation of the capital structure of the Company. An offer was made on 30 December 2022 to option holders for the purchase and cancellation of outstanding options over 19,520,000 shares in the Company (“the Offer”). Acceptances have been received from option holders in respect of options to purchase 17,520,000 shares in the Company which have subsequently been purchased and cancelled, which based on the mid-market price on the Offer date of 76 pence per share have resulted in 10,130,526 new ordinary shares being issued pursuant to the Offer for nil consideration.

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

26. 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 2022 of \$245,465,000 (\$262,576,000 at 31 December 2021) divided by the number of ordinary shares in issue at 31 December 2022 of 174,892,894 (174,892,894 at 31 December 2021).

27. 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 cash flows for the foreseeable future.



NOTES TO THE FINANCIAL STATEMENTS

27. 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 local 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:

	2022	2021
	\$000	\$000
Short term bank deposits	<u>318</u>	<u>518</u>

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

	2022	2021
	\$000	\$000
Short term bank deposits	<u>1,037</u>	<u>983</u>

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

	2022	2021
	\$000	\$000
Short term bank deposits	<u>13,993</u>	<u>30,477</u>

The following table illustrates the sensitivity of the net results for the year and equity with regards to the Group's Renminbi deposits and the Renminbi US Dollar exchange rate. It assumes a + / - 10% (2021: 10%) change in the Renminbi exchange rate for the year ended 31 December 2022. These changes are considered to be reasonable based on observation of current market conditions for the year ended 31 December 2022. The sensitivity analysis is based upon the Group's Renminbi deposits at each reporting date.

If the Renminbi had strengthened against the US Dollar by 10% (2021: 10%) this would have had the following impact:

	2022	2021
	\$000	\$000
Net result for the year and on equity	<u>1,555</u>	<u>3,387</u>

If the Renminbi had weakened against the US Dollar by 10% (2021: 10%) this would have the following impact:

	2022	2021
	\$000	\$000
Net result for the year and on equity	<u>(1,272)</u>	<u>(2,771)</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.



NOTES TO THE FINANCIAL STATEMENTS

27. RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk (continued)

With relatively small amounts held in Sterling, Australian dollars, and Hong Kong dollars the effect on the net results and equity of changes in Renminbi and Australian dollar exchange rates are not expected to be significant.

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

	2022			2021		
	GBP \$000	Rmb \$000	AusD \$000	GBP \$000	Rmb \$000	AusD \$000
Financial assets	609	17,128	1,043	729	32,804	1,000
Financial liabilities	(1,254)	(38,193)	(24)	(1,300)	(42,189)	(37)
Short term exposure	<u>(645)</u>	<u>(21,065)</u>	<u>1,019</u>	<u>(571)</u>	<u>(9,385)</u>	<u>963</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 + 100% and - 100% (2021 + 100% - 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

	2022		2021	
	Plus 100% \$000	Minus 100% \$000	Plus 100% \$000	Minus 100% \$000
Net result for the year	<u>369</u>	<u>(369)</u>	<u>236</u>	<u>(236)</u>

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

	2022			2021		
	Fixed interest rate \$000	Non interest bearing \$000	Total \$000	Fixed interest rate \$000	Restated Non interest bearing \$000	Total \$000
Financial assets						
Cash at bank	17,479	16,659	34,138	762	37,397	38,159
Other receivables	-	374	374	-	344	344
Total Financial Assets	<u>17,479</u>	<u>17,033</u>	<u>34,512</u>	<u>762</u>	<u>37,741</u>	<u>38,503</u>
Finance lease liabilities	(852)	-	(852)	(971)	-	(971)
Trade and other payables	-	(41,910)	(41,910)	-	(48,193)	(48,193)
Total Financial Liabilities	<u>(852)</u>	<u>(41,910)</u>	<u>42,762</u>	<u>(971)</u>	<u>(48,193)</u>	<u>(49,164)</u>
Net Financial assets / (liabilities)	<u>16,627</u>	<u>(24,877)</u>	<u>(8,250)</u>	<u>(209)</u>	<u>(10,452)</u>	<u>(10,661)</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 2022 or in 2021.

Cash at bank in 2021 has been restated from floating rates to non interest bearing and fixed interest rate.



NOTES TO THE FINANCIAL STATEMENTS

27. 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 of plus 30% and minus 30%, gold of plus 10% and minus 10% and silver of plus 20% and minus 20% (2021: 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.

	2022		2021	
	Plus \$000	Minus \$000	Plus \$000	Minus \$000
Net result for the year – zinc	<u>16,169</u>	<u>(16,169)</u>	<u>20,504</u>	<u>(20,504)</u>
Net result for year – gold	<u>1,341</u>	<u>(1,341)</u>	<u>1,794</u>	<u>(1,794)</u>
Net result for year – silver	<u>584</u>	<u>(584)</u>	<u>786</u>	<u>(786)</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 2022 the Group held cash and cash equivalents (bank deposits) with high credit financial institutions of \$34,138,000 (2021: \$38,159,000) to meet financial obligations and apart from lease, trade and other payables had no bank loans or similar financial liabilities.

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

28. 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 \$245,465,000 at 31 December 2022.



NOTES TO THE FINANCIAL STATEMENTS

29. 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, Australian Dollar 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, Australian Dollar 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:

	2022 \$000	2021 \$000
FINANCIAL ASSETS		
Cash and cash equivalents	<u>34,138</u>	<u>38,159</u>
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost	10,328	14,774
Trade and other payables	<u>32,434</u>	<u>34,391</u>
	<u>42,762</u>	<u>49,165</u>

Contractual maturities of financial liabilities:

At 31 December 2021	Within 1 year \$000	Between 1 and 2 years \$000	Between 2 and 3 years \$000	Over 3 years \$000	Total contractual cash flows \$000	Carrying amount (assets)/liabilities \$000
Non-derivatives						
Trade payables	37,841	3,451	3,451	3,450	48,193	48,193
Lease liabilities	177	169	169	676	1,191	971
Total non-derivatives	<u>38,018</u>	<u>3,620</u>	<u>3,620</u>	<u>4,126</u>	<u>49,384</u>	<u>49,164</u>
At 31 December 2022						
	Within 1 year \$000	Between 1 and 2 years \$000	Between 2 and 3 years \$000	Over 3 years \$000	Total contractual cash flows \$000	Carrying amount (assets)/liabilities \$000
Non-derivatives						
Trade payables	35,592	3,159	3,159	-	41,910	41,910
Lease liabilities	151	151	151	453	906	852
Total non-derivatives	<u>35,743</u>	<u>3,310</u>	<u>3,310</u>	<u>453</u>	<u>42,816</u>	<u>42,762</u>
Derivatives	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS

30. SUBSIDIARY COMPANIES

At 31 December 2021, 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 and service 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 Ltd) 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 \$2,399,000 (2021: \$3,876,000) are included in net operating costs rather than attributable to non-controlling interests. Likewise, the amounts due at 31 December 2022 of \$3,237,000 (2021: \$5,638,000) are included in other payables rather than due to non-controlling interests within equity within the Consolidated Statement of Financial Position.

31. COMMITMENTS

At 31 December 2022 the Group had capital commitments in respect of mine development plant and equipment of \$824,000 (31 December 2021: \$1,144,000).

32. 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 \$3,367,000 (2021: \$2,737,000), 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 \$2,788,000 was charged (2021: \$4,279,000) 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 2022 \$3,237,000 (2021: \$5,638,000) was due to this company.



NOTES TO THE FINANCIAL STATEMENTS

33. POST BALANCE SHEET EVENTS

As a rationalisation of the capital structure of the Company, on 30 January 2023 10,130,526 new ordinary shares in the Company were issued for nil consideration pursuant to the offer to holders of share purchase options for the purchase and cancellation of outstanding options over 17,520,000 shares in the Company which have subsequently been purchased and cancelled (note 19 and 25).

On 4 April 2023 a further 7,805,000 new ordinary shares in the Company were issued as an incentive and to retain the services of officers and other personnel of the Company, including 6,000,000 for the benefit of Mladen Ninkov, Chairman. These new ordinary shares have been issued subject to agreements between each of the said persons and the Company to confirm that the shares issued will not be sold or otherwise transferred or disposed before 31 December 2024 or earlier in the event of a transaction, subject to malus, and a pro rata repurchase option in favour of the Company if any holder of these shares leaves before 31 December 2024.

At 31 December 2022 there were no adjusting post balance sheet events (2021: none).







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Directors:	Mladen Ninkov (Chairman) Roger Goodwin (Finance Director) Dean Moore Linda Naylor Adam Usdan Clive Whiley
Company Secretary:	Roger Goodwin
Nominated Adviser and Broker for AIM:	Panmure Gordon (UK) Limited 40 Gracechurch Street, London, EC3V 0BT, UK
Joint Broker:	Joh. Berenberg, Gossler & Co. KG 60 Threadneedle Street, London, United Kingdom, EC2R 8HP
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