GRYPHON GOLD CORP
Form SB-2/A
October 27, 2005

As filed with the Securities and Exchange Commission on October 27, 2005.
Registration Statement No. 333-127635

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form SB-2/A
AMENDMENT NO. 3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Gryphon Gold Corporation
(Name of Small Business Issuer in its charter)

Nevada	**1041**	**92-0185596**
(State or jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employee Identification No.)*

390 Union Blvd., Suite 360 **Lakewood, CO, 80228**	**303-988-5777**
(Address of principal executive offices)	*(Registrant s telephone number, including area code)*

Paracorp Incorporated
318 N Carson Street #208
Carson City, Nevada 89701
Phone: (775) 883-0104
(Name, address and telephone number of agent for service)

Copies to:

Kenneth Sam, Esq. **Chris Doerksen, Esq.** **Dorsey & Whitney LLP** **1420 Fifth Avenue, Suite 3400** **Seattle, WA 98101** **(206) 903-8800**	**Philippe Tardif, Esq.** **Lang Michener LLP** **Suite 2500, 181 Bay Street** **Toronto, Ontario** **Canada M5J 2T7** **(416) 307-4085**	**Andrew Foley, Esq.** **Paul, Weiss, Rifkind, Wharton & Garrison LLP** **1285 Avenue of the Americas** **New York, NY 10019-6064** **(212) 373-3078**	**Paul Goldman, Esq.** **Goodmans** **355 Burrard Street, Suite 1900** **Vancouver, British Columbia** **Canada V6C 2G8** **(604) 608-4550**

Approximate date of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

(SUBJECT TO COMPLETION) DATED OCTOBER 26, 2005

PRELIMINARY PROSPECTUS

GRYPHON GOLD CORPORATION

Cdn$17,500,000
($15,000,000)
Units

This is the initial public offering of our securities. We are offering units at a price of Cdn$ per unit. Each unit will consist of one (1) share of our common stock and one-half of one (1/2) Class A Warrant. Each whole Class A Warrant is exercisable to acquire one share of common stock at a price of Cdn$ until 5:00 p.m. (New York time) on (one year from the Closing Date). Our units are being offered for sale concurrently by Canadian underwriters in each province of Canada under the terms of a prospectus filed with Canadian securities regulatory authorities; in the United States only to Qualified Institutional Buyers as defined in Rule 144A of the Securities Act of 1933 by a group of selling agents that includes Desjardins Securities International Inc., the U.S. affiliate of Desjardins Securities Inc. and CIBC World Markets Corp., the U.S. affiliate of CIBC World Markets Inc., Orion Securities (USA) Inc., the U.S. affiliate of Orion Securities Inc.; and in Europe through selling agents in accordance with applicable law.

We currently expect the initial public offering price of our units to be between Cdn$1.00 ($0.86) and Cdn$1.60 ($1.37) per unit, and the exercise price of our Class A Warrants to be between Cdn$1.20 ($1.03) and Cdn$2.00 ($1.71) per share. We expect to issue approximately 13,461,538 units, assuming we issue units at Cdn$1.30 ($1.11) per unit (the midpoint of our estimated range). We have granted the underwriters a 15% over-allotment option, which if fully exercised, would allow them to acquire approximately an additional 2,019,230 units at the assumed offering price of Cdn$1.30 ($1.11) to cover over-allotments. The initial public offering price of the units and the terms of the Class A Warrants will be determined by negotiation between Gryphon Gold and the underwriters in the context of the market. These prices may not reflect the market price of our common stock after our offering.

No public trading market currently exists for our units, common stock or warrants. We have received conditional listing approval to list our common stock on the Toronto Stock Exchange under the symbol GGN , subject to us fulfilling all of the listing requirements of the Toronto Stock Exchange.

Investing in our common stock involves risks. See Risk Factors and Uncertainties beginning on page 7.

	Price to Public	Underwriting Discounts and Commissions[1]	Net Proceeds to Company[3]
Per Unit[2]	Cdn$1.30 ($1.11)	Cdn$0.104 ($0.089)	Cdn$1.196 ($1.02)
Total Offering[3]	Cdn$17,500,000 ($15,000,000)	Cdn$1,400,000 ($1,200,000)	Cdn$16,100,000 ($13,800,000)

(1) We have agreed to underwriting discounts and commissions equal to 8% of the initial public offering price. Underwriters may pay selling agents selling agent commissions from underwriting discounts and commissions. In addition, we agreed to issue the underwriters compensation options exercisable to acquire a number of shares of common stock equal to 10% of the number of units sold. The compensation options are exercisable to acquire shares of common stock at the initial public offering price until (one year from the Closing Date).
(2) Based on assumed initial public offering price of Cdn$1.30 ($1.11), the midpoint of our range.
(3)

After deducting the underwriting discounts and commission but before deducting the expenses of the offering which are estimated at Cdn$1,400,000 ($1,200,000). The expenses of the offering, including the underwriters expenses, will be paid by us.

We have granted the underwriters an over-allotment option, exercisable until the date which is 30 days following the closing of this offering, to purchase on the same terms a number of additional units equal to up to 15% of the number of units sold in the offering. If the underwriters exercise the over-allotment option in full, the total offering will be Cdn$20,125,000 ($17,249,000) and proceeds to us (before expenses of the offering) will be approximately Cdn$18,515,000 ($15,869,000).

The underwriters expect to deliver the shares of common stock and Class A Warrants comprising the units on or before , 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

DESJARDINS SECURITIES INTERNATIONAL INC. **CIBC WORLD MARKETS CORP.** **ORION SECURITIES (USA) INC.**

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of when this prospectus is delivered or when any sale of our common stock occurs.

FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

In this prospectus all references to $ or dollars mean the U.S. dollar, and unless otherwise indicated all currency amounts in this prospectus are stated in U.S. dollars. All references to Cdn$ refer to the Canadian dollar. All financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are reported in U.S. dollars.

EXCHANGE RATE INFORMATION

The following table sets forth, for each of the years indicated, the year end exchange rate, the average closing rate and the high and low closing exchange rates of one Canadian dollar in exchange for U.S. currency as quoted by the Bank of Canada. On September 30, 2005, the closing rate was Cdn$1.00 equals United States $0.8601. For the purposes of this prospectus, U.S. dollars were converted into Canadian dollars at the rate of Cdn$1.00 = US$0.8571, rounded to the nearest thousand dollars, as applicable.

	Calendar Year Ended December 31		Fiscal Year Ended March 31	
	2004	**2003**	**2005**	**2004**
High	0.8504	0.7726	0.8504	0.7866
Low	0.7165	0.6381	0.7164	0.6763
Average	0.7685	0.7138	0.7822	0.7392
Year End	0.8319	0.7713	0.8267	0.7626

METRIC CONVERSION TABLE

For ease of reference, the following conversion factors are provided:

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 hectare	2.471 acres	1 acre	0.4047 hectares
1 metre	3.2881 feet	1 foot	0.3048 metres
1 kilometre	0.621 miles	1 mile	1.609 kilometres
1 gram	0.032 troy oz.	1 troy ounce	31.1 grams
1 kilogram	2.205 pounds	1 pound	0.4541 kilograms
1 tonne	1.102 short tons	1 short ton	0.907 tonnes
1 gram/tonne	0.029 troy ozs./ton	1 troy ounce/ton	34.28 grams/tonne

SUMMARY

This summary does not contain all of the information you should consider before buying shares of our common stock. You should read the entire prospectus carefully, especially the Risk Factors and Uncertainties section and our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in shares of our common stock.

Summary of Our Business

We are a gold company focused on acquiring, exploring and developing gold properties in the United States. Our objective is to establish a producing gold company through the development and extraction of gold deposits, beginning with our Borealis Property.

Our principal asset is the Borealis Property located in the Walker Lane Gold Belt in the Borealis District of Western Nevada. In the 1980 s, previous operators of the Borealis Property operated a gold mine on the property. Operations at the mine were shut down in 1991 and a full site reclamation was completed in 1994.

In May 2005, Ore Reserves Engineering delivered to us a technical report on the Borealis Property prepared in accordance with National Instrument 43-101 of the Canadian Securities Administrators.

We acquired our interest in the Borealis Property from Golden Phoenix Minerals, Inc. in a series of transactions, which began in July 2003. During 2004, we completed drilling, technical and engineering work necessary to prepare a Plan of Operation to allow the construction and operation of an open pit heap leach mine on the Borealis Property. We submitted the Plan of Operation to the United States Forest Service in August 2004, and we are continuing our work to satisfy the requirements of the various agencies, including the approval of the Nevada Division of Environmental Protection. We anticipate that the principal mine operating permits will be granted in early 2006.

We are preparing a feasibility study on the previously mined area of the Borealis Property to further delineate the gold mineralization available for the operation of a mine, to upgrade some or all of the mineralized material to proven and probable reserves, design the open pit mine, heap leach pads and gold recovery plant and to estimate the capital and operating costs of the proposed mining scenario. Metallurgical test work completed to date indicates the material is amenable to conventional heap-leach recovery methods. Once we have completed a feasibility study and, if warranted have made a decision to begin development, we intend to develop our Borealis Property and place it into production. We estimate that we may be able to commence mine operations during the second half of 2006.

Corporate Strengths

We believe that we have the following business strengths that will enable us to achieve our objectives:

Our management team has significant mining industry experience ranging from exploration to mine development and operation.

As the Borealis Property was the site of surface mining operations from 1981 to 1990, we believe the process to receive permits and start operations on previously mined operations is less difficult than getting permits for a previously undisturbed area. We have begun the environmental related regulatory review and approval process, which we believe will allow us to resume surface mining and on site gold recovery. We have received approvals for surface exploration and water wells and have successfully progressed through the required agency and public review process for those permits.

Our land position is extensive, covering approximately 14,900 acres. We believe many surface showings of gold mineralization on the property may provide opportunities for discovery of gold deposits. Our property has multiple types of gold deposits, including oxidized material, partial oxidized material, and predominantly sulfide material; which we believe may allow us flexibility in our future plans for mine development and expansion.

We cannot be certain that any mineral deposits will be discovered in sufficient quantities and grade to justify commercial operations. We have no proven or probable reserves. Whether a mineral deposit will be

commercially viable depends on a number of factors, including the particular attributes of the deposit; metal prices, which are highly cyclical; the cost to extract and process the mineralized material; and government regulations and permitting requirements. We may be unable to upgrade our mineralized material to proven and probable reserves in sufficient quantities to justify commercial operations and we may not be able to develop the Borealis Property.

Borealis Property Mineralization

Mineralized material is contained in several deposits within the limits of a specific study area defined as the central core group of mining claims for historical mining operations that took place in the 1980 s, and was estimated using guidelines established in, and is compliant with, Canadian NI 43-101 standards. These gold deposits within the specific study area include: the West Alluvial Deposit, Borealis, Crocodile Ridge, Deep Ore Flats (also known as Polaris), East Ridge, Freedom Flats, Gold View, Graben, Middle Ridge and Northeast Ridge.

Known gold deposits outside the boundaries of the study area with historical estimates include Cerro Duro, Jaimes Ridge, Purdy Peak and Boundary Ridge Zone. These four deposits are all located on mining claims that we control. The historical estimates have not been verified by our Technical Report and should not be relied upon.

Summary Financial Data

The following table summarizes our financial data. You should read the following selected financial data together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the Management s Discussion and Analysis section and other financial data included in this prospectus.

	Fiscal Year Ended March 31, 2005 (Restated)*	Period From April 24, 2003 (Inception) to March 31, 2004 (Restated)*	Three Months Ended June 30, 2005 (Unaudited)	Three Months Ended June 30, 2004 (Unaudited)	From April 24, 2003 (Inception) to June 30, 2005 (Unaudited) (Restated)*
Statement of Operations Data:					
Revenue	$ 0	$ 0	$ 0	$ 0	$ 0
Net loss	(2,525,420)	(1,115,925)	(817,918)	(691,257)	(4,459,263)
Basic and diluted loss per common share	(0.17)	(0.14)	(0.03)	(0.05)	
Weighted average shares outstanding(1)	15,287,736	7,879,432	26,150,210	14,376,000	

	At March 31, 2005	At March 31, 2004	At June 30, 2005 (Unaudited)
Balance Sheet Data:			
Cash	$ 3,065,436	$ 975,551	$ 5,859,298
Working capital	1,702,953	1,065,082	4,743,631
Total assets	4,985,808	1,588,107	7,721,545
Non-current liabilities	0	0	0
Stockholders equity	3,532,615	1,379,275	6,574,174

(1) As of June 30, 2005, we had 27,722,370 Common shares issued and outstanding.

* Restated for certain transactions, including shares issued to an employee, shares issued to directors and options issued to a consultant, to increase previously reported management salaries and consulting fees, losses and loss per share. See Note 11 to our audited consolidated financial statements for the year ended March 31, 2005.

The Offering

This prospectus covers Units with the aggregate value of Cdn$17,500,000 ($15,000,000), each Unit consisting of one share of common stock and one-half of one Class A Warrant, offered in our initial public offering, plus an over-allotment option equal to 15% of the total number of Units sold in the offering.

Securities Offered	Units consisting of: one share of common stock, and one-half of one Class A Warrant. Each whole Class A Warrant is exercisable to acquire one share of common stock at $ per share and will expire on .
Offering Price	Cdn$ per Unit
Common Stock Outstanding as of September 30, 2005	27,722,370 shares
Offering[1][2]	
Number of Units Offered	13,461,538
Number of Shares of Common Stock Outstanding After Offering	41,183,908
Number of Class A Warrants Outstanding After Offering	6,730,769
Number of Shares of Common Stock Outstanding Assuming Exercise of all of the Class A Warrants	47,914,677

(1) Assumes no exercise by the underwriters of their option to purchase up to 15% of the number of units sold in the offering to cover over-allotments, if any.

(2) Based on an assumed initial public offering price of Cdn$1.30 ($1.11) per unit, the midpoint of our estimated price range of between Cdn$1.00 ($0.86) and Cdn$1.60 ($1.37) per unit. The actual number of units issued and the actual initial public offering price of the units and the exercise price of the Class A Warrants will be determined by negotiation between Gryphon Gold and the underwriters in the context of market conditions. The actual initial public offering price may differ from the assumed initial public offering price.

Use of Proceeds	We expect to use the net proceeds from this offering to finance exploration and, if warranted, development of our Borealis Property. In addition, we will use the proceeds from this offering for general corporate purposes, including working capital needs. Proceeds from the exercise of the underwriters over-allotment option, if any, will be used for general corporate purposes. We expect to incur approximately Cdn$1,400,000 ($1,200,000) in expenses in connection with this offering, including the reimbursement of expenses of the underwriters. See Use of Proceeds.
Dividend Policy	We currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not currently anticipate paying cash

dividends.

Offering Restrictions	The Units are being offered to the public in Canada under a Canadian prospectus. The Units are being offered in the United States by a group of selling agents that includes Desjardins Securities International Inc., the U.S. affiliate of Desjardins Securities, Inc., CIBC World Markets Corp., the U.S. affiliate of CIBC World Markets Inc., and Orion Securities (USA) Inc., the U.S. affiliate of Orion Securities Inc., only to qualified institutional buyers as that term is defined in Rule 144A of the Securities Act of 1933, as amended.

The number of shares of our common stock that will be outstanding immediately after this offering includes 27,722,370 shares of common stock outstanding as of September 30, 2005. This calculation excludes:

- 2,400,000 shares of common stock issuable upon vested exercise of options outstanding as of September 30, 2005 at an exercise price of $0.75 per share for 2,300,000 options and at the initial public offering price for 100,000 options;

- 6,694,193 shares of common stock issuable upon exercise of warrants outstanding as of September 30, 2005 at a weighted average exercise price of $0.89 per share;

- 600,000 shares of common stock available for future grant under our Stock Option Plan as of September 30, 2005;

- an exercise by the underwriters of the over-allotment option to purchase up to 2,019,230 additional units from us to cover over-allotments, if any, assuming an initial public offering price of Cdn$1.30 ($1.11) per unit (the midpoint of our range); and

- shares of common stock issuable to the underwriters pursuant to the compensation option granted to the underwriters hereunder at a price of Cdn$ per share.

Unless otherwise indicated, all information in this prospectus assumes no exercise of the Class A Warrants, the over-allotment option or the underwriters compensation options.

Listing	The Toronto Stock Exchange has conditionally approved the listing of our common stock, subject to our fulfilling all of the listing requirements of the exchange by December 28, 2005.
Proposed Toronto Stock Exchange Symbol	GGN

Investing in our securities involves risks more specifically described under Risk Factors and Uncertainties beginning on page 7.

Our principal business offices are located at 390 Union Blvd., Suite 360, Lakewood, Colorado 80228, and our telephone number is 303-988-5777. We also have an administrative and financing office in Canada at Suite 810, 1130 West Pender Street, Vancouver, British Columbia, Canada V6E 4A4, and our phone number is 604-261-2229.

RISK FACTORS AND UNCERTAINTIES

Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in shares of our common stock.

Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.

Estimates of mineralized material are forward-looking statements inherently subject to error. Although resource estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

The feasibility of mining on the Borealis Property, our only property, has not been established, which means we have not completed exploration work to determine if it is commercially feasible to develop the property.

We have no probable or proven reserves on our property. The mineralized material identified to date on the Borealis Property does not have demonstrated economic viability, and we cannot provide any assurance that mineral reserves will be identified on the property. The feasibility of mining has not been, and may never, be established. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. If we are unable to upgrade some or all of our mineralized material to proven and probable reserves in sufficient quantities to justify commercial operations, we may not be able to develop a mine at the Borealis Property. The market value of exploration stage companies is determined, in part, by the existence of proven or probable reserves on the company s property. If we are unable to establish such reserves, the market value of our securities is expected to decline significantly and you may lose some or all of your investment. In addition, if we are unable to develop the Borealis Property, we may never be able to generate revenues from operations.

Historical production on the Borealis Property may not be indicative of the potential for future development.

The Borealis Mine actively produced gold in the 1980 s, but we currently have no commercial production at the Borealis Property and have never recorded any revenues. You should not rely on the fact that there were historical mining operations at the Borealis Property as an indication that we will ever place the property into commercial production. We expect to continue to incur losses unless and until such time, if ever, as our property enters into commercial production and generates sufficient revenues to fund our continuing operations. The development of new mining operations at the Borealis Property will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of our properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, our acquisition of additional properties, and other factors, many of which are beyond our control. We may not be able to place the Borealis Property into production or generate any revenues or achieve profitability.

Our operations may require further capital beyond what we raise in this offering.

We are an early stage company and currently do not have sufficient capital to fully fund the Plan of Operation at the Borealis Property. Currently, we have sufficient cash on hand to fund the completion of a feasibility study, the current drilling program and general and administrative expenses through our fiscal year ending March 31, 2006. Although the proceeds of this offering are expected to provide us with sufficient capital to fund our initial mining, processing, development and exploration of the Borealis Property based on management s current assumptions, we may require substantial additional financing for future exploration or development activities or if we encounter unexpected costs or delays. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the Borealis Property and any properties we may acquire in the future or even a loss of property interest. This includes the Borealis Property, as our lease over claims covering the principal deposits will expire in 2009 unless we are engaged in active mining operations at that time. We have not obtained firm bids or third party verification for completing work on the Borealis Property, and we cannot be certain that the amounts we allocate in our use of proceeds will be sufficient to fund this work. We cannot be certain that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable or acceptable to us. Future financings may cause dilution to our shareholders.

Our exploration activities on the Borealis Property may not be commercially successful, which could lead us to abandon our plans to develop the property and our investments in exploration.

Our long-term success depends on our ability to identify additional mineral deposits on the Borealis Property and other properties we may acquire, if any, that we can then develop into commercially viable mining operations. Mineral exploration is highly speculative in nature, involves many risks and is frequently nonproductive. These risks include unusual or unexpected geologic formations, and the inability to obtain suitable or adequate machinery, equipment or labor. The success of gold exploration is determined in part by the following factors:

the identification of potential gold mineralization based on superficial analysis;

availability of government-granted exploration permits;

the quality of our management and our geological and technical expertise; and

the capital available for exploration.

Substantial expenditures are required to establish proven and probable reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. We may invest significant capital and resources in exploration activities and abandon such investments if we are unable to identify commercially exploitable mineral reserves. The decision to abandon a project may have an adverse effect on the market value of our securities and the ability to raise future financing. We cannot assure you that we will discover or acquire any mineralized material in sufficient quantities on any of our properties to justify commercial operations.

Planned exploration, and, if warranted, development and mining activities on our Borealis Property involve a high degree of risk.

Our planned operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of gold and other base or precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental

damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

The parameters used in estimating mining and processing efficiency are based on testing and experience with previous operations. While the parameters used have a reasonable basis, various unforeseen conditions can occur that may materially affect the estimates. In particular, past operations indicate that care must be taken to ensure that proper ore grade control is employed and that proper steps are taken to ensure that the leaching operations are executed as planned.

If we make a decision to develop the Borealis Property, we plan to process the sulfide gold mineralization using technology that has been demonstrated to be commercially effective at other gold deposits in Nevada. These techniques may not be as efficient or economical as we project, and we may never achieve profitability.

A decline in gold prices may make it commercially unfeasible for us to develop our property and may cause our stock price to decline.

The value and price of our units, common shares and warrants, our financial results, and our exploration, development and mining activities may be significantly adversely affected by declines in the price of gold and other precious metals. Gold prices fluctuate widely and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of gold producing countries throughout the world. The price for gold fluctuates in response to many factors beyond anyone s ability to predict. The prices used in making the estimates in our plans differ from daily prices quoted in the news media. The percentage change in the price of a metal cannot be directly related to the estimated mineralized material quantities, which are affected by a number of additional factors. For example, a 10 percent change in price may have little impact on the estimated mineralized material quantities and affect only the resultant positive cash flow, or it may result in a significant change in the amount of mineralized material. Because mining occurs over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons including a belief that the low price is temporary and/or the greater expense incurred in closing a property permanently.

Mineralized material calculations and life-of-mine plans using significantly lower gold and precious metal prices could result in material write-downs of our investments in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting our mineralized material estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the commercial feasibility of a particular project. Such a reassessment may be the result of a management decision related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Declines in gold prices may cause our stock price to decline, which could cause you to lose money and make it difficult for us to raise capital on terms acceptable to us.

Title to the Borealis Property may be subject to other claims, which could affect our property rights and claims.

Although we believe we have exercised commercially reasonable due diligence with respect to determining title to properties we own or control and the claims that are subject to the Borealis mining lease, there is no guarantee that title to such properties will not be challenged or impugned. The Borealis Property may be subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Borealis Property which, if successful, could impair development and/or operations. This is particularly the case in respect of those portions of the Borealis Property in which we hold our interest solely through a lease with the claim holders, as such interest

is substantially based on contract and has been subject to a number of assignments (as opposed to a direct interest in the property).

All of the mineral rights to the Borealis Property consist of unpatented mining claims created and maintained in accordance with the U.S. General Mining Law. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the U.S. General Mining Law, including the requirement of a proper physical discovery of valuable minerals within the boundaries of each claim and proper compliance with physical staking requirements. Also, unpatented mining claims are always subject to possible challenges by third parties or validity contests by the federal government. The validity of an unpatented mining or millsite claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of U.S. federal and state statutory and decisional law. In addition, there are few public records that definitively determine the issues of validity and ownership of unpatented mining claims.

Estimates of mineralized materials at the Borealis Property are subject to geologic uncertainty and inherent sample variability, and actual mineralization encountered in further exploration and development could differ from these estimates.

Although the mineralization estimates at the Borealis Property have been delineated with appropriately spaced drilling, there is inherent variability between duplicate samples taken adjacent to each other and between sampling points that cannot be reasonably eliminated. There also may be unknown geologic details that have not been identified or correctly appreciated at the current level of delineation. This results in uncertainties that cannot be reasonably eliminated from the estimation process. Some of the resulting variances can have a positive effect and others can have a negative effect on mining and processing operations. Acceptance of these uncertainties is part of any mining operation.

Reported mineralization contained in the prospectus are only estimates and samples which may be unreliable.

Although the mineralized material figures, including average gold grades and drill results, reported in this prospectus have been carefully prepared, these amounts are estimates and sample results only, and we cannot be certain that any specified level of recovery of gold or other mineral from mineralized material will in fact be realized or that the Borealis Property or any other identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body that can be economically exploited. Mineralized material, which is not mineral reserves, does not have demonstrated economic viability. Any material change in the quantity of mineralization, grade or stripping ratio, or the gold price may affect the economic viability of our properties. In addition, we cannot be certain that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Even though gold has been mined and successfully recovered for several years at the Borealis Property, until an unmined deposit is actually mined and processed the quantity of mineral reserves, if any, and grades must be considered as estimates only. In addition, the quantity of mineral reserves, if any, may vary depending on, among other things, metal prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Borealis Property. In addition, we cannot be certain that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

We currently depend on a single property the Borealis Property.

Our only mineral property is the Borealis Property. Even though the Borealis Property encompasses several areas with known gold mineralization, unless we acquire additional properties or projects or discover additional deposits at the Borealis Property, we will be solely dependent upon the success of the Borealis Property as a source of future revenue and profits, if any. We cannot provide any assurance that we will

establish any reserves or successfully commence mining operations on the Borealis Property or that we will ever obtain an interest in any other property with mineral potential in order to diversify our business.

Government regulation may increase costs or cause delay in our business and planned operations.

We believe that we currently comply with existing state and federal environmental and mining laws and regulations at the Borealis Property and that our proposed development of the property will also meet those standards. Our mining, processing, development and mineral exploration activities, if any, are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. We cannot assure you that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail our exploration, production or development. At present, there is no royalty payable to the United States on production from unpatented mining claims, although legislative attempts to impose a royalty have occurred in recent years. Amendments to current laws and regulations governing operations and activities of exploration, development mining and milling or more stringent implementation thereof could have a material adverse impact on our business and financial condition and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production assuming we achieve production or require abandonment or delays in development of new mining properties.

We will require permits and approvals from the Bureau of Land Management, U.S. Forest Service, the State of Nevada, Nevada Bureau of Mining Regulation and Reclamation and other regulatory agencies in order to implement our planned operations at the Borealis Property. See United States Mining Laws and Permitting for additional information. We have not obtained all of the required permits and governmental approvals for our planned operations at the Borealis Property, and we may require additional permits for future operations.

Government approvals and permits are currently, and may in the future be, required in connection with our operations, if any. We still require environmental operating permits, approval of our plan of operations and a water pollution control permit to commence development of our Borealis Property. To the extent other approvals are required and not obtained; we may be curtailed or prohibited from commencing or continuing mining operations or from proceeding with planned exploration or development of mineral properties.

Our operations are subject to environmental risks which could expose us to significant liability and delay, suspend or terminate our operations at the Borealis Property.

All phases of our operations, if any, will be subject to federal, state and local environmental regulation. See United States Mining Laws and Permitting for additional information. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. We cannot be certain that future changes in environmental regulation, if any, will not adversely affect our operations, if any. Environmental hazards may exist on the Borealis Property and on properties which we hold and may hold interests in the future that are unknown to us at present and that have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Production, if any, at our mines will involve the use of hazardous materials. Should these materials leak or otherwise be discharged from their containment systems then we may become subject to liability for hazards that we may not be insured against or for clean up work that may not be insured.

We will be required to locate mineral reserves for our long-term success.

Because mines have limited lives based on proven and probable mineral reserves, we will have to continually replace and expand our mineral reserves, if any, if and when the Borealis Property produces gold and other base or precious metals. Our ability to maintain or increase its annual production of gold and other base or precious metals once the Borealis Property is restarted, if at all, will be dependent almost entirely on its ability to bring new mines into production.

The Borealis Property has an estimated nominal mine life of approximately ten years, which is based solely on preliminary engineering studies and commodity price assumptions which may not be correct. An increasing gold price or discovery of additional mineralized material could have the effect of extending mine life; while a decreasing gold price could shorten mine life.

We do not insure against all risks which we may be subject to in our planned operations.

We currently maintain insurance to insure against general commercial liability claims and losses of equipment. Our insurance will not cover all the potential risks associated with a mining company s operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, we expect that insurance against risks such as environmental pollution or other hazards as a result of exploration and production may be prohibitively expensive to obtain for a company of our size and financial means. We might also become subject to liability for pollution or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could negatively affect our financial condition and ability to fund our activities on the Borealis Property. A significant loss could force us to terminate our operations.

We compete with larger, better capitalized competitors in the mining industry.

The mining industry is competitive in all of its phases, including financing, technical resources, personnel and property acquisition. It requires significant capital, technical resources, personnel and operational experience to effectively compete in the mining industry. Because of the high costs associated with exploration, the expertise required to analyze a project s potential and the capital required to develop a mine, larger companies with significant resources may have a competitive advantage over us. We face strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than us. As a result of this competition, we may be unable to maintain or acquire financing, personnel, technical resources or attractive mining properties on terms we consider acceptable or at all.

Our growth will require new personnel, which we will be required to recruit, hire, train and retain.

We are expecting significant growth in our number of employees if we determine that a mine at the Borealis Property is commercially feasible and we elect to develop the property. This growth will place substantial demands on us and our management. Our ability to assimilate new personnel will be critical to our performance. We will be required to recruit additional personnel and to train, motivate and manage employees. We will also have to adopt and implement new systems in all aspects of our operations. This will be particularly critical in the event we decide not to use a contract miner at the Borealis Property. We have no assurance that we will be able to recruit the personnel required to execute our programs or to manage these changes successfully.

Our directors and officers may have conflicts of interest as a result of their relationships with other companies.

Certain of the directors and officers of Gryphon Gold have served as officers and directors for other companies engaged in natural resource exploration and development and may also serve as directors and/or

officers of other companies involved in natural resource exploration and development. For example, Christopher Herald is the President and CEO of Crown Resources and Richard Hughes is President of Klondike Gold Corp. and a director of Alamos Gold Inc. Consequently, there is a possibility that our directors and/or officers may be in a position of conflict in the future.

We are concurrently offering units to the public in Canada under a Canadian prospectus which uses standards for reporting mineralized material that are not permitted under United States reporting standards.

We use the terms measured mineral resources, indicated mineral resources and inferred mineral resources in our Canadian prospectus to comply with reporting standards in Canada. We advise investors that while those terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission, or the SEC, does not recognize them and we have not reported them in this prospectus. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of measured mineral resources, indicated mineral resources, or inferred mineral resources referred to in our Canadian prospectus will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. Investors are cautioned not to assume that any part of the reported measured mineral resources, indicated mineral resources, or inferred mineral resources in our Canadian prospectus is economically or legally mineable.

New legislation, including the Sarbanes-Oxley Act of 2002, may make it difficult for us to retain or attract officers and directors.

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of the recent and currently proposed changes in the rules and regulations which govern publicly-held companies. Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the Securities and Exchange Commission that increase responsibilities and liabilities of directors and executive officers. We are a small company with a very limited operating history and no revenues or profits, which may influence the decisions of potential candidates we may recruit as directors or officers. The perceived increased personal risk associated with these recent changes may deter qualified individuals from accepting these roles.

While we believe we have adequate internal control over financial reporting, we will be required to evaluate our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on the price of our shares of common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we expect that beginning with our annual report on Form 10-KSB for the fiscal year ended March 31, 2008, we will be required to furnish a report by management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by our management. Such report must also contain a statement that our auditors have issued an attestation report on our management s assessment of such internal controls. Public Company Accounting Oversight Board Auditing Standard No. 2 provides the professional standards and related performance guidance for auditors to attest to, and report on, our management s assessment of the effectiveness of internal control over financial reporting under Section 404.

While we believe our internal control over financial reporting is effective, we are still compiling the system and processing documentation and performing the evaluation needed to comply with Section 404, which is both costly and challenging. We cannot be certain that we will be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we

identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that such internal control is effective. If we are unable to assert that our internal control over financial reporting is effective as of March 31, 2008 (or if our auditors are unable to attest that our management s report is fairly stated or they are unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on our stock price.

Failure to comply with the new rules may make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage and/or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors, or as executive officers.

Risks Related to this Offering

You may lose your entire investment in our securities.

An investment in our common stock is highly speculative and may result in the loss of your entire investment. Only potential investors who are experienced investors in high risk investments and who can afford to lose their entire investment should consider an investment in us.

We currently have no active market for our securities, and do not anticipate that our securities will be actively traded in the United States.

There is currently no market for Gryphon Gold s common shares and we cannot be certain that an active market will develop or be sustained after the offering. We anticipate that the primary market for our common stock will be on the Toronto Stock Exchange in Canada. We have received conditional listing approval for our common stock on the Toronto Stock Exchange, subject to our meeting the listing requirements of the Exchange. In order to meet the listing requirements of the Toronto Stock Exchange we must complete the offering by December 28, 2005. In addition, at least 1,000,000 of the shares of common stock comprising the units offered under the prospectus must be purchased by at least 300 purchasers. The Toronto Stock Exchange also requires that we amend our by-laws to include provisions in respect of certain specified rights of shareholders and certain specified limitations on the discretion of the directors as it relates to our share capital. The Toronto Stock Exchange requires that we undertake to seek the ratification of our shareholders to such amendment at our next shareholders meeting. Moreover, we will require the prior approval of the Toronto Stock Exchange to any future amendment to our by-laws. If shareholders do not ratify the amendment to our by-law, we will be in breach of our listing agreement with the Toronto Stock Exchange and the Toronto Stock Exchange will have the right to suspend or cease the listing of our common stock.

We have not applied for a listing of our common stock in the United States. The lack of an active public market in the United States could have a material adverse effect on the price and liquidity of our common stock. The price of the common stock to the public and the commission to the underwriters was established by negotiation between Gryphon Gold and the underwriters, and may not be indicative of fair market value or future market prices.

If we do not maintain an effective registration statement covering the warrants offered in our units, or comply with applicable state securities laws, you may not be able to exercise the warrants or you may be restricted from selling the underlying common stock.

In order for you to exercise the Class A Warrants, the shares of common stock underlying them must be covered by an effective registration statement filed with the United States Securities and Exchange Commission unless an exemption from such requirements is otherwise available. If the issuance of shares is not exempt under state securities laws, the shares must be properly registered with state securities regulators. At present, we plan to maintain an effective registration statement when the Class A Warrants are exercised. However, we cannot provide any assurance that state exemptions will be available, the state authorities will permit us to register the underlying shares, or that an effective registration statement will be in place at all

relevant times. These factors may limit your ability to exercise the Class A Warrants unless an applicable registration exemption is available. Even if such an exemption is available, the underlying shares of common stock may be subject to regulatory resale restrictions that would effectively limit your ability to sell the shares.

Our officers and directors own approximately 30% of our issued and outstanding common stock and shareholders holding more than 5% of our common stock own approximately 37% of our issued and outstanding stock, which may limit your ability to influence corporate matters.

As of September 30, 2005, Allen Gordon, our President and Chief Executive Officer and a director, owned 2,250,000 shares of common stock and options exercisable to acquire an additional 350,000 shares of our common stock; Albert Matter, our Executive Chairman and Chairman of our Board, owned 2,250,000 shares of common stock and options exercisable to acquire an additional 350,000 shares of our common stock; and our other officers and directors, collectively, as a group, owned 3,830,000 shares of our common stock and options to acquire 1,600,000 shares of our common stock. Together, as of September 30, 2005, our officers and directors own 8,330,000 shares of our common stock (approximately 30.0% of our issued and outstanding shares of common stock) and options exercisable to acquire an additional 2,300,000 shares of common stock (approximately 7.4% of our issued and outstanding shares of common stock, if fully exercised). In addition, Standard Bank plc holds 3,846,154 shares of our common stock and warrants exercisable to acquire 1,923,077 shares of common stock (approximately 13.9% of our issued and outstanding shares of common stock, or 19.5% assuming the exercise of the warrants) and Bolder Opportunities I Limited Partnership holds 2,000,000 shares of common stock and warrants exercisable to acquire 250,000 shares of common stock (approximately 7.2% of our issued and outstanding common stock, or 8.0% assuming the exercise of the warrants). Together, Allen Gordon, Albert Matter, Standard Bank and Bolder Opportunities I hold 10,346,154 shares of common stock or approximately 37% of our issued and outstanding common stock, excluding options or warrants. These shareholders could control the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, and also could prevent or cause a change in control. The interests of these shareholders may conflict with the interests of our other shareholders.

Third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership.

After the completion of this offering, as a result of the sale of the units by us, our officers and directors, as a group, together with Standard Bank and Bolder Opportunities I will have their aggregate holdings of our outstanding shares of common stock reduced to 25.1%, excluding their options and warrants and exercise by the underwriters of their over-allotment option to purchase up to 2,019,230 additional units from us to cover over-allotments (assuming we issue units at Cdn$1.30 ($1.11) per unit (the midpoint of our range)), if any, and their compensation options.

Purchasers of shares of common stock offered in this offering will suffer an immediate dilution due to this offering.

Purchasers of the shares of common stock offered hereby will incur an immediate and substantial dilution in the net tangible book value per share of the shares of common stock from the initial public offering price. Dilution per share to new investors in this offering represents the difference between the amount per share paid by new investors for a share of our common stock and the as-adjusted, net tangible book value per common share immediately following our offering. Set forth under the heading Dilution in this prospectus, we have provided information to new investors, excluding the exercise by the underwriters of their over-allotment option to purchase up to 2,019,230 additional units from us to cover over-allotments (assuming we issue units at Cdn$1.30 ($1.11) per unit (the midpoint of our range)), if any, and compensation options exercisable to acquire common shares equal to 10% of the number of units sold in the offering. In these calculations, we have counted one share per unit but have not included any of the warrants included in the units. After giving effect to the sale of 13,461,538 units at an assumed offering price of Cdn$1.30 ($1.11) per unit (the midpoint of our range), the as-adjusted, net tangible book value of our common stock would have been $19,174,174 or $0.47 per share at June 30, 2005. Although these calculations show an immediate

increase in the pro forma net tangible book value per common share of $0.23, they also disclose the immediate dilution per common share purchased by new investors of $0.64. See Dilution below.

Future sales of our common stock may depress our stock price thereby decreasing the value of your investment.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of common stock. There will be an aggregate of 41,183,908 shares of common stock outstanding immediately after this offering assuming we sold the maximum number of units offered at an assumed offering price of Cdn$1.30 ($1.11) per unit (the midpoint of our range), excluding the exercise of over-allotment option to purchase up to 2,019,230 additional units to cover over-allotments and the exercise of the underwriters compensation options to acquire common shares equal to 10% of the total number of units sold in the offering. All of the shares of common stock sold in the offering will be freely transferable without restriction or further registration under the Securities Act, except for any shares purchased by our affiliates, as defined in Rule 144 of the Securities Act. The remaining shares of our common stock outstanding will be restricted securities as defined in Rule 144. After the scheduled lock up periods imposed on our existing shareholders, which permit the immediate sale of up to the greater of 5,000 shares or 20% of a shareholder s common stock during each quarter (except for officers and directors who, during each quarter, may not sell any shares for the first 6 months and may thereafter sell up to the greater of 5,000 shares or 20% of their common stock) these shares may be sold without registration under the Securities Act to the extent permitted by Rule 144 or other exceptions under the Securities Act. The lockup agreements expire after 18 months, but our executive officers and directors are also subject to applicable escrow requirements under Canadian securities regulatory policies. See Escrowed Shares below.

If we fail to obtain a listing on an established stock exchange, you may be subject to U.S. federal income tax on the disposition of your securities.

We believe that we currently are a United States real property holding corporation under Section 897(c) of the Internal Revenue Code, referred to as a USRPHC, and that there is a substantial likelihood that we will continue to be USRPHC. Generally, gain recognized by a Non-U.S. Holder on the sale or other taxable disposition of common stock should be subject to U.S. federal income tax on a net income basis at normal graduated U.S. federal income tax rates if we qualify as a USRPHC at any time during the 5-year period ending on the date of the sale or other taxable disposition of the common stock (or the Non-US. Holder s holding period for the common stock, if shorter). Under an exception to these rules, if the common stock is regularly traded on an established securities market, the common stock should be treated as stock of a USRPHC only with respect to a Non-U.S. Holder that held (directly or under certain constructive ownership rules) more than 5% of the common stock during the 5-year period ending on the date of the sale or other taxable disposition of the common stock (or the Non-US. Holder s holding period for the common stock, if shorter). There can be no assurances that the common stock will be regularly traded on an established securities market. See United States Federal Income Tax Consequences To Non-United States Holders below.

Broker-dealers may be discouraged from effecting transactions in our common shares because they are considered a penny stock and are subject to the penny stock rules.

Rules 15g-1 through 15g-9 promulgated under the Exchange Act impose sales practice and disclosure requirements on certain brokers-dealers who engage in certain transactions involving a penny stock. Subject to certain exceptions, a penny stock generally includes any non-NASDAQ equity security that has a market price of less than $5.00 per share. Our common stock is expected to trade below $5.00 per share immediately upon closing of the offering. The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

A broker-dealer selling penny stock to anyone other than an established customer or accredited investor, generally, an individual with net worth in excess of $1,000,000 or an annual income exceeding $200,000, or $300,000 together with his or her spouse, must make a special suitability determination for the purchaser and must receive the purchaser s written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the United States Securities and Exchange Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer s account and information with respect to the limited market in penny stocks.

In the event that your investment in our shares is for the purpose of deriving dividend income or in expectation of an increase in market price of our shares from the declaration and payment of dividends, your investment will be compromised because we do not intend to pay dividends.

We have never paid a dividend to our shareholders, and we intend to retain our cash for the continued development of our business. We do not intend to pay cash dividends on our common stock in the foreseeable future. As a result, your return on investment will be solely determined by your ability to sell your shares in a secondary market.

FORWARD-LOOKING STATEMENTS

We use words like expects, believes, intends, anticipates, plans, targets, projects or estimates in this When used, these words and other, similar words and phrases or statements that an event, action or result will, may, could, or should occur, be taken or be achieved identify forward-looking statements. This prospectus contains forward-looking information which may include, but is not limited to, statements with respect to the following:

the timing and possible outcome of pending regulatory and permitting matters;

the timing and outcome of our feasibility study;

the parameters and design of our planned initial mining facilities on the Borealis Property;

future financial or operating performances of Gryphon Gold, its subsidiaries and its projects;

the estimation of mineral resources and the realization of mineral reserves, if any, based on mineral resource estimates;

the timing of exploration, development and production activities and estimated future production, if any;

estimates related to costs of production, capital, operating and exploration expenditures;

requirements for additional capital;

government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses;

title disputes or claims;

limitations of insurance coverage; and

the future price of gold, silver or other metals.

Such forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, the risks and uncertainties outlined under the sections titled Risk Factors and Uncertainties beginning at page 5 of this prospectus, Gryphon Gold Corporation beginning at page 15 of this prospectus and Management s Discussion and Analysis beginning at page 71 of

this prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected.

Our management has included projections and estimates in this prospectus, which are based primarily on management s experience in the industry, assessments of our results of operations, discussions and negotiations with third parties and a review of information filed by our competitors with the Securities and Exchange Commission or otherwise publicly available. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

We qualify all the forward-looking statements contained in this prospectus by the foregoing cautionary statements.

GRYPHON GOLD CORPORATION

Name and Incorporation

Gryphon Gold Corporation was formed under the laws of the State of Nevada on April 24, 2003.

Our principal business offices are located at 390 Union Blvd., Suite 360, Lakewood, Colorado 80228, and our telephone number is 303-988-5777. We also have an administrative and financing office in Canada at Suite 810, 1130 West Pender Street, Vancouver, British Columbia, Canada, V6E 4A4, and our telephone number there is 604-621-2229.

We own 100% of the issued and outstanding shares of our operating subsidiary, Borealis Mining Company. We have no other subsidiary. Borealis Mining Company was formed under the laws of the State of Nevada on June 5, 2003.

DESCRIPTION AND DEVELOPMENT OF THE BUSINESS

History and Background of the Company

We were established as a private company in April 2003 by our two co-founders, Albert Matter and Allen Gordon, to acquire and develop gold properties in the United States.

During the period from our inception on April 24, 2003 through March 31, 2004, we funded our capital needs by raising $2,419,200 in private placements, issuing 14,376,000 shares of common stock at prices ranging from $0.10 per share to $0.225 per share.

In July 2003, through our wholly-owned subsidiary Borealis Mining, we acquired from Golden Phoenix an option to earn up to a 70% joint venture interest in the mining lease for the Borealis Property (July 2003 Option and Joint Venture Agreement) by making qualified development expenditures on that property.

In October 2003, we engaged Behre Dolbear & Company, Inc., mining consultants, to prepare a preliminary scoping study for the redevelopment of the Borealis Property. Behre Dolbear prepared a report entitled *Preliminary Scoping Study* dated June 7, 2004, which we refer to as the Behre Dolbear Report.

During 2004, we completed drilling, technical and engineering work necessary to prepare a Plan of Operation in respect of the development of an open pit, a heap leach mine on the Borealis Property. We submitted the Plan of Operation to the U.S. Forest Service on August 27, 2004, and we continue to work on satisfying all the requirements of the various approval agencies and completing all necessary reviews, including the approval of the Nevada Division of Environmental Protection. We anticipate that the principal mine operating permits will be granted in early 2006.

Following the course established by the recommendations in the Behre Dolbear Report, and based on additional geologic field work that was completed in 2004, we retained Ore Reserves Engineering, consulting

resource modeling engineers, to complete an updated resource estimate model in accordance with NI 43-101. In May 2005, Ore Reserves Engineering delivered the report titled *Technical Report on the Mineral Resources of the Borealis Gold Project Located in Mineral County, Nevada* which we refer to as the Technical Report throughout this prospectus.

During our fiscal year ended March 31, 2005, we raised $175,000 by issuing 500,000 shares of common stock to an executive officer at $0.35 per share under the terms of his employment agreement. We raised an additional $4,430,375 by issuing 6,815,962 units in a series of private placements. Each unit consisted of one share of common stock and one-half of one share purchase warrant, each whole warrant exercisable to acquire one share of common stock at $0.90 per share until the earlier of two years from the issue date and nine months following the date on which common stock is listed on a public stock exchange.

On January 10, 2005, Borealis Mining entered into a purchase agreement with Golden Phoenix which gave Borealis Mining the right to purchase the interest of Golden Phoenix in the Borealis Property for $1,400,000. Golden Phoenix transferred its interest in the Borealis Property to Borealis Mining on January 28, 2005. Borealis Mining paid $400,000 of the purchase price to Golden Phoenix upon closing of the purchase, with four additional payments of $250,000 due to Golden Phoenix on a quarterly basis thereafter.

As of August 17, 2005, Borealis had completed the first two payments and the final two payments of $250,000 are due on October 28, 2005 and January 27, 2006, respectively. Gryphon Gold guaranteed Borealis Mining s payment obligations to Golden Phoenix in the Borealis Property by depositing as security 150,000 shares or fifteen percent (15%) of the issued shares of Borealis Mining into escrow. As Borealis Mining makes each quarterly payment of $250,000, one quarter of the escrowed shares shall be returned to us. As of September 30, 2005, 75,000 shares have been released from the escrow.

As sole shareholder of Borealis Mining, we control all of the lease rights to a portion of the Borealis Property, subject to advance royalty, production royalty, and other payment obligations imposed by the lease. Our acquisition of the interest of Golden Phoenix in the Borealis Property terminated the July 2003 Option and Joint Venture Agreement. In addition to our leasehold interest to a portion of the Borealis Property, we also own through Borealis Mining numerous unpatented mining claims that make up the balance of the Borealis Property, and all of the documentation and samples from years of exploration and development programs carried out by the previous operators of the Borealis Property, totaling thousands of pages of data including, but not limited to, geophysical surveys, mineralogical studies and metallurgical testing reports.

During our fiscal quarter ended June 30, 2005, we raised $3,919,765 by issuing 6,030,408 units in a series of private placements. Each unit consisted of one share of common stock and one-half of one share purchase warrant, each whole warrant exercisable to acquire one share of common stock at $0.90 per share until the earlier of two years from the issue date and nine months following the date on which common stock is listed on a public stock exchange.

On July 11, 2005, we accepted a joint proposal for a feasibility study from the firms of Samuel Engineering, Inc. and Knight Piesold and Company. Samuel Engineering provides services including metallurgical process development and design, and Knight Piesold provides mining, metallurgical and environmental engineering services. Both companies have worked together recently on completing similar studies.

Effective August 11, 2005, we increased our authorized capital to consist of 150,000,000 shares of common stock, par $0.001, and 15,000,000 shares of preferred stock, par $0.001.

Business Objectives

We are in the business of acquiring and developing gold properties in the United States. Our objective is to establish a producing gold company through the development and extraction of gold deposits, beginning with our Borealis Property. We aim to achieve our objective by upgrading our mineralized material to proven and probable reserves at our Borealis Property through completion of a feasibility study. Once we have completed a feasibility study and, if warranted, have made a decision to begin development, we intend to develop our Borealis Property and place it into production. The Plan of Operations does not present an

economic analysis, and we have not placed any information in the Plan of Operations regarding capital expenditures, operating costs, ore grade, anticipated revenues, or projected cash flows. The Plan of Operation, as submitted to the US Forest Service, was based on the general economic concepts as presented in the Behre Dolbear Report.

Corporate Strengths

We believe that we have the following business strengths that will enable us to achieve our objectives.

Our management team has significant mining industry experience ranging from exploration to mine development and operation.

As the Borealis Property was the site of surface mining operations from 1981 to 1990, we believe the process to receive permits and start operations on previously mined operations is less difficult than getting permits for a previously undisturbed area. We have begun the environmental related regulatory review and approval process, which we believe will allow us to resume surface mining and on site gold recovery. We have received approvals for surface exploration and water wells and have successfully progressed through the required agency and public review process for those permits.

Our land position is extensive, covering approximately 14,900 acres. We believe many surface showings of gold mineralization on the property may provide opportunities for discovery of gold deposits. Our property has multiple types of gold deposits including oxidized material, partial oxidized material, and predominantly sulfide material; which we believe may allow us flexibility in our future plans for mine development and expansion.

We cannot be certain that any mineral deposits will be discovered in sufficient quantities and grade to justify commercial operations. We have no proven or probable reserves. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit; metal prices, which are highly cyclical; the cost to extract and process the mineralized material; and government regulations and permitting requirements. We may be unable to upgrade our mineralized material to proven and probable reserves in sufficient quantities to justify commercial operations and we may not be able to develop the Borealis Property.

We have specifically focused our activities on Nevada, which was rated the highest jurisdiction in the world for mining investment attractiveness by an independent survey(1). Mining is an integral part of Nevada s economy. In 2004, the mining industry increased Nevada s output by $5.89 billion including both direct and indirect impacts, up from $5.35 billion in 2002. Nevada ranks third in the world in gold production, after South Africa and Australia. Located in the State of Nevada are well known geological trends such as the Carlin Trend, Battle Mountain, Getchell Trend and the Walker Lane Trend. The Borealis Property is also located along the Aurora-Bodie trend which crosses the principal Walker Lane Trend as shown in the illustration below. Borealis, Bodie, Aurora, and other historical producing districts, are aligned along this northeast-southwest belt of significant gold deposits.

(1) Survey conducted by the Fraser Institute Annual Survey of Mining Companies 2004/2005 Publication Date: March 2005 Publication Format: Survey (an independent public policy organization based in Vancouver). The survey ranked 64 jurisdictions including, selected U.S. states, Australian states, Canadian provinces. The regions were rated based on mineral potential and effects of government policies on mineral exploration investment.

(Source: A. Noble, Ore Reserves Engineering, Technical Report, 2005; Gryphon Gold, 2005)

GOLD INDUSTRY AND THE GOLD MARKET

Gold Industry

Gold is used as a monetary standard for many nations and is also used in jewelry, dentistry, and in electronics. Gold is unusual in that it is both a commodity and a monetary asset. Gold is virtually indestructible and the majority of gold previously mined still exists above ground in some form or another. Because gold is relatively easy to transport, upward spikes in price are often met by the resale of existing stock.

Gold Prices and Market Statistics

In 2004, gold prices, as expressed in U.S. dollars per ounce, continued to strengthen, ending the year 12.9% higher over 2003 at an average of $410 per ounce, as quoted on the London Bullion Market (the primary trading and pricing market in the world), marking the fourth year of consecutive gains in price. In December of 2004, gold prices peaked as high as $454. The average spot price in 2004 as quoted on the London Bullion Market was $409.53 per ounce, compared to $363.83 in 2003. The London P.M fix on August 2, 2005 was $431 per oz of gold.

The chart below shows the historical price of gold for the period from January 1996 to July 2005 and the net long non-commercial positions (measured in tons of gold) throughout the period.

(Source: Bloomberg)

Supply and Demand Fundamentals

It is estimated that at the end of 2004, above-ground stocks represented a total quantity of approximately 153,000 tonnes, of which 63% had been mined since 1950. The supply of gold that satisfies demand each year comes both from mine production and from the recycling of metal that has been mined in previous years. The gold from recycling forms a small proportion of total annual supply flows. Investment holdings, or private investor stocks, account for 16% of the total stocks of gold. Over the last five years, annual world investment demand has accounted for 13% of total demand, worth around $5.4 billion. This calculation of world investment demand includes identified bar hoarding and official coins. Other elements of gold demand can also be attributed to investment, including medals/imitation coins and changes in stocks held in gold exchange traded funds. It is estimated that investment demand increased from a low of 4.8% of total end-use demand in 2000 to 14% in 2004. Jewelry fabrication has historically been the largest component of demand. The industrial component includes electronics, dentistry, other industrial and decorative applications and medals and imitation coins. The following charts show the last ten years of world supply of gold and world demand for gold:

(Source: Gold Field Mineral Services Gold Survey 2005)

BOREALIS PROPERTY

Unless stated otherwise, information of a technical or scientific nature related to the Borealis Property is summarized or extracted from the Technical Report on the Mineral Resources of the Borealis Gold Project dated May 25, 2005, prepared by Mr. Alan C. Noble, P.E. of Ore Reserves Engineering in Lakewood, CO, a Qualified Person , as defined in NI 43-101. Mr. Noble is independent from us. The Technical Report was prepared in accordance with the requirements of NI 43-101. Management s plans, expectations and forecasts related to our Borealis Property are based on assumptions, qualifications and procedures which are set out only in the full Technical Report.

The Borealis Property in Nevada is our principal asset, which we hold through our subsidiary, Borealis Mining. In the 1980 s previous operators of the Borealis Property mined approximately 600,000 ounces of gold from near-surface oxide deposits. In this prospectus, the previously mined area is referred to as the Borealis site , the previously disturbed area or the previously mined area , while our references to the Borealis Property refer to the entire property we own or lease through Borealis Mining. Echo Bay Mines Limited ceased active mining operations in 1991. Full site reclamation was completed in 1994. Reclamation bonds were released and Echo Bay relinquished its lease in 1996.

At Borealis, there is one large hydrothermal system, containing at least 14 known gold deposits, some of which are contiguous. There has been historical production from 8 of these deposits. As there are several other showings of gold mineralization across the property, there is an opportunity to identify additional gold deposits.

BOREALIS PROPERTY DESCRIPTION AND LOCATION

The Borealis Property is located in Mineral County in southwest Nevada, 12 miles northeast of the California border. The Borealis Property covers approximately 14,900 acres. The approximate center of the property is at longitude 118° 45 34 North and latitude 38° 22 55 West. The figure below shows the location and access to the Borealis Property.

Location map of the Borealis Property

(Source: A. Noble, Ore Reserves Engineering, Technical Report, 2005)

The Borealis Property is comprised of 747 unpatented mining claims of approximately 20 acres each, totaling about 14,900 acres, and one unpatented millsite claim of approximately 5 acres. Of the 747 unpat-

ented mining claims, 122 claims are owned by others but leased to Borealis Mining, and 625 of the claims were staked by Golden Phoenix or Gryphon Gold and transferred to Borealis Mining.

Our rights, through Borealis Mining as the owner or lessee of the claims, allow us to explore, develop and mine the Borealis Property, subject to the prior procurement of required operating permits and approvals, compliance with the terms and conditions of the mining lease, and compliance with applicable federal, state, and local laws, regulations and ordinances. We believe that all of our claims are in good standing.

The 122 leased claims are owned by John W. Whitney, Hardrock Mining Company and Richard J. Cavell, whom we refer to as the Borealis Owners. Borealis Mining leases the claims from the Borealis Owners under a Mining Lease dated January 24, 1997 and amended as of February 24, 1997. The mining lease was assigned to Borealis Mining by the prior lessee, Golden Phoenix. The mining lease contains an area of interest provision, such that any new mining claims located or acquired by Borealis Mining within the area of interest after the date of the mining lease shall automatically become subject to the provisions of the mining lease.

The term of the mining lease extends to January 24, 2009 and continues indefinitely thereafter for so long as any mining, development or processing is being conducted on the leased property on a continuous basis.

The remainder of the Borealis Property consists of 625 unpatented mining claims and one unpatented millsite claim staked by Golden Phoenix or Gryphon Gold. Claims staked by Golden Phoenix were transferred to Borealis Mining in conjunction with our January 28, 2005 purchase of all of Golden Phoenix s interest in the Borealis Property. A total of 151 claims of the total 625 claims held by Gryphon Gold are contiguous with the claim holdings, are located outside of the area of interest, and are not subject to any of the provisions of the lease.

All of the mining claims (including the owned and leased claims) are unpatented, such that paramount ownership of the land is in the United States of America. Claim maintenance payments and related documents must be filed annually with the Bureau of Land Management (BLM) and with Mineral County, Nevada to keep the claims from terminating by operation of law. Borealis Mining is responsible for those actions. At present, the annual BLM maintenance fees are $125 per claim, or $93,500 per year for all of the Borealis Property claims (747 unpatented mining claims plus one millsite claim). Required documents were submitted and the fee was paid to the BLM on August 6, 2005 fulfilling the 2006 maintenance requirements. In addition, a county filing fee of $8.50 per claim plus document fees totaling $6,366 was paid to Mineral County on August 6, 2005, in fulfillment of the annual filing requirements.

Royalty Obligations

The leased portion of the Borealis Property is currently subject to advance royalty payments of approximately $8,614 per month, payable to the Borealis Owners. These advance royalty payments are subject to annual adjustments based on change in the United States Consumer Price Index.

The terms of the mining lease require the payment of a net smelter returns production royalty by Borealis Mining to the Borealis Owners in respect of the sale of gold (and other minerals) extracted from those claims within the area of interest specified in the mining lease. The royalty rate for gold is determined by dividing the monthly average market gold price by 100, with the result expressed as a percentage. The royalty amount is determined by multiplying that percentage by the amount of monthly gold production from the claims in the area of interest and by the monthly average market gold price, after deducting all smelting and refining charges, various taxes and certain other expenses. For example, using an assumed monthly average market gold price of $400, the royalty rate would be 4%. Using an assumed monthly production of 5,000 ounces of gold from the leased claims, the monthly royalty amount would be 5,000 ounces times $400 per ounce, less allowable deductions, multiplied by 4%.

At present, there is no royalty payable to the United States or the State of Nevada on production from unpatented mining claims, although legislative attempts to impose a royalty have occurred in recent years.

ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

Primary access to the Borealis Property is gained from an all weather county gravel road located about two miles south of Hawthorne from State Highway 359. Hawthorne is about 133 highway miles southeast of Reno. The Borealis Property is about 16 road miles from Hawthorne.

The elevation on the property ranges from 7,200 ft to 8,200 ft above sea level. This relatively high elevation produces moderate summers with high temperatures in the 90°F (32°C) range. Winters can be cold and windy with temperatures dropping to 0°F (-18°C). Average annual precipitation is approximately 10 inches, part of which occurs as up to 60 inches of snowfall. Historically, the Borealis Property was operated throughout the year with only limited weather related interruptions.

Topography ranges from moderate and hilly terrain with rocky knolls and peaks, to steep and mountainous terrain in the higher elevations.

The vegetation throughout the project area is categorized into several main community types: pinyon/ juniper woodland, sagebrush, ephemeral drainages and areas disturbed by mining and reclaimed. Predominate species include pinyon pine, Utah juniper, greasewood, a variety of sagebrush species, crested wheat grass and fourwing saltbush.

During the initial phase of operations, if any, we anticipate that power could be generated on site. There is a power line crossing the Borealis Property within 2 miles of the center of the planned operations, which we will evaluate as an alternative power source during our planned engineering feasibility work. Water is available from two water basins located approximately 5 miles and 7 miles south of the planned mine site, respectively. Water for historical mining operations was supplied from the basin 5 miles away from the site. We have obtained permits from the Nevada Division of Water Resources to access water from each of these basins. We believe that each of these basins, individually, would provide a sufficient water supply for our planned operations.

The Borealis site has been reclaimed by the prior operator to early 1990 s standards. The pits and the project boundary are fenced for public safety. Currently, access to the pits and leach heap areas is gained through a locked gate. No buildings or power lines or other mining related facilities located on the surface remain. All currently existing roads in the project area are two track roads with most located within the limits of the old haul roads that have been reclaimed.

The nearest available services for both mine development work and mine operations are in the small town of Hawthorne, via a wide well-maintained gravel road. Hawthorne has substantial housing available, adequate fuel supplies and sufficient infrastructure to meet basic supply requirements. Material required for property development and mine operations are generally available from suppliers located in Reno, Nevada.

History of the District and Borealis Property

The original Ramona mining district, now known as the Borealis mining district, produced less than 1,000 ounces of gold prior to 1981. In 1978 the Borealis gold deposit was discovered by S. W. Ivosevic (1979), a geologist working for Houston International Minerals Company (a subsidiary of Houston Oil and Minerals Corporation). The property was acquired from the Whitney Partnership, which later became the Borealis Owners, following Houston s examination of the submitted property. Initial discovery of ore-grade gold mineralization in the Borealis district and subsequent rapid development resulted in production beginning in October 1981 as an open pit mining and heap leaching operation. Tenneco Minerals acquired the assets of Houston International Minerals in late 1981, and continued production from the Borealis mine. Subsequently, several other gold deposits were discovered and mined by open pit methods along the generally northeast-striking Borealis trend, and also several small deposits were discovered further to the northwest in the Cerro Duro area. Tenneco s exploration in early 1986 discovered the Freedom Flats deposit beneath thin alluvial cover on the pediment southwest of the Borealis mine. In October 1986, Echo Bay Mines acquired the assets of Tenneco Minerals.

With the completion of mining of the readily available oxide ore in the Freedom Flats deposit and other deposits in the district, active mining was terminated in January 1990, and leaching operations ended in late 1990. Echo Bay left behind a number of oxidized and sulfide-bearing gold mineral resources. All eight open pit operations are reported to have produced 10.7 million tons of ore averaging 0.059 ounces of gold per ton (opt Au). Gold recovered from the material placed on heaps was approximately 500,000 ounces, plus an estimated 1.5 million ounces of silver. Reclamation of the closed mine began immediately and continued for several years. Echo Bay decided not to continue with its own exploration, and the property was farmed out as a joint venture in 1990-91 to Billiton Minerals, which drilled 28 reverse circulation (RC) exploration holes on outlying targets for a total of 8,120 ft. Billiton stopped its farm-in on the property with no retained interest.

Subsequently Santa Fe Pacific Mining, Inc. entered into a joint venture with Echo Bay in 1992-93, compiled data, constructed a digital drill-hole database and drilled 32 deep RC and deep core holes, including a number of holes into the Graben deposit. Echo Bay completed all reclamation requirements in 1994 and then terminated its lease agreement with the Borealis Owners in 1996.

In 1996 J.D. Welsh & Associates, Inc. negotiated an option-to-lease agreement for a portion of the Borealis Property from the Borealis Owners. Prior to 1996, J.D. Welsh had performed contract reclamation work for Echo Bay and was responsible for monitoring the drain-down of the leach heaps. Upon signing the lease, J.D. Welsh immediately joint ventured the project with Cambior Exploration U.S.A., Inc. Cambior performed a major data compilation program and several gradient IP surveys. In 1998 Cambior drilled 10 holes which succeeded in extending one existing deposit and in identifying new zones of gold mineralization.

During the Cambior joint venture period, in late 1997, Golden Phoenix entered an agreement to purchase a portion of J.D. Welsh s interest in the mining lease. J.D. Welsh subsequently sold its remaining interest in the mining lease to a third party, which in turn sold it to Golden Phoenix, resulting in Golden Phoenix controlling a 100% interest in the mining lease beginning in 2000. Golden Phoenix personnel reviewed project data, compiled and updated a digital drill-hole database (previous computer-based resource modeling databases), compiled exploration information and developed concepts, maintained the property during the years of low gold prices, and developed new mineral resource estimates for the entire property.

In July 2003 Borealis Mining acquired an option to earn an interest in a joint venture in a portion of the Borealis Property and in January 2005 Borealis Mining acquired full interest in the mining lease and mining claims comprising the Borealis Property. See, Description and Development of the Business: History and Background of the Company, above.

We have expended considerable effort consolidating the available historical data and flat files since acquiring our interest in the Borealis Property. This data has been scanned, and converted into a searchable electronic form. The electronic database has formed the basis of re-interpretation of the district geologic setting, and helped to form the foundation for a new understanding of the district s potential. We acquired this data from Golden Phoenix in May 2003.

Historical Gold Production

The Borealis Property is not currently a producing mine. Historical data is presented for general information and is not indicative of existing grades or expected production. We have no probable or proven reserves on any of our properties. We cannot be assured that minerals will be discovered in sufficient quantities to justify commercial operations.

Photograph of Borealis district.
View to the east, with Freedom Flats pit in the foreground.
The photograph shows the site as it was circa 1991.

(Source: A. Noble, Ore Reserves Engineering, Technical Report, 2005)

Several gold deposits have been previously defined through drilling on the Borealis Property by prior owners. Some gold deposits have been partially mined. Reports on past production vary. The past gold production from pits on the Borealis Property, as reported by prior owners is tabulated below. The total of past gold production was approximately 10.6 million tons of ore averaging 0.057 ounces per ton (opt) gold. Mine production resulting from limited operations in 1990 is not included. Although no complete historical silver production records still exist at this time, the average silver content of ore mined from all eight pits appears in the range of five ounces of silver for each ounce of gold. We have not included silver in our mine planning to date, but intend to monitor the potential viability of silver recovery, if warranted, as our feasibility study and more detailed mine planning progress.

Reported past Borealis production, 1981-1990[1]

Crushed and Agglomerated Ore[2]	Tons	Grade (opt Au)	Contained Gold (oz)
Borealis	1,488,900	0.103	153,360
Freedom Flats	1,280,000	0.153	195,800
Jaime s/ Cerro Duro/ Purdy	517,900	0.108	55,900
East Ridge	795,000	0.059	46,900
Gold View	264,000	0.047	12,400
Total	**4,345,800**	**0.107**	**464,360**
Run of Mine Ore[3]			
East Ridge	**2,605,000**	**0.021**	**54,700**
Polaris (Deep Ore Flats)	**250,000**	**0.038**	**9,500**
Gold View	**396,000**	**0.009**	**3,500**
Northeast Ridge	**3,000,000**	**0.025**	**75,000**
Total	6,251,000	0.023	142,700
Grand Total	10,596,800	0.057	607,060

(1) The numbers presented in this table are based on limited production records. A later report in 1991 published by the Geologic Society of Nevada reports that production totaled 10.7 million tons with an average grade of 0.059 opt.

(2) Crushed and agglomerated ore is that material which has been reduced in size by crushing, and as a result may contain a significant portion of very fine particles which is then, with the aid of a binding agent such as cement, reconstituted into larger particles and subsequently leached in a heap. The agglomerated ore typically has greater strength allowing for higher stacked heaps and may allow better percolation of leach solutions if the ore has high clay content.

(3) Run of mine ore is that material which was fragmented by blasting only, and then stacked on the heaps without being further reduced in size by crushing or other beneficiation processes.

Borealis Property Development Background

In October 2003, we engaged Behre Dolbear & Company, Inc., mining consultants, to develop a preliminary scoping study for the redevelopment of the Borealis Property. Behre Dolbear prepared a report titled Preliminary Scoping Study dated June 7, 2004, which we refer to as the Behre Dolbear Report. Qingping Deng, a Qualified Person as defined in NI 43-101, who is independent from us, authored the Behre Dolbear Report. The following information is based on the Behre Dolbear Report. Portions of the following information are based on assumptions, qualifications and procedures which are set out only in the Behre Dolbear Report.

In its report, Behre Dolbear performed a resource estimate in which it identified mineralized material on the Borealis Property and concluded that the Borealis Property had excellent exploration potential. Behre Dolbear also analyzed the historical data on the property and produced a series of recommendations to evaluate and potentially

develop the Borealis Property.

Following our consideration of the Behre Dolbear Report, and based on additional geologic field work, we retained Ore Reserves Engineering, consulting resource modeling engineers, to complete an updated resource estimate model in accordance with NI 43-101. In May 2005, Ore Reserves Engineering delivered a report titled the *Technical Report on the Mineral Resources of the Borealis Gold Project Located in Mineral County, Nevada.* The Behre Dolbear Report, which preceded the Technical Report, was reviewed by Alan C. Noble, the author of the Technical Report.

The Technical Report states that the preferred course of action for Gryphon Gold is to continue with the three phased business plan contained in the Behre Dolbear Report, resulting in mine development if such development is technically warranted and commercially feasible.

The three phase business plan referred to in the Technical Report and the Behre Dolbear Report is to evaluate:

(a) the existing leach pads and mine dump materials for the possibility of releaching and gold production,

(b) the remaining oxide ores that could be mined and transported to the new leach pad, and

(c) the deeper high grade sulfide mineralization.

It is our intention to continue with the recommendations established in the Technical Report with the objective of developing the Borealis Property, subject to further optimizing of the mining scenario contemplated as more detailed information becomes available.

The principal steps to the development of the Borealis Property consist of:

completing the permitting process;

continuing our drilling program, database enhancement and geophysical surveys on the previously disturbed area of the Borealis Property, also referred to as the Borealis site ;

implementing a systematic metallurgical testing program for gold bearing samples collected;

completion of the feasibility study;

building the mine facilities, if warranted by project economics, on the Borealis site; and

developing an exploration program for the areas of the Borealis Property outside the Borealis site.

We aim to complete these principal steps by the second half of 2006, subject to receiving required permits and approvals. In addition and in accordance with the recommendations contained in the Technical Report, we propose to undertake an exploration program on areas of the Borealis Property outside the Borealis Site.

The cost of the principal steps referred to above, other than construction of the mine facilities, was estimated in the Technical Report at $3.5 million (Cdn$4.1 million). We have estimated the capital costs of the construction of the mine facilities at $5.6 million (Cdn$6.6 million) and the initial payment to secure a surety contract to satisfy a reclamation bond at $3 million (Cdn$3.5 million).

The principal steps are described in further detail under the heading Development and Exploration .

GEOLOGICAL SETTING

Regional Geology

The Borealis mining district lies within the northwest-trending Walker Lane mineral belt of the western Basin and Range province, which hosts numerous gold and silver deposits. Mesozoic metamorphic rocks in the region are intruded by Cretaceous granitic plutons. In the Wassuk range the Mesozoic basement is principally granodiorite with metamorphic rock inclusions. Overlying these rocks are minor occurrences of Tertiary rhyolitic tuffs and more extensive andesite flows. Near some fault zones, the granitic basement rocks exposed in the eastern part of the district are locally weakly altered and limonite stained.

The oldest exposed Tertiary rocks are rhyolitic tuffs in small isolated outcrops which may be erosional remnants of a more extensive unit. The rhyolitic tuffs may be correlative with regionally extensive Oligocene rhyolitic ignimbrites found in the Yerington area to the north and within the northern Wassuk Range. On the west side of the Wassuk Range, a thick sequence of older Miocene andesitic volcanic rocks unconformably overlies and is in fault contact with the granitic and metamorphic rocks, which generally occur east of the Borealis district. The age of the andesites is poorly constrained due to limited regional dating, but an age of 19 to 15 Ma is suggested (Ma refers to million years before present). In the Aurora district, 10 miles southwest

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of the Borealis district, andesitic agglomerates and flows dated at 15.4 to 13.5 Ma overlie Mesozoic basement rocks and host gold-silver mineralization. Based on these data, the andesites in the Borealis region can be considered as 19 to 13.5 Ma.

The Borealis district lies within the northeast-trending Bodie-Aurora-Borealis mineral belt; the Aurora district, with 1.9 million ounces of past gold production, lies 10 miles southwest of Borealis and the Bodie district, with 1.5 million ounces of gold production, lies 19 miles southwest in California. All three mining districts are hosted by Miocene volcanics. The intersection of northwesterly and west-northwesterly trending Walker Lane structures with the northeasterly trending structures of the Aurora-Borealis zone probably provided the structural preparation conducive to extensive hydrothermal alteration and mineralization at Borealis.

Local Geology

The Borealis district mineralization is hosted by Miocene andesite flows, laharic breccias, and volcaniclastic tuffs, which exceed 1000 to 1200 ft in thickness, strike northeasterly, and dip shallowly to the northwest. The andesite is internally subdivided into upper and lower volcanic packages which are laterally extensive and constitute the predominant bedrock in the district. These packages host most of the gold ore deposits. The most favorable host horizon is the upper andesite and the contact zone between the two andesite packages. An overlying upper tuff is limited in aerial extent due to erosion. All of these units are cut by steeply dipping northeast-trending faults that probably provided conduits for mineralizing hydrothermal fluids in the principal mineralized trends. Pediment gravels cover the altered-mineralized volcanic rocks at lower elevations along the range front and overlie many of the best exploration targets. Wide-spaced drilling indicates that the majority of the altered-mineralized area is covered by pediment gravels over a seven-mile long zone in the southern and southwestern parts of the district. Much of this area has received only minor testing.

Structures in the district are dominantly northeast-striking normal faults with steep northwest dips, and generally west-northwest-striking range-front faults with steep southerly dips. Both of these fault systems lie in regional trends which are defined large structural zones in the earth s crust and by the locations of several known district scale mineral deposits and other smaller mineralized systems. Borealis appears to be at a major intersection of two of these mineralized trends, the Walker Lane and the Bodie-Aurora-Borealis cross trend.

A number of the pre-mineral faults of both orientations in the Borealis district appear to control the occurrence and concentration of gold mineralization, and may have been conduits for migration of higher-grade gold bearing hydrothermal solutions. The hydrothermal solutions often followed the planes of the faults to zones where the proper geologic conditions allowed for concentration of the solutions and formation of gold deposits.

Movement along most of the faults in the Borealis district appears to be normal, although some faults also display a strike-slip component of movement. In the mined part of the district, rocks are mostly down dropped on the northwest side of northeast-trending faults, which is part of a graben. The Graben gold deposit appears to be controlled by a north-northeast trending structure dipping steeply to the east, and no other structures of this orientation have been identified.

Mineral Deposits

The gold deposits contained within the larger, district scale, Borealis hydrothermal system are recognized as high-sulfidation type systems with high-grade gold mineralization occurring along steeply dipping structures and lower grade gold mineralization both surrounding the high-grade and commonly controlled by more permeable volcanic rocks in relatively flat-lying zones. The gold deposits, some with minor amounts of silver mineralization are hosted by Miocene andesitic flows, laharic breccias, and volcaniclastic tuffs, which all strike northeasterly and dip shallowly to the northwest. Pediment gravels cover the altered-mineralized volcanic rocks at lower elevations along the mountain front and there is potential for discovery of more blind deposits, similar to the Graben deposit.

The surface footprints of the high-grade pods or pipe-like bodies, found to date are rather small and they can be easily missed with patterns of too widely spaced geophysical surveys and drill holes. Most of the

drilling on the property by prior owners, including the Graben deposit, is vertical, and therefore did not adequately sample the steep higher-grade zones. Drill-hole orientation has compounded the underestimation of grades within the district. The coarse gold component can best be captured with very careful sampling of drill cuttings and core and collecting large samples.

Several drill holes to the west of Freedom Flats and Borealis encountered gold within the alluvium stratigraphically above known deposits. These holes trace a gold-bearing zone that in plan appears to outline a paleochannel of a stream or gently sloping hillside that may have had its origin in the eroding Borealis deposit. The zone is at least 2,500 feet long, up to 500 feet wide, and several tens up to 100 feet thick. At this point it is unknown if this is a true placer deposit, an alluvial deposit of broken ore, or some combination of both. Additional drilling and beneficiation tests are needed to determine if an economic gold deposit exists.

EXPLORATION

Since the late 1970 s, considerable exploration has been completed at the Borealis Property with the primary objective of finding near surface deposits with oxide type gold mineralization. Exploration work has consisted of field mapping, surface sampling, geochemical surveys, geophysical surveys, and shallow exploration drilling. Only limited drilling and geological field work has been completed in areas covered by pediment gravels, even though Freedom Flats was an unknown, blind deposit, without surface expression when discovered.

Many geophysical surveys have been conducted by others in the Borealis district since 1978. In addition, regional magnetics and gravity maps and information are available through governmental sources. The most useful geophysical data from the exploration programs has been induced polarization (IP) (chargeability), aeromagnetics, and, to a lesser degree, resistivity.

Areas with known occurrences of gold mineralization, which have been defined by historical exploration drilling, and have had historical mine production include: East Ridge and Gold View, Northeast Ridge, Freedom Flats, Borealis, and Deep Ore Flats (also known as Polaris). All of these deposits still have gold mineralization remaining in place, contiguous with the portions of each individual deposit which has been mined

Discovery potential on the Borealis Property includes oxidized gold mineralization adjacent to existing pits, new oxide gold deposits at shallow depth within the large land position, gold associated with sulfide minerals below and adjacent to the existing pits, in possible feeder zones below surface mined ore and deeper gold-bearing sulfide mineralization elsewhere on the property. Both oxidized and sulfide-bearing gold deposits exhibit lithologic and structural controls for the locations and morphologies of the gold deposits.

The following areas have not been subject to historic mine production, but have been subject to historical exploration that has identified gold mineralization.

Borealis Extension

The Borealis Extension deposit occurs at shallow to intermediate depth beneath the northern and western parts of the former Borealis pit. Most of the mineralization begins at 110 to 375 ft below the surface. Generally the top of this target occurs at or slightly below the 7,000-ft elevation. The primary target is defined by 16 contiguous drill holes completed by previous operators that have potential ore-grade intercepts and that penetrate beneath the 7,000-ft elevation. Thickness of low-grade mineralized intercepts ranges from 15 to 560 ft with nine holes having from 155 to 560 ft of +0.01 opt of gold; average thickness of the zone is 236 ft. Grades have been divided into sub-zones of 0.01-0.03 opt, which averages 0.018 opt of gold, and of +0.03 opt, which averages 0.084 opt of gold.

Graben Deposit

The Graben deposit is currently defined with approximately 36 RC holes and 19 core holes. Drilling has defined a zone of gold mineralization, using an 0.01 opt Au boundary, that extends at least more than 2,000 ft in a north-south direction and between 200 and 750 ft east-west, and up to 300 ft thick. The top of the deposit

is from 500 to 650 ft below the surface. Near its southern margin the axis of the deposit is within 800 ft of the Freedom Flats deposit and along one portion of the southeastern margin low-grade mineralization may connect with the Freedom Flats mineralization through an east-west trending splay. Drilling data appears to confirm mineralization at the southern margin of the deposit is closed off. Along the western margin a suspected post-mineralization fault may have down-dropped the deposit and apparently serves as an effect western boundary to mineralization and brings tertiary gravels in contact with the Graben zone. Much of the eastern margin has not been defined by drilling. To the north mineralization remains open. An airborne magnetic survey and a gradient IP survey reveal anomalies along the northern extension of the Graben zone, suggesting that the deposit continues in that direction.

North Graben Prospect

The North Graben prospect is defined by the projection of known mineralization, verified by drilling sampling and coincident with a large intense aeromagnetic low and a broad chargeability (IP) high. Only one hole has been drilled, but not completed, into the southern margin of the North Graben prospect, about 1,400 ft north of the most northerly significant Graben mineralization. While this hole failed to reach its target depth, alteration typical of the margin of the Graben deposit was encountered. This blind untested target lies on trend of the north-northeast-elongate Graben mineralized zone. In 1989, Echo Bay had completed a district-wide helicopter magnetic/electromagnetic survey, which identified a large, intense type aeromagnetic low in the North Graben area. This coincident magnetic low/chargeability high is now interpreted as being caused by an intensive and extensive hydrothermal alteration-mineralization system.

Cambior conducted a gradient IP survey in 1997, which identifies a deep-source broad chargeability anomaly that extends northerly from the northern margin of the Freedom Flats deposit, covers only part of the Graben zone and most of the North Graben area, and extends to the limit of the surveyed area. This anomaly is interpreted to be caused by high-sulfide mineralization. The North Graben prospect thus represents the possible extension of known mineralization of the Graben zone.

One angle hole was drilled by Cambior in 1998 to test the southern most portion of the North Graben target chargeability anomaly, and it was well south of a large aeromagnetic low. The upper 725 ft of this hole contained post-mineral gravel and sediments and relatively unaltered andesitic volcanics, before intersecting altered and mineralized andesite near the bottom of the hole. The pre-mineral andesite flows contain alteration ranging from propylitic to chalcedonic silica down the hole. Hole 98005 was lost at a depth of 780 ft due to hole caving. Although no significant gold mineralization was encountered in the hole, alteration was most intense at the bottom. Hydrothermal alteration noted in samples from the hole fits better with patterns found at the margin of a Graben-type deposit.

Sunset Wash Prospect

The Sunset Wash prospect consists of a gravel-covered pediment underlain by extensive hydrothermal alteration in the western portion of the Borealis district. Sixteen holes drilled by Echo Bay Mines indicate that intense alteration occurs within a loosely defined west-southwest belt that extends westerly from the Jaime s Ridge/ Cerro Duro deposits. At the western limit of the west-southwest belt, Cambior s IP survey and drilling results can be interpreted to indicate that the alteration system projects toward the southeast into the pediment along a mineralized northwest-oriented fault. Cambior conducted a gradient array induced polarization (IP) survey over the Sunset Wash area effectively outlining a 1,000 by 5,000 ft chargeability anomaly. The anomaly corresponds exceptionally well to alteration and sulfide mineralization identified by Echo Bay s drill-hole results. Two structures appear to be mapped by the chargeability anomaly; one is a 5,000-ft long west-southwest-trending structure and the other is a smaller, northwest-trending structure that cuts off the W-SW structure at its western limit. Alteration types and intensity identified by the drilling, combined with the strong IP chargeability high and the aeromagnetic low, strongly suggest that the robust hydrothermal system at Sunset Wash is analogous to the mineralized systems at Graben and Freedom Flats.

Geologic observations based on mapping and drill hole logging indicate that both the Freedom Flats and the Graben deposits are localized along a favorable horizon near the contact between the upper and lower

volcanic units. This same contact zone appears to underlie the Sunset Wash pediment at a shallow depth. The target concept suggests that mineralization should favor zones where mineralizing structures crosscut the upper and lower volcanic contact. Cambior drilled three holes to test portions of the Sunset Wash geophysical anomaly and to offset other preexisting drill holes with significant alteration. Each of the three holes was drilled vertically to maximize the depths tested. The three holes were collared in the upper volcanic unit, but only one crossed the contact.

The westernmost of Cambior s three holes encountered the most encouraging alteration and best gold mineralization suggesting that this drillhole is near the most prospective area. This drill-hole intercepted altered rock from bedrock surface to total depth, including an extremely thick zone of chalcedonic replacement in the lower two-thirds of the hole.

Bullion Ridge/ Boundary Ridge

The northeast-trending alteration zone extending along Boundary Ridge into Bullion Ridge contains intense silicification that is surrounded by argillization, with abundant anomalous gold. Widely spaced shallow holes completed by previous operators have tested several of the alteration/anomalous gold zones defining discrete zones of mineralized material.

Lucky Boy Prospect

Another prospect area similar to North Graben and Sunset Wash is the Lucky Boy area, which may be in a shallower pediment environment in the central portion of the district near the range front. Drill holes in the periphery have thick zones of silification and traces of gold mineralization. Echo Bay s aeromagnetic map shows another magnetic low and Cambior s IP map shows a coincident chargeability high in the area of the silicification.

MINERALIZATION

Overview

Finely disseminated gold mineralization found in the Borealis epithermal system was associated with pyrite and other gold bearing sulfide minerals such as marcasite when initially deposited by the gold rich hydrothermal fluids. In some portions of the deposits, over time through natural oxidation, the pyrite was transformed to limonite releasing the gold particles. Through this geologic process, the mineral character of the deposit was altered, and gold was exposed so that conventional hydrometallurgical processes (e.g. gold heap leaching) could be effectively applied to recover the gold. Gold still bound in pyrite or pyrite-silica which was not as readily oxidized in the geologic process, is not as easily recovered by a simple heap leach operations and may require some type of more advanced milling operation. Limited evidence suggests that in certain deposits such as the Borealis and Freedom Flats deposits, that some coarse gold exists, probably in the higher-grade zones.

Oxide Gold Mineralization

Oxide gold mineralization is generally more amenable to direct cyanidation processes such as heap leaching as compared to sulfide gold mineralization.

Oxide deposits in the district have goethite, hematite, and jarosite as the supergene oxidation products after iron sulfides, and the limonite type depends primarily on original sulfide mineralogy and abundance. Iron oxide minerals occur as thin fracture coatings, fillings, earthy masses, as well as disseminations throughout the rock. The degree of supergene oxidation, mineral constituents, and form and occurrence of the oxide minerals in the host rock are significant factors in determining metallurgical performance and ultimate gold recovery. As demonstrated in previous operations, this type of gold bearing material is amenable to conventional heap leaching methodology.

Depth of oxidation is variable throughout the district and is dependent on alteration type, structure, and rock type. Oxidation ranges from approximately 250 ft in argillic and propylitic altered rocks to over 600 ft in

fractured silicified rocks. A transition zone from oxides to sulfides with depth is common with a mixing of oxide and sulfide minerals.

Except for the Graben deposit, all of the known gold deposits are at least partially oxidized. Typically the upper portion of a deposit is totally oxidized and the lower portions unoxidized. In places, such as the Ridge deposits, there is an extensive transition zone of partially oxidized sulfide bearing gold mineralization. Oxidation has been observed to at least 1,000 ft below the surface. Therefore, we believe that if additional gold deposits are found under gravel cover, some portion of them may be oxidized.

Sulfide Gold Mineralization

Sulfide gold mineralization is generally less amenable to conventional direct cyanidation metallurgical processes, and may require more advanced processes such as milling, flotation and oxidation prior to cyanidation.

Sulfide deposits in the district are mostly contained within quartz-pyrite alteration with the sulfides consisting mostly of pyrite with minor marcasite, and lesser arsenopyrite and cinnabar. Many trace minerals of copper, antimony, arsenic, mercury and silver have also been identified. Pyrite content ranges from 5 to 20 volume percent with local areas of nearly massive sulfides in the quartz-pyrite zone and it occurs with grain sizes up to 1mm. At Borealis, euhedral pyrite grains are commonly rimmed and partially replaced with a later stage of anhedral pyrite overgrowths. Study of this phenomenon in other epithermal districts in Nevada has shown that gold occurs only in the late overgrowths. Mineralogical studies of Borealis samples suggest that this may also be true at Borealis, but are not fully conclusive.

The Graben deposit is the best example found to date of the size and quality of sulfide deposits within the district. In addition sulfide mineral resources occur in the bottoms of most of the pits, but the most significant mineral resource in a pit environment is found beneath the Freedom Flats pit. Potential targets below most pits would include the feeder structures, many of which would be expected to have high-grade sulfide gold mineralization.

The following illustration is a representation which graphically demonstrates our generalized interpretation of the three predominate types of gold bearing material that have been defined in the Graben, Freedom Flats, and Borealis deposits by drilling and sampling. Drilling at the Graben indicates that this deposit contains predominantly sulfide gold mineralization. Limited drilling in the Borealis Extension deposit shows that the deposit is comprised of a mix of partially oxidized and oxidized gold mineralization. Near-surface deposits at Freedom Flats, Borealis and other deposits that were partially mined, and shown to be amenable to gold heap leaching, still contain potentially heap leachable gold mineralization in zones immediately adjacent to historical pits.

Drilling completed by us and previous operators shows that gold mineralization often extends beyond the limits of previously mined pits. In addition, past mining operations have left dumps and heaps which were previously processed. We have evaluated portions of this stockpiled material with drilling, sampling, assaying and metallurgical testing and have determined that certain of these stockpiles still contain mineralized material with significant gold values.

(Source: Gryphon Gold)

DRILLING

We have conducted a drilling program of existing heaps and dumps of the Borealis site. Set out below is a summary of the drilling work conducted on the Borealis Property by prior owners and by us.

Historical Drill Hole Database

The drill-hole database used for the main Borealis project study area contains 1,747 drill holes with a total drilled length of 510,712 ft, including 1,626 which intersected gold mineralization. These holes were drilled by various prior operators. Drill-hole types include diamond core holes, reverse circulation (RC) holes and rotary holes. Only a few core holes have down-hole survey information. Mineralized zones covered by these drill holes include the Freedom Flats, Graben, Borealis, Polaris, East Ridge and Northeast Ridge. Except for Graben, all have been partially mined by previous operators of the project; the Borealis and Deep Ore Flats (also known as Polaris) pits have been back-filled with waste from the Freedom Flats pit. There are an additional 487 drill holes with a total drilled length of 103,562 ft scattered throughout the district, and mostly in the Cerro Duro, Jamie s Ridge, and Purdy Peak area, at approximately three miles distant northwest of the main Borealis mine area. The total existing drilling for the entire Borealis Property, therefore, is 2,234 holes with a total drilled length of 614,274 ft. None of these historical holes were drilled by us.

Drill hole sampling length is generally 5 ft for the RC holes, but varies for the core holes based on geological intervals. Sampling length is up to 25 ft for some of the early rotary holes. Gold assays in parts per billion (ppb) and troy ounces per short ton (opt) are provided for most of the sampling intervals. Silver assays in parts per million (ppm) and opt are also provided for some of the sampling intervals. Silver grade was not modeled in this study.

Summary of Drill Hole Sample Statistics for Drill Holes intersecting the Mineralized Zones[1][2]

	Number Holes[3]	Total Sample Intervals[4]	Intervals Not Assayed	Intervals Assayed	Total Assayed Footage	Average Assay Length (Feet)	Average Gold Grade opt of Gold
Graben	61	2,620	131	2,489	12,362	4.97	0.054
Freedom Flats	143	6,223	217	6,006	30,029	5.00	0.064
Borealis	321	5,611	127	5,484	27,835	5.08	0.042
Deep Ore Flats (Polaris)	163	6,223	217	6,006	30,029	5.00	0.064
Crocodile Ridge	37	2,593	25	2,568	12,879	5.02	0.012
Alluvium	253	1,673	175	1,498	7,490	5.00	0.007
East Ridge	188	4,466	104	4,362	21,892	5.02	0.020
Mid Ridge	60	1,307	24	1,283	6,415	5.00	0.008
Northeast Ridge	210	6,008	115	5,893	29,495	5.01	0.016
Outside Zones	1,342	56,188	3,564	52,624	267,047	5.07	0.001
Southwest Model Total	1,080	69,221	4,144	65,077	328,339	5.05	0.012
Northeast Model Total	546	18,020	341	17,679	89,850	5.08	0.011

(1) Reference should be made to the Technical Report for further explanation of the above tabular information

(2) This table summarizes drilling within known gold deposits of 1,747 holes and does not reflect the remaining 487 drill holes. Total drilling amounts to 2,234 holes with a total footage of 614,274 feet.

(3) Drill holes may intersect more than one zone, therefore the number of holes by zone is not additive.

(4) All distances are presented in feet.

The database subset used for the computer generated resource model referred to in the Technical Report consists of 1,604 of the drill holes with a total footage of 447,860 ft and 82,756 assayed intervals. Many of the high-grade intervals were assayed more than once to check and confirm the actual grades, so the total number of assays exceeds 82,756. The average depth of holes is 275 ft but the bulk of the holes are less than 200 ft with a limited number of holes in selective locations extending 1,000-2,000 ft to test deeper mineralization. The average assayed interval was slightly larger than 5 ft, with the bulk of the samples representing 5-ft intervals. The drill holes discussed above were completed by other operators at Borealis, and were not drilled by Gryphon.

Drilling of Existing Heaps and Dumps

In May 2004 we completed a drilling program on the five Borealis site heaps and parts of the Freedom Flats and Borealis site dumps. This program consisted of 32 holes totaling 2,478.5 ft. Dump holes were drilled deep enough to penetrate the soil horizon below the dump, while holes on the heaps were drilled to an estimated 10-15 ft above the heap s liner. We are currently conducting an ongoing drill program targeted at expanding the limits of known gold deposits. See Development and Exploration Resource Expansion and Exploration Program.

SAMPLING AND ANALYSIS

General

The Borealis Mine operated from 1981 through 1990 producing approximately 10.7 million tons of ore averaging 0.059 ounces of gold per ton from seven open pits. The mined ore contained approximately 635,000 ounces of gold of which approximately 500,000 ounces of gold were recovered through a heap leach operation (please refer to footnote to table Reported Past Borealis Production 1981-1990). This historic production can be considered a bulk sample of the deposits validating the database that was used for feasibility studies and construction decisions through the 1980s. With over 2,200 drill holes in the database that was compiled over a 20-year period by major companies, the amount of information on the project is extensive. It

is primarily these data that have been used as the foundation of the current mineral resource estimate. The bulk of the data was collected beginning in 1978, the year of discovery of the initial ore-grade mineralization, and was continuously collected through the final year of full production. Subsequent owners who conducted exploration programs through the 1990s added to the database.

Previous Mining Operations Sampling, Analysis, Quality Control and Security

Specific detailed information on sampling methods and approaches by the various mine operators is not available to us. However, a report written in 1981 (referred to in the Technical Report) noted that the drilling, sampling and analytical procedures as well as assay checks were reported as acceptable by industry practice.

Echo Bay Mines performed quality checks on their drill cuttings, sampling and assaying methods as part of their evaluation of the property prior to and following its purchase from Tenneco Minerals, indicating that the original assays were reliable and representative. During their exploration and development programs they also drilled a number of core hole twins of reverse circulation rotary drill holes to compare assay results in the same areas.

Houston Oil and Minerals, Tenneco, and Echo Bay Mines are reported to have used standard sample preparation and analytical techniques in their exploration and evaluation efforts, but detailed descriptions of the procedures have not been found. Most of the drill-hole assaying was accomplished by major laboratories that were in existence at the time of the drilling programs. Various labs including Monitor Geochemical, Union Assaying, Barringer, Chemex, Bondar-Clegg, Metallurgical Laboratories, Cone Geochemical, the Borealis Mine lab and others were involved in the assaying at different phases of the exploration and mining activity.

We believe that early work on the property relied on assay standards that were supplied by the laboratories doing the assaying. However, Echo Bay Mines (1986) reported using seven internal quality control standards for their Borealis Mine drill-hole assaying program. The seven standards ranged in gold concentrations from 170 ppb to 0.37 opt. Assay labs involved in the standards analyses were Cone Geochemical, Chemex, and the Borealis Mine lab, and the precision of the three labs was reported as excellent (+/- 1 to 8%) for the higher gold grades (0.154-0.373 opt); acceptable (+/- 3 to 14%) for the lower grades (0.029-0.037 opt); and fair (+/- 4 to 20%) for the geochemical anomaly grades (0.009 opt to 170 ppb). These data provide an initial estimation of the precision and accuracy of gold analyses of Borealis mineralization.

During 1986, Echo Bay instructed Chemex to analyze duplicate samples for five selected drill holes. A comparison was made of (a) 1/2 assay-ton fire assay with a gravimetric finish, versus (b) 1/2 assay-ton fire assay with an atomic absorption finish, versus (c) hot cyanide leach of a 10-gram sample. The 1/2 assay-ton fire assay gravimetric and the 1/2 assay-ton fire assay atomic absorption gave essentially the same results. However the hot cyanide leach gave results that were 5-11 percent higher in one comparison and significantly lower in another, prompting Chemex to conclude that cyanide leach assaying was not appropriate for Borealis samples. The great majority of the assays in the database are based on fire assays.

We have no information relating to the sample security arrangements made by the previous operators.

Gryphon Gold Operations Sampling, Analysis, Quality Control and Security

We engaged an independent contractor in 2004 to drill 32 holes on the five previously leached heaps and two waste dumps. The drilling was completed with a sonic rig to retrieve a core-like sample. All drill holes were drilled vertical, and samples represent true thickness of the dump or heap material.

Sampling intervals were originally designed to be every 10 ft, but were contingent upon drilling conditions. During drilling, sample intervals were subject to when the sample tube was extracted from the hole. Individual runs varied from 1 to 3 ft, which were then combined to produce a sample with an interval length as close to 10 ft as practicable (the combination was completed at American Assay Labs). Combined intervals varied from 9 ft to 11 ft, except at the bottom of a hole where the interval was as short as 4 ft.

When the sample tube was extracted from the hole, the sample was immediately slid into a plastic sleeve that was sealed and marked with the drill hole number and footage interval. These plastic sample sleeves were not reopened until they reached the analytical lab. All of the drill procedures and handover to the analytical lab was monitored by an independent geologist hired through Geotemps Inc. The contract field geologist also maintained lithology logs for each drill hole. A non-blind standard was added as the last sample of each hole, which was obvious to the lab since the standard was in a pulp bag, although the lab did not know the gold value of the standard.

All samples were submitted to American Assays Labs of Sparks, Nevada. At the lab each of the individual samples were combined into an analytical sample at approximated 10 ft intervals. Each analytical sample was split in a rotary splitter with a one-fifth of the sample removed for assay and the remaining four-fifths retained for metallurgical testing. Each analytical split was weighed, dried and weighed again. The difference between the two weights represents the amount of water in the original sample. Each dried sample was crushed to one-quarter inch passing and a 300 to 500 gram sample was riffled off for assay. The remaining sample was retained at the lab. Each assay sample was pulverized and assayed for gold and silver by one assay ton fire assay, and a two hour 200 gram cyanide shake assay for dissolvable gold.

Two additional samplings were undertaken on one of the heaps. Twelve samples were collected along the new road cut and one bulk sample was collected from a backhoe cut made during reclamation. The road cut samples were collected as rock chips over 10 ft intervals. Each sample was about 5 pounds of material that was collected to represent the size distribution of the material in the cut. Six of the samples were from the south side mid-point along the heap and six from near the east base. Each sample was assayed by American Assay Labs using one assay ton fire assay for gold and silver. The average grade of the 12 samples is 0.009 opt Au, which compares favorably with the average grade of the three holes drilled into the heap, which is 0.008 opt Au. About 20 pounds of representative material was collected from the backhoe trench. At American Assay Labs one-quarter of the sample was split out and assayed by one assay ton fire assay for gold and silver. This sample contains 0.008 opt Au, which corresponds with the average value for the heap as determined by drilling. The remaining three-quarters of the sample was sieved into four size fractions and assayed in the same manner as noted above.

As part of the quality control program standards were submitted to American Assay Labs (AAL) with each drill hole, several assayed pulps and two standards were submitted to ALS Chemex, and three of the duplicates and two standards were submitted to ActLabs-Skyline.

Historical Mining and Metallurgical Operations

The historical mining operations processed both a run-of-mine ore and an ore that was crushed to a nominal $1^1/2$-inch product as the primary feed material that was placed on the heap for leaching. The fines fraction was agglomerated with cement, mixed with the coarse fraction, and leached with sodium cyanide solution. Gold mineralization is finely disseminated and/or partially bonded with pyrite, and although there are very little ore mineralogy data available, historical operating reports suggest that some coarse gold may exist. Gold that is bound in pyrite or pyrite-silica is not easily recovered by simple heap leach cyanidation, however gold recovery in oxide ores is reported to average about 80% for the ore treated. There are no reports of carbonaceous refractory components within the old heap or dump materials. The previous mine operators employed a Merrill Crowe circuit to enhance ease of silver recovery, followed by a retort to remove mercury.

Laboratory testing subsequent to mine shut down in 1990 indicates that gold recoveries of 55 to 80 percent can be expected from remaining oxide material on the Borealis Property by heap leaching.

Based on limited testwork, gold bearing sulfide material appears to respond to conventional flotation concentration and cyanidation of oxidized concentrates. In the laboratory testing, chemical oxidation and bioxidation treatment of the sulfide material yield a high level of oxidation and correspondingly high gold recoveries after cyanidation of the oxidized material. Aeration of concentrate slurries may be a suitable oxidation method for the sulfide material.

DEVELOPMENT AND EXPLORATION

Our development and exploration plans are based on the recommendations contained in the Technical Report and are outlined below:

Permitting Process

We will continue the process of obtaining the permits necessary for mine start up. Obtaining the permits necessary for mine start up does not require us to complete a feasibility study. The principal permits are expected to be issued in early 2006, while ordinary course permits will be sought prior to mine start up.

The permitting process is described below under the heading Permitting and consists principally of:

Filing a Plan of Operation with the U.S. Forest Service to obtain a mine operation permit. We filed our Plan of Operation in August 2004.

Preparation of an Environmental Assessment. We have retained a third party contractor to prepare the assessment for us, and we expect this process will be completed in early 2006.

Obtaining water rights from the Nevada Division of Water Rights. We have obtained the rights to one basin and applied for rights to a second basin.

Obtaining a Water Pollution Control Permit from the Nevada Division of Environmental Protection, Bureau of Mining Regulation and Reclamation (the BMRR) in respect of the heap leach and process solution ponds. We filed our application in February 2005.

Obtaining a reclamation permit from the BMRR. Our application for a reclamation permit was filed in August 2004. We will need to post a reclamation bond with the U.S. Forest Service prior to commencement of site disturbance.

Drilling and Feasibility

We plan to continue our drilling program and develop a feasibility study designed to delineate gold reserves to support construction of mining operations. On July 11, 2005, we accepted a joint proposal for a feasibility study by Samuel Engineering, Inc. and Knight Piesold and Company. Samuel Engineering provides services including metallurgical process development and design, and Knight Piesold provides mining, metallurgical, and environmental engineering services. Both companies have worked together recently on completing similar studies. Work has begun on the feasibility study.

Future Mine Development

We propose to build a mine operation, if warranted by project economics, on the Borealis site. Our plan could change based on additional information as it is acquired and analyzed in our ongoing engineering studies and feasibility study. We have described below the principal steps to the proposed development of the mine operations which is based substantially on the Plan of Operations, and which is subject to review by the U.S. Forest Service. The Plan of Operations does not present an economic analysis, and we have not placed any information in the Plan of Operations regarding capital expenditures, operating costs, ore grade, anticipated revenues, or projected cash flows.

We have submitted a Plan of Operations #2-04-08 to the U.S. Forest Service in August 27, 2004. The proposed Plan of Operations consists of the reopening of a previously reclaimed open pit mining operation. The proposed surface disturbance consists of pit and waste rock facility expansion and the construction of a new leach pad, processing and support facilities, surface water diversions, yard areas, utilities, and mine roads. The proposed disturbance is approximately 455 acres and is located entirely within the footprint of the previously disturbed and reclaimed project area. The proposed mine will initially be located in and around mine workings left by previous operators. We anticipate that mine development will start, if warranted, after the acquisition of the principal federal and State of Nevada environmental protection and operating permits. We anticipate that mine construction and construction of support facilities will be scheduled soon after receipt

of permits, and as weather and seasonal climatic conditions allow. We plan to begin exploiting known mineral deposits using conventional surface mining methods.

We plan to initially use a mining and crushing contractor for the mining and crushing operations. Leaching and gold production is expected to be undertaken by company employees. Initial permits are expected to allow for an initial heap size of approximately 10 million tons of material. The heaps are expected to be expanded as the operation grows to occupy additional surface area as required to continue the operation.

The projected initial mine life, based on our current plans, is 10 to 12 years, which includes: eight to ten years of active gold production, heap drain down, and reclamation; and two to three years of post reclamation monitoring and repairs. Mine life may be adjusted as mining plans are further refined through the feasibility study and the property is further explored and developed.

Planned Heap Leach Operations. The Plan of Operations calls for a new double-lined heap leach pad to be constructed within and adjacent to two of the existing reclaimed pads in a two phase approach. Phasing of the construction will allow for the re-mining of the existing ore on these pads and limit the extent of the areas disturbed for mineral processing. The re-mined material from existing heaps, and material newly mined from the five pits will be crushed and agglomerated with lime and then placed on the new leach pads in lifts up to 25 feet high using a conveyor system. The leach pad is designed to hold 10-million tons of mineralized material once the phased construction is completed.

Our plan calls for the agglomerated material to be placed on the heap leach pad and leached with a dilute cyanide solution. After the solution percolates through the heaped material, it will be collected in a series of pipes and lined ditches that will drain to the Pregnant Solution Tank. The pregnant solution will then be pumped to the Adsorption, Desorption and Refining (ADR) Plant where gold and other precious minerals will be removed from the solution. Two large storage ponds will also be located in this area. The first pond, which will have a double synthetic liner with leak detection system, will be used for recycling barren solution and storing excess water generated during storm events. The second pond, which will have a single synthetic liner, will be constructed when the second phase leach pad construction is completed. It will be used solely to contain excess water generated during storm events.

Planned Access and Access Roads. Secondary access roads are proposed around the perimeter of the new heap leach pad. Ditches and culverts will be installed, wherever necessary, to maintain adequate drainage.

Planned Surface Mining Activities. Planned mining in the pits will consist of conventional drilling and blasting, loading, and hauling. Surface mining equipment sized for moderate sized open pit mine operation should be used. The final equipment list will be contingent on availability form a mining contractor. Any acid-generating waste identified during mining will be encapsulated within the non-acid-generating waste rock.

Mining is scheduled to begin with the East Ridge and Polaris Pits. The waste rock will be transported to the East Ridge Waste Rock Facility (WRF) and Polaris WRF, respectively. As the schedule progresses, open pit mining operations is planned to gradually shift to the Borealis and Northeast Ridge Pits starting with pre-stripping of waste rock. The waste rock from the Borealis will be hauled to the Borealis South WRF and the Borealis North WRF while the NE Ridge waste rock will be hauled to the NE Ridge WRF.

Planned Ancillary Facilities and Infrastructure Requirements. The site laboratory, administration, warehouse, and leach pad maintenance facilities are planned to be centrally located near the ADR plant and storage Ponds. Standard manufactured modular facilities will be placed on concrete slabs. A graded parking lot is also planned for construction in this area for employees and visitors.

The truck maintenance shop, light vehicle shop, fuel storage area, and truck ready line will be located north of the storage ponds.

The Project s water will be supplied by two new production wells to be installed approximately three miles south of the mining area at a water basin in respect of which we have obtained water rights. The pre-existing production waterline, which was left buried in place by the previous operator, will be utilized to convey the water to the ADR plant and storage ponds if it is still in good condition. If the existing line is in poor condition, a new pipeline will be installed within the same pipeline corridor.

A propane storage tank will be located in a fenced area near the ADR. Propane will be used to supply fuel for heat to the various buildings and processing equipment (i.e., solution heater, rotary kiln, and melting furnace). A new electrical line will be installed to the project area from a nearby utility power line using the same utility corridor as was used for the previous mine operation. Generators may also be used to provide additional electrical power for the project during the start-up operations.

Future Exploration and Reclamation. The Plan of Operations also contemplates eventual underground exploration as well as post mining reclamation and land use.

Depending on the results of exploration, and development drilling and other factors, a higher grade underground mining operation may be deemed feasible in the future. If this is the case, a more efficient metallurgical process and mill may be required to treat higher grade ores.

Mineralized Materials and Exploration Program

The Borealis property embraces numerous areas with potential for discovery of mineable gold deposits. The defined target areas can be grouped into categories based on our expectation for deposit expansion or potential for discovery. Our current emphasis is focused on targets which are the extensions of previously mined deposits, specifically the East Ridge-Gold View-Northeast Ridge mineralized trend, and around the margins of the Borealis, Freedom Flats, and Deep Ore Flats/ Polaris deposits. Each has the potential to add to the material that can be developed as part of the initial mine plan. Results from drilling will be incorporated into the preparation of the feasibility study.

In addition to the drilling program required for the preparation of the feasibility study, we propose to undertake a systematic district scale exploration program designed to discover and delineate large gold deposits within the greater Borealis Property, outside of the known mineral deposits, which will focus along known mineralized trends that project into untested gravel-covered areas with coincident geophysical anomalies. The greatest potential in the district lies beneath a large gravel-covered area at the mountain front with several potential blind deposits (with no surface expression). The Graben zone is an example of this type of deposit, and other high-potential targets include North Graben, Sunset Wash, Lucky Boy, and others yet to be named.

Planned activities and expenditures include both field and compilation geology, geophysics, geochemistry, permitting and claim maintenance, road construction and drill-site preparation, reverse circulation (RC) and core drilling, drill-hole assaying, sampling protocol studies and assay quality control, preliminary metallurgical testing, and database management. We estimate that nearly 50% of the budget would be spent directly on drilling (mostly on RC drilling) with approximately 13% on geologists, 10% on assaying, and the remainder divided among the other items. The budget is expected to be sufficient to discover and delineate one or more deposits, but additional funding will be required for detailed development drilling and other development activities.

Our most significant mineral resource exploration and expansion prospects are described below. All except for Sunset Wash and Lucky Boy are included (or partially included, as is the case for North Graben) within the boundaries of the previously disturbed area. In addition, several other identified resource areas on the Borealis Property are open for further discovery. These prospect (or target) areas have known or projected mineralization and coincident geophysical signatures, and extend under alluvial cover in pediment areas in the southern and southwestern portion of the property. In some areas of the Borealis Property, alluvial gravel covers the altered-mineralized volcanic rocks at lower elevations along the mountain front and overlies some of the best exploration targets. The names of deposits and exploration targets on the Borealis Property are shown on the map below. The map also shows the boundary of the claim holdings that comprise the Borealis Property.

Borealis gold district
23 square miles

(Source: A. Noble, Ore Reserves Engineering, Technical Report, 2005)

The following describes some of the target areas that have gold-bearing rock reported in drill holes or areas that have been mined historically, or are on trend or at depth that have not been tested adequately. Several deposits have been targeted for sampling in the current drill program as noted below.

Targets with Potential for Expansion of Known Gold Deposits

Freedom Flats. The silicified zone under the current resource has been inadequately drill tested. Several deeper holes have intercepted gold below and adjacent to the current pit bottom. Limited drill evidence, an aeromagnetic survey anomaly, and structural reconstruction of geology in the pit suggest that a second zone may exist a short distance to the south of the pit. Additional drilling is planned to define the limits of the northern and southwestern edges of the deposit and the edges of the mineralized zone found in the bottom of the pit. These holes may range from 200 to about 800 ft deep.

Borealis Extension. Beneath the Borealis deposit ranging from 250 to 500 ft below the surface, several holes intercepted a flat lying to shallowly dipping mineralized zone that has yet to be fully delineated. Furthermore, the Borealis deposit appears to be cut on the northwest side by the extension of the Freedom Flat fault and a portion of the Borealis deposit may be in this down-dropped block. The primary target is defined by 16 contiguous drill holes that have potential ore-grade intercepts and that penetrate beneath the

7,000 ft. elevation, as shown below. Additional drilling is planned to better define the limits of the mineralization along edges of the old Borealis pit for mining purposes as well as testing the deeper mineralized area to the north and northwest of the previously mined Borealis pit area. These planned holes may range from 100 to 500 ft deep, and if warranted up to 800 ft in special circumstances.

Schematic cross section of Borealis extension deposit area

(Source: A. Noble, Ore Reserves Engineering, Technical Report, 2005)

The grades shown above are the average of the intercepts for a particular drill hole (calculated over the lengths of the drill hole indicated).

Deep Ore Flats (also referred to as Polaris). Additional drilling is planned to better define the limits of the mineralization along edges of the existing pit for mining purposes. These planned holes may be 100- to 200-ft deep.

Crocodile Ridge. This silicified zone is an extension of the Borealis deposit to the northeast. Several holes have intercepted low-grade gold mineralization. Additional and deeper drilling is required to fully test this target;

East Ridge. The feeder zone to the East Ridge deposit has never been drill tested. This zone lies either underneath the current pit or lies to the south and originates from a major fault zone bringing up basement granite. Additional drilling is planned to better define the limits of the mineralization along the south flank and bottom of the existing pit for mining purposes. These planned holes may be 50- to 500-ft deep.

Northeast Ridge. As with East Ridge, the feeder zone to the Northeast Ridge deposit has never been drill tested. This untested zone lies either underneath the current pit or lies to the south and originating from a major fault zone. Additional drilling is planned to better define the limits of the mineralization around the pit for mining purposes. These planned holes may be 50- to 500-ft deep.

Other targets have been defined based on historical exploration activities. The most important of these targets include the areas noted below. In general, in these target areas, additional field work will be required preceding further drilling.

Cerro Duro. The Cerro Duro deposit is localized along the major Cerro Duro fault zone. Additional deeper drilling into the root zone of this pipe is required and new drilling should be done to identify other blind deposits that may also be localized along this fault. Specific drilling plans will be finalized as more field work is completed.

Jaime s Ridge. Several drill holes drilled to the west of the Jaime s Ridge deposit identified some low grade mineralization along splays of the major Cerro Duro fault system. Additional drilling should be conducted to determine if mineable reserves could be found in the area. Specific drilling plans will be finalized as more field work is completed.

Purdy s Peak. The Purdy s Peak mineralization needs to be further drilled with deeper holes and offset holes. The area lies at the juncture of two faults along trend with the Cerro Duro fault system. Specific drilling plans will be finalized as more field work is completed.

Bullion Ridge/ Boundary Ridge. The northeast-trending alteration zone extending along Boundary Ridge into Bullion Ridge contains intense silicification that is surrounded by argillization, with abundant anomalous gold. Widely spaced shallow holes have tested several of the alteration/anomalous gold zones defining mineral resources, but more exploration is needed to determine the total potential of the area.

Graben Deposit. The Graben deposit is a north-trending, mineralized zone that appears to have at least three mineralized bodies which may be similar to the Freedom Flats deposit. These have yet to be fully delineated by drilling, but existing drill holes demonstrate a higher grade zone which may continue for more than 1,400 feet in strike length. The trend remains open to the north and has been traced by geophysical surveys, which suggest that this is a superior exploration target.

Schematic cross section of the Graben deposit area

(Source: A. Noble, Ore Reserves Engineering, Technical Report, 2005)
The grades shown above are the average of the intercepts for a particular drill hole (calculated over the lengths of the drill hole indicated).

Identified Targets with Potential for New Discoveries

North Graben Extension. Prior surface exploration has defined an extension of the mineralized structural trend identified in the Graben deposit. This new target is defined by an aeromagnetic anomaly with a coincident IP anomaly. Several test holes are warranted, and will be located as determined through further geologic evaluation and analysis.

West Pediment. This defined target area incorporates the prospects referred to as Sunset Wash, Flatlands, and Gnat Flats. The target has thin to modest thickness of alluvial cover, as revealed by several

widely scattered drill holes. A large intense aeromagnetic low over the area suggests strong alteration in the underlying andesite and a coincident subtle chargeability high anomaly indicates a mineralized system. This aeromagnetic low/chargeability high anomaly along the projection of a known mineralized trend has not been drilled. In an adjacent area, very widely spaced and relatively shallow drill holes in the area of a strong chargeability anomaly intersected substantial pyrite, argillization, and silicification, and locally anomalous gold in bedrock beneath the alluvium. It appears from an initial review of the data that several untested targets exist which will require further analysis and future drill sampling and testing.

Lucky Boy Prospect. Another prospect area similar to North Graben and Sunset Wash is the Lucky Boy area, which may be in a shallower pediment environment in the central portion of the district near the range front. Drill holes in the periphery have thick zones of silification and traces of gold mineralization. Echo Bay s aeromagnetic map shows another bulls-eye magnetic low and Cambior s IP map shows a coincident chargeability high in the area of the silicification. Additional required data compilation work is in progress.

UNITED STATES MINING LAWS

Mining in the State of Nevada is subject to federal, state and local law. Three types of laws are of particular importance to the Borealis Property: those affecting land ownership and mining rights; those regulating mining operations; and those dealing with the environment.

The Borealis Property is situated on lands owned by the United States (Federal Lands). Borealis Mining, as the owner or lessee of the unpatented mining claims, has the right to conduct mining operations on the lands subject to the prior procurement of required operating permits and approvals, compliance with the terms and conditions of the mining lease, and compliance with applicable federal, state, and local laws, regulations and ordinances. On Federal Lands, mining rights are governed by the General Mining Law of 1872 as amended, 30 U.S.C. §§ 21-161 (various sections), which allows the location of mining claims on certain Federal Lands upon the discovery of a valuable mineral deposit and proper compliance with claim location requirements. A valid mining claim provides the holder with the right to conduct mining operations for the removal of locatable minerals, subject to compliance with the General Mining Law and Nevada state law governing the staking and registration of mining claims, as well as compliance with various federal, state and local operating and environmental laws, regulations and ordinances. Historically, the owner of an unpatented mining claim could, upon strict compliance with legal requirements, file a patent application to obtain full fee title to the surface and mineral rights within the claim; however, continuing Congressional moratoriums have precluded new mining claim patent applications since 1993.

The operation of mines is governed by both federal and state laws. Part of the Borealis Property is situated within the Toiyabe National Forest, and that part is administered by the U.S. Forest Service. The rest of the Borealis Property is administered by the Bureau of Land Management (BLM). In general, the federal laws that govern mining claim location and maintenance and mining operations on Federal Lands, including the Borealis Property, are administered by the BLM. The Forest Service is concerned with surface land use, disturbances and rights-of-way on Federal Lands that it manages. Additional federal laws, such as those governing the purchase, transport or storage of explosives, and those governing mine safety and health, also apply. Various permits or approvals from the BLM and other federal agencies will be needed before any mining operations on the Borealis Property can begin.

The State of Nevada likewise requires various permits and approvals before mining operations can begin, although the state and federal regulatory agencies usually cooperate to minimize duplication of permitting efforts. Among other things, a detailed reclamation plan must be prepared and approved, with bonding in the amount of projected reclamation costs. The bond is used to ensure that proper reclamation takes place, and the bond will not be released until that time. The bond amount for a large mining operation is significant. Local jurisdictions (such as Mineral County) may also impose permitting requirements (such as conditional use permits or zoning approvals).

Mining activities on the Borealis Property are subject also to various environmental laws, both federal and state, including but not limited to the federal National Environmental Policy Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Recovery and Conservation Act, the

Clean Water Act, the Clean Air Act and the Endangered Species Act, and certain Nevada state laws governing the discharge of pollutants and the use and discharge of water. Various permits from federal and state agencies are required under many of these laws. See, Permitting Requirements, below. Local laws and ordinances may also apply to such activities as waste disposal, road use and noise levels.

PERMITTING

Permit Acquisition and Fundamental Environmental Permitting Considerations

We have initiated a plan to obtain the required principal environmental operating permits in anticipation of a possible mine start-up in 2006. Current engineering, results from permit negotiations, and updated mineral resource estimates will serve as the basis for a feasibility study that is scheduled for completion by the end of 2005.

A staged permit acquisition program is in progress. The first permitting stage, started in the fall of 2003, has been completed. Permits obtained at that time authorized exploration activities needed to prove the mineral resource, condemn the heap sites and support infrastructure, and obtain environmental baseline data to support the permitting packages. A second stage of application for exploration drilling permits was submitted in December 2004 and approval was obtained in May 2005. A Plan of Operations for a new mine was submitted in August 2004 to the U.S. Forest Service and Nevada State agencies. A Water Pollution Control Permit application for the reopening and expansion of the mine was submitted to the Nevada Bureau of Mining Regulation and Reclamation in January 2005. Future exploration activities and mine expansion initiatives will be included in applications for subsequent approvals on a case-by-case and as-needed basis.

The permit we applied for focuses on the approximately 460 acre area previously disturbed by mining operations. Deposits within this boundary, subject to permit applications generally, include the oxidized and partially oxidized portions of Borealis, Deep Ore Flats (also known as Polaris), East Ridge, Freedom Flats, and Northeast Ridge which are amenable to a conventional hydrometallurgical gold recovery process such as heap leaching. Also included in the Plan of Operations is the option for development of underground access to the Graben deposit to be used for exploration and future development activities, although no production plan has been submitted for consideration in this mineralized zone at this date. Crocodile Ridge, Middle Ridge, and other deposits within the study area boundaries of the Borealis Property will be added to the permit applications if warranted based on ongoing engineering and in-fill drilling results.

Permitting Process Overview

The development, operation, closure and reclamation of mining projects in the United States require numerous notifications, permits, authorizations and public agency decisions. This section does not attempt to exhaustively identify all of the permits and authorizations that need to be gained, but instead focuses on those that are considered to be the main efforts that are on the critical path for project start-up.

Environmental Inventories

There are certain environmental evaluations that routinely must be completed in order to provide the information against which project impacts are measured. Both the U.S. Forest Service and the Nevada Bureau of Mining Regulation and Reclamation (BMRR) have requirements to profile existing conditions and to evaluate what effects will result from implementing the project plans on those mineral resources.

Background information on geology, air quality, soils, biology, water resources, social and economic conditions, and cultural resources are currently being assembled for us and will be submitted to the appropriate regulatory agency.

Permitting Requirements

U.S. Forest Service Requirements

The Bridgeport Ranger District of the U.S. Forest Service will be the lead agency regulating mining and reclamation activities at the Borealis Property. The permitting process with the U.S. Forest Service consists of filing a Plan of Operations pursuant to the requirements of 36 CFR Part 228, Subpart A. Our Plan of Operations was filed in August 2004 describing the project plans in a step-by-step process. The Plan of Operations describes the development of the deposits identified in the Technical Report and recognizes and anticipates the effects of market impacts such as reductions or increases in gold price, and describes the measures that will be taken to adjust for these changing conditions. The emphasis of the Plan of Operations is on defining the spatial and temporal aspects, as they will affect the land that is managed by the agency. The Plan of Operations also describes the plans to reclaim the site, and includes an estimate of the cost to accomplish that reclamation. This cost estimate is the first step toward establishing the reclamation surety for the site.

In order to satisfy the reclamation surety requirements of the U.S. Forest Service, we propose to obtain an insurance policy for its benefit. This policy, if obtained on terms acceptable to us, would require us to pay into a commutation account of the insurer the agreed cost of the initial future reclamation work. The initial amount covered under the policy will be funded by a deposit of $2.8 million into the commutation account. The amount covered by the policy is expected to increase as reclamation costs increase due to expanded mining related disturbances. This additional policy coverage is expected to be funded from mining revenue once the mine is in operation. Once funded, the account will be available to pay for concurrent and final reclamation expenses as they are incurred. The policy is expected to provide us a mechanism to manage the overall cost of reclamation for a known cost for the entire life of mine and provide financial assurance required by the U.S. Forest Service. We would propose to acquire the policy once the plan of operations and associated reclamation plan are approved by the U.S. Forest Service.

The National Environmental Policy Act (NEPA) requires that any decision made by a Federal agency must consider the environmental effects of that decision. The USFS will decide whether or not there is a decision to be made, and whether that decision is significant or not. If there is no decision to be made, as in the instance of Categorical Exclusions (CE), the project can proceed with notification only. CE s are allowed when surface disturbances are limited to less than one mile of new road building. If a decision must be made, an environmental impact evaluation is completed and from that analysis, a determination of whether the environmental impact is significant or not. If the determination is a finding of no significant impact (FONSI), then the agency is authorized to approve the plan based on the Environmental Assessment (EA) findings. If the decision is that the impacts are in fact significant, then an Environmental Impact Statement (EIS) is required to arrive at the final decision. There is a significantly increased time period for review and public comment for an EIS versus an EA. Approvals of Gryphon Gold s site exploration activities to date were authorized under a CE.

The USFS Bridgeport Ranger District (District) has determined that preparation of an Environmental Assessment (EA) is necessary to comply with the requirements of the National Environmental Policy Act (NEPA). The USFS and we have mutually agreed to have Knight Piesold and Co. (KPCO), a third-party NEPA contractor, prepare the EA.

At the completion of the NEPA process and decision, the reclamation surety must be posted with the USFS prior to any surface disturbance on site. The reclamation cost estimate provided in the Plan of Operations will be reviewed and refined by the agency and an acceptable amount agreed upon among the U.S. Forest Service, BMRR and us.

Nevada Division of Water Resources Requirements

Development of the Borealis Property will involve significant water demand in an arid region where the water basin has been over-appropriated and for which project water rights have been withdrawn. Successful

mining and processing will require careful control of project water and efficient reclamation of project solutions back into the leaching process.

The Nevada Division of Water Resources (NDWR) is the responsible agency for granting water rights permits. There are two basins from which water rights could be appropriated. The first basin was the water supply for the mining reclamation activities at Borealis during the 1980 s and early 1990 s. Although this basin appears to be over allocated to various users, many of these rights go unused, so it may be possible to transfer existing appropriations to the project if necessary. The second basin, located south of the Borealis Property boundary, is undeveloped.

We believe that water rights granted to us by the NDWR are sufficient to conduct planned operations. A wellfield to perfect this water supply has not yet been tested or developed. We are negotiating with the NDWR for a second set of water rights to the second basin. Granting of the second water right will allow for sufficient capacity to allow for a backup source and capacity for expansion if required.

NDEP Bureau of Mining Regulation and Reclamation Requirements

The Nevada Division of Environmental Protection, Bureau of Mining Regulation and Reclamation (BMRR) regulates mining activities within the state including water pollution control and reclamation.

The heap leach and process solution ponds are presented in the water pollution control permit application that was filed in January 2004. The permit application package includes the engineering design report for the heap and ponds, certified by a Nevada registered professional engineer. In addition to the engineering report, operating plans describing the mineral processing circuit, fluid management plan, monitoring plans, emergency response plan, temporary closure plan and tentative permanent closure plan were presented. The Water Pollution Control Permit is expected to be issued before the end of 2005 and such permits are issued on five year, renewable terms.

BMRR also administers and enforces the requirements relating to the reclamation of land subject to mining or exploration projects.

A Reclamation Plan that contains the identical information as was contained in the Plan of Operations was submitted to the BMRR in August 2004. The Reclamation Plan is currently under review and a decision may be received by the end of 2005.

We may be required to post a reclamation bond from a financial institution or otherwise set aside a corresponding amount for the benefit of BMRR. We anticipate that BMRR will accept the reclamation bond we post for the benefit of the U.S. Forest Service.

Nevada Division of Environmental Protection Bureau of Air Quality Requirements

Prior to the commencement of construction activities, an air quality permit will be necessary. The Nevada Bureau of Air Quality (BAQ) regulations state that a process flow diagram must be generated to communicate the technical aspects of the process/activity and determine which class of permit will be required. We plan to prepare the required process flow diagram and submit our permit application in the third quarter of 2005.

The time period prescribed by Nevada rules for an air quality permit of the type we expect to require is 10 business days for technical completeness plus 60 calendar days to issue or deny the permit.

United States Regulatory Matters

General

All of our exploration activities in the United States are subject to regulation by governmental agencies under various mining and environmental laws. The nature and scope of regulation depends on a variety of factors, including the type of activities being conducted, the ownership status of land on which the operations are located, the nature of the resources affected, the states in which the operations are located, the delegation

of federal air and water-pollution control and other programs to state agencies, and the structure and organization of state and local permitting agencies. We believe that we are in substantial compliance with all such applicable laws and regulations. While these laws and regulations govern how we conduct many aspects of our business, we do not believe that they will have a material adverse effect on our operations or financial condition. We evaluate our projects in light of the cost and impact of regulations on the proposed activity, and evaluate new laws and regulations as they develop to determine the impact on, and changes necessary to, our operations.

Generally, compliance with environmental and related laws and regulations requires us to obtain permits issued by regulatory agencies and to file various reports and keep records of our operations. Some permits require periodic renewal or review of their conditions and may be subject to a public review process during which opposition to our proposed operations may be encountered.

U.S. Federal and State Environmental Law

Our past and future activities in the United States may cause us to be subject to liability under various federal and state laws. Proposed mining activities on federal land trigger regulations promulgated by the U.S. Forest Service (USFS), the Bureau