

GRYPHON GOLD CORP
Form 10-K/A
September 14, 2012

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

**FORM 10-K /A
Amendment No. 1**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 333-127635

GRYPHON GOLD CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State of other jurisdiction of incorporation or organization)

92-0185596

(I.R.S. Employer Identification No.)

**611 N. Nevada Street
Carson City, Nevada**

(Address of Principal Executive Offices)

89703

(Zip Code)

775-883-1456

(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: **None**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **Common Stock, \$0.001 par value**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [] No [X]

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No []

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer [] Accelerated Filer [] Non-Accelerated Filer [] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$46,805,169

The number of shares of the Registrant's Common Stock outstanding as of June 25, 2012 was 194,103,382

EXPLANATORY NOTE

This Amendment No. 1 is being filed solely for the purpose of amending our disclosures relating to our controls and procedures. The original disclosure incorrectly stated the criteria by which Management conducts the evaluation of the design and operation of the Company's internal control over financial reporting. Page 72 now correctly states the criteria by which Management conducts the evaluation of the design and operation of the Company's internal control over financial reporting, which is based on the criteria established in an Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Except for these corrections, there have been no changes in any of the financial or other information contained in the report. For convenience, the entire Annual Report on Form 10-K, as amended, is being re-filed.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K and the exhibits attached hereto contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern anticipated results and developments in our operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as expects or does not expect, is expected, anticipates or does not anticipate, plans, estimates or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) statements of historical fact and may be forward-looking statements.

With respect to forward-looking statements and information contained in this annual report, we have made assumptions regarding, among other things:

- the future price of gold;
- estimates related to future costs of production, additional mining operations, capital requirements, operating and exploration expenditures;
- continued government regulation of mining operations in accordance with past regulatory practices;
- our ability to increase production at the Borealis Property to expand production within expected time frames; and
- our ability to raise any additional capital required to fund our exploration, capital expenditures, development and working capital requirements.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- the timing and possible outcome of regulatory and permitting matters and exploration and development activities;
- risks related to production including, mine safety, labor and equipment costs;
- the parameters and design of any additional mining facilities on the Borealis Property;
- future financial or operating performances of Gryphon Gold, its subsidiaries and its projects;
- the estimation of mineralization and production based on mineralization estimates;
- the timing and cost of exploration, development and production activities including capital, operating and exploration expenditures;
- the effect of our Senior Gold Stream Facility obligations on our cash flow and our results of operations;
- the limitations on our authorized share capital and our ability to issue additional shares of common stock without an amendment to our articles of incorporation;
- requirements for additional capital and our ability to raise additional capital;
- government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses;
- title disputes or claims and disputes related to royalty payments;
- limitations of insurance coverage;
- the future price of gold, silver, or other minerals; and
- any royalties imposed by the State of Nevada.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled Risk Factors and Uncertainties , Description of the Business and Management s Discussion and Analysis of this annual report. 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. 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, except as required by law.

We qualify all the forward-looking statements contained in this annual report by the foregoing cautionary statement

PART I

Cautionary Note to U.S. Investors Regarding Mineral Reserve and Resource Estimates

Certain of the technical reports, the preliminary assessment and the pre-feasibility study referenced in this annual report use the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource". We advise investors that these terms are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under the SEC s Industry Guide 7 (Guide 7) and are normally not permitted to be used in reports and registration statements filed with the SEC. As a reporting issuer in Canada with our primary trading market in Canada, we are required to prepare reports on our mineral properties in accordance with NI 43-101. We reference those reports in this annual report for informational purposes only and such reports are not incorporated herein by reference. Investors are cautioned not to assume that any part or all of mineral deposits in the above categories will ever be converted into Guide 7 compliant reserves. "Inferred mineral resources" 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 an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained pounds" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures.

ITEM 1. BUSINESS

Name and Incorporation

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

Our principal business office, which also serves as our administration and financial office, is located in the United States at 611 N. Nevada Street, Carson City, Nevada, 89703 and our telephone number is 775-883-1456.

We own 100% of the issued and outstanding shares of our operating subsidiary, Borealis Mining Company (BMC). BMC was formed under the laws of the State of Nevada on June 5, 2003.

Business Objectives

Gryphon Gold is in the business of acquiring, exploring, and developing gold properties in the United States, emphasizing the State of Nevada. Our objective is to increase value of our shares through the exploration, development and extraction of gold deposits, on our Borealis Property, located in Nevada s Walker Lane Gold Belt.

In the spring of 2010, we developed a plan for the start-up of the Borealis Project on a staged basis. The object of the plan was to raise sufficient capital to begin gold recovery and to use internal cash flow to grow the operation to the full 42,000 ounces per year as presented in the 2009 study design. All of the capital and operating cost were based upon the 2009 Study design and numbers, with updates of critical operating parameters and confirmation of critical capital expenditures.

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On October 21, 2010, we announced that we had developed a new strategic plan (plan) to potentially expedite production at the Borealis Property. The focus was to finalize critical data pertaining to the Freedom Flats releach at the Borealis Property and then to finance the scaled-down version of the mine start-up. The Phase 1 concept of our plan was to begin gold recovery from the previously mined and partially leached Freedom Flats oxide heap. The plan required the construction of a new leach pad and ponds. Gold recovery to bullion was planned to occur in the fourth month after ground breaking and would have occurred either through a toll process or at an Adsorption Desorption Recovery plant (the ADR).

In November 2010, we began the sample collection from the Freedom Flats releach to confirm the critical data pertaining to heap gold grade (oz. per ton) and gold and silver recovery. Metallurgical test work, was conducted by an independent Nevada testing firm, began in November 2010.

In April 2011, we received the Pre-Feasibility Study which provided updated capital and operating cost estimates for our plan. The object of Phase 1 was to raise sufficient capital to begin gold recovery and to use internal cash flow to expand operations to allow us to extract in excess of 42,000 ounces per year gold equivalent Pre-Feasibility Study design, although our current target is to extract 25,000 to 30,000 ounces of gold and gold equivalents. The plan contemplated the construction of a leach pad and ponds. The April 2011 Pre-Feasibility Study shows an average annual production of over 42,000 ounces a year gold-equivalent for six years, \$12.7 million in initial capital costs (consisting of initial construction costs of \$8.61 million, bonding costs of \$3 million, \$0.41 million in additional indirect capital costs and a \$0.75 million contingency) and average life-of-mine cash operating cost of \$851 per ounce of gold. While the Pre-Feasibility Study forms the basis for the classification of some of the gold and silver resources on the Borealis Property as proven or probable reserves, as defined in accordance with the Definition Standards on Mineral Resources and Mineral Reserves of the Canadian Institute of Mining, Metallurgy and Petroleum, adopted for the purposes of NI 43-101, the Pre-Feasibility Study is not a bankable feasibility study and cannot form the basis for proven or probable reserves on the Borealis Property for the purposes of U.S. securities laws. For the purposes of reporting under U.S. securities laws, only a final or bankable feasibility study which uses the three-year, historical average price may form the basis of the classification of mineralization as proven reserves or probable reserves.

Pursuant to the Pre-Feasibility Study, Phase 1 of our plan was anticipated to cost approximately \$12.7 million and to provide cash flow that will fund Phase 2. This next Phase was anticipated to expand the leach pad; increase the crushing and mining equipment; construct the permanent gold recovery plant and begin mining in the Borealis Property's East Ridge open pit. Cash flows from Phase 2 are expected to provide the capital required to expand the mine to full production. The main activities associated with full production were: push back of the Freedom Flats pit exposing high grade oxide gold, development of roads and infrastructure, and pre-stripping and development of the remaining oxide reserves. The cash flows was also anticipated to provide the funding needed to continue the exploration required to expand the oxide resources for expansion of mine life.

Based upon our plan under the Pre-Feasibility Study and the financing Gryphon Gold obtained in May 2011, Gryphon Gold broke ground on June 6, 2011. The loading of material to the heap leach pad commenced on August 13, 2011 and we shipped gold and silver loaded on carbon on October 8, 2011 to and independent refiner.

In the course of initial development, the Borealis Project was severely limited in the amount of material that could be placed on the leach pad as a result of the contractor being unable to produce the leach pad overliner in a timely manner. This challenge was not remedied until mid-December, 2011. Also during this period the crusher was removed from the site for nearly two months for emergency maintenance and a smaller less efficient temporary crusher was used, however tonnage delivery was reduced as this crusher availability was limited due to unforeseen continual maintenance requirements. In addition, the pump that delivers solutions to the leach pad from the barren ponds was undersized, resulting in a reduced flow to the pad of less than 50% of design capacity. This problem was remedied in March 2012, with the installation of an additional pump. Because of these delays and challenges, additional financing was required to complete and develop Phase II, and we successfully closed a \$15,000,000 financing on April 12, 2012.

Phase II is anticipated to include a leach pad expansion and mobilization of a larger crusher unit as well as the completion of the ADR. In order to get to expand production mining activities we will have to commence in the Borealis Pit. Main activities to expand the Borealis Project's production will include;

- Development of roads, power and other infrastructure
- Pre-stripping and development of the remaining oxide reserves
- Efficient mining and processing of approximately 3-5 million tons per year

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The initial mine plan is estimated at 3 years with an additional 3 years if drilling confirms our current oxide resource. In year seven reclamation will begin with heap wash down. Expansion of the mine life past the initial 6-year estimate is dependant on the expansion of current mineralization or the discovery of additional mineralization through further exploration drilling on the property.

As mentioned, groundbreaking occurred for the construction of the Borealis Project on June 6, 2011. By December, 2011, 605 ounces of gold was loaded on carbon and delivered to an independent refiner. When the refinery informed us that they could no longer accept deliveries we built additional inventories until the fourth quarter where we delivered and sold an additional 975 ounces of gold to Waterton Global LLC.

During the fourth quarter, our ADR plant was 90% complete and became operational. On March 30, 2012, we produced our first bar of doré containing 418 ounces of gold and 724 ounces of silver.

History and Background of Company

Borealis Property

In July 2003, through BMC, Gryphon Gold acquired from Golden Phoenix Minerals, Inc. (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.

On January 10, 2005, BMC entered into a purchase agreement with Golden Phoenix which gave BMC 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 BMC on January 28, 2005. BMC paid \$400,000 of the purchase price to Golden Phoenix upon closing of the purchase, and four additional quarterly payments of \$250,000 were made to Golden Phoenix. With the final payment of \$250,000 on January 24, 2006, BMC completed all the required payments under the purchase agreement and now has 100% control of the Borealis Property. A portion of the Borealis Property is subject to mining leases, as described under the caption Borealis Property, below.

As sole shareholder of BMC, Gryphon Gold controls 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 BMC 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 owners and operators of the Borealis Property.

On November 30, 2006, our board of directors concluded that we would not proceed with the financing and near term construction and production of a heap leach mine on the Borealis Property. The feed for the proposed mine was remnants from the previously mined open pits, and heap and dump material associated with the historical mining operations. The decision not to proceed was made due to the impact of certain technical corrections to the previously announced feasibility study and related NI 43-101 technical report, dated August 15, 2006. The technical corrections reduced the anticipated quantity of recoverable gold and silver over the project life, and resulted in a marginal projected return on investment based on the gold and silver prices at that time. In light of the decision not to proceed with development of a mine, in December 2006, we closed our Denver office, terminated operations and engineering staff, including our Chief Operating Officer and our Vice President of Borealis Project Development. Our Vice President of Exploration was relocated to Nevada.

In January 2007, we started the process of completing a mineralization estimate covering the entire Borealis Property that included all drilling results obtained during calendar year 2007. We also continued extension drilling, focused on

the expansion of the Graben deposit and exploration drilling for a new gold deposit within the two newly identified potentially gold-bearing hydrothermal systems in the pediments. This drilling program consisted of a series of Graben deposit expansion drilling and extension drilling north and west of the successful G3 - G13 fence of holes. The drilling of the Graben deposit alternated with follow up exploration drilling in the Central and Western Pediments where 10 holes have intersected two distinct hydrothermal systems hidden beneath the pediments.

In April of 2008, we completed the Technical Report that included all drilling results to date, which was furnished to the SEC as Exhibit 99.1 to our Form 8-K filed on May 12, 2008 and filed pursuant to Canadian securities laws and available on www.sedar.com. The Technical Report details mineralization on our Borealis Property. The Technical Report states that the recommended course of action for us is to increase gold mineralization by completing additional drilling primarily in the previously mined areas, to complete a technical report to determine the feasibility of near term production, and through continued drilling and exploration, delineate possible new mineralization on the Borealis Property.

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On August 22, 2008, we entered into a 12-month option agreement, at a cost of \$250,000 and an additional \$35,902 to cover legal costs, to amend the Borealis Property Mining Lease to provide an option to fix the net smelter return royalty rate at 5%, versus an uncapped variable rate. The exercise price was \$1,750,000 in cash, 7,726,250 shares of our common stock and a three year, \$1,909,500, 5% note payable.

During September, 2008, we released the Preliminary Assessment on the development of an oxide heap leach mine on the Borealis Property. The Preliminary Assessment was furnished to the SEC as Exhibit 99.1 to our Form 8-K filed on October 7, 2008 and filed pursuant to Canadian securities laws and available on www.sedar.com. The report outlines the possibility of developing a mineable oxidized gold deposit on the Borealis Property. The Preliminary Assessment is not a bankable feasibility study and cannot form the basis for proven or probable reserves on the Borealis Property.

Two water monitoring wells were installed during the quarter ended September 30, 2008. Under our permits, a water-monitoring program must be active for at least six months prior to the placement of material on a leach pad, and these wells were therefore necessary prior to the start of any leaching operation.

No exploration drilling was completed during the year ended March 31, 2009. A water well necessary for the construction of the Borealis Project was installed during the quarter ended June 30, 2008. As of March 31, 2008, approximately 203 holes and 142,220 feet of reverse circulation (which we refer to as RC) drilling had been completed by us. A majority of the holes are in the area of existing mineralization in order to allow us to complete the Preliminary Assessment with the aim of identifying gold reserves. During fiscal 2008, the majority of the holes drilled were to attempt to expand the Graben mineralization or complete exploration in the Pediment areas of the Borealis Property.

During September 2009, we released the 2009 Study on the development of an oxide heap leach mine. The 2009 Study was furnished to the SEC as Exhibit 99.2 to our Form 8-K as filed on September 22, 2009 and filed pursuant to Canadian securities laws and available on www.sedar.com. The 2009 Study is based on open pit mining and heap leaching of oxide and mixed oxide ores that occur in and around previously mined open pits and re-leaching of ores that were mined and leached during prior operations. The 2009 Study is not a bankable feasibility study. Cautionary Note to U.S. Investors: The 2009 Study uses the terms mineral resource, measured mineral resource, indicated mineral resource and inferred mineral resource. We advise investors that these terms are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. See Cautionary Note to U.S. Investors above.

On February 12, 2010, we and the Lessors entered into Amendment No. 2 to the Option Agreement Amendment to Mining Lease dated August 22, 2008 (which we refer to as the Mining Lease Option Agreement). Pursuant to Amendment No. 2, the Mining Lease Option Agreement was amended to provide for the extension of the Option Term from February 22, 2010 until August 22, 2010 and the extension of the Condemnation Period from August 22, 2010 to August 22, 2011. As consideration for entering into Amendment No. 2, we agreed to pay the Lessors \$150,000 comprised of cash in the amount of \$25,000 and shares of our common stock equal to \$125,000, calculated based on eighty percent of the average five day closing price immediately prior to the payment date. On August 11, 2010, the option was extended until February 22, 2011 for a cash payment of \$150,000.

On April 25, 2011, we released the Pre-Feasibility Study for the development of the Borealis Property, which was furnished to the SEC as Exhibit 99.1 to our Form 8-K filed on April 26, 2011 and filed pursuant to Canadian securities laws and available on www.sedar.com. The mineralization data and the economic analysis data contained in the Pre-Feasibility Study supersedes and replaces the data contained in the Technical Report, the Preliminary Assessment and the 2009 Study. The Pre-Feasibility Study evaluated a potential oxide heap leach mining and production operation on the Borealis Property and estimated that such an operation would have a six-year mine life with an average annual production of 42,000 ounces per year gold equivalent and require \$12.7 million in initial capital costs (consisting of initial construction costs of \$8.61 million, bonding costs of \$3 million, \$0.41 million in additional indirect capital costs and a \$0.75 million contingency) with an average life-of-mine cash operating cost of \$851 per ounce of gold.

Life of mine capital costs include \$12.9 million in direct costs, \$8.86 million of indirect costs, \$1.2 million of contingency costs, for total life of mine capital costs of \$23 million. The Pre-Feasibility Study is not a bankable feasibility study and cannot form the basis for proven or probable reserves on the Borealis Property.

On May 26, 2011, we announced that on site construction work for the Borealis Project was scheduled to begin on June 6, 2011, that heap leach pad construction was scheduled for early June with pad loading scheduled for late July, that all major components for Phase 1A had been placed on order and delivery complied with the anticipated time line and that we anticipate first revenue from gold sales as early as October, 2011.

On June 6, 2011, we began site work at the Borealis Project. During the current fiscal year we completed construction of the leach pad, both pregnant and barren ponds, carbon columns, roads, grounds and power distribution system.

As at March 31, 2012 the ADR was approximately 90% complete and operational. To date, we have invested \$19.6 million in construction of the total site and the mineral property at Borealis. We poured our first doré bar on March 30, 2012 and have poured doré each week since then. We expect our operating cost per ounce to be in the \$900-\$1,000 per ounce range in the upcoming fiscal year.

Recent Substantial Capital Raises

May Common Stock Offering

On May 18, 2011, we closed a public offering of 80,000,000 shares of our common stock at a price of \$0.125 per share for aggregate gross proceeds of approximately \$10,000,000. As part of the offering the underwriters were granted an over-allotment option to cover over-allotments, if any. In connection with the closing of the initial offering, one underwriter exercised its over-allotment option in full for an additional 6,000,000 shares of our common stock at \$0.125 per share for additional gross proceeds of \$750,000. On May 24, 2011, the second underwriter exercised their over-allotment option in part for an additional 3,060,000 shares of our common stock at a price of \$0.125 per share for additional gross proceeds of \$382,500.

July Debenture Offering

On July 27, 2011, we closed a \$3,169,514 debt offering of units at a price of \$1,000 CAD per unit. The offering was led by Acumen Capital Finance Partners Limited in Canada and by Roth Capital Partners in the United States. Each unit consists of \$1,000 CAD principal amount of 10% secured subordinated debentures maturing July 28, 2012 and 1,500 Series P Warrants. Each warrant entitles the holder thereof to purchase one share of common stock at a price of \$0.20 USD per share until January 27, 2013. We also issued each of Acumen and Roth 112,500 Broker Warrants exercisable to acquire shares of common stock at a price per share of US\$0.20, until January 27, 2013.

The debentures bear interest from the date of issue at 10.0% per annum, payable quarterly on March 31, June 30, September 30, and December 31 of each year commencing on September 30, 2011. The debentures were issued under the Trust indenture, which contains customary terms, conditions and covenants. The debentures were secured by a pledge of shares of BMC and a general security interest in the assets of Gryphon Gold. We repaid these debentures in April 2012.

November Debenture Offering

On November 22, 2011 we closed another \$4.3 million debt offering of units. The offering was led by Acumen Capital Finance Partners Limited in Canada and by Roth Capital Partners in the United States. Each unit consists of \$1,000 CAD principal amount of 10% secured subordinated debentures maturing November 23, 2012 and 750 Series Q Warrants. Each warrant entitles the holder thereof to purchase one share of common stock at a price of \$0.40 USD per share until May 22, 2013.

The debentures bear interest from the date of issue at 10.0% per annum, payable quarterly on March 31, June 30, and September 30. The debentures were issued under a Trust Indenture, which contains terms, conditions, covenants and restrictive covenants, including restrictive covenants that limited our ability to issue equity and debt securities. The debentures were secured by a pledge of the shares of BMC and a general security interest in our assets which was subordinate to the security interest granted to holders of the debentures issued on July 27, 2011. We repaid these debentures in April 2012.

Waterton Global Value LP Bridge Loan

On March 20, 2012, we entered into a Bridge Loan facility with Waterton Global LLC for \$1,500,000. The loan was to be paid within 60 days or be subject to immediate repayment from the \$15,000,000 Senior Credit Facility. Security for the loan was a perfected lien and a first priority security interest in all tangible and intangible properties and assets of Gryphon Gold. The loan accrued interest at a 15% rate and included a \$30,000 structuring fee, \$100,000 for legal and other related expenses, as well as payment of 1,500,000 Series R Warrants, each entitling the lender to purchase one common share of Gryphon Gold stock at a strike price of C\$0.1862 per share. The warrants expire on March 20, 2015.

In conjunction with the bridge loan the noteholders of the July and November 2011 debentures were issued an aggregate total of 14,955,308 Series S Warrants, each exercisable to acquire our common shares at a price of \$0.164 until September 20, 2013.

Waterton Global Value LP Senior Credit Facility

On April 18, 2012, we entered into a Senior Secured Gold Stream non-revolving credit facility with Waterton Global Value, LP, by its Investment Manager, Altitude Management Ltd. (the Senior Facility), in the aggregate amount of \$15,000,000. The full \$15,000,000 was advanced to us on April 19, 2012, and we used the proceeds to pay off the Bridge Loan of \$1,500,000 entered into with Waterton in March 20, 2012, as well as our C\$3,000,000 10% subordinated secured notes, due in July of 2013, and our C\$4,500,000 10% subordinated secured notes, due November 27, 2013. The Security Facility loan bears interest calculated at 5% per annum and is repayable in 12 equal monthly installments commencing in May of 2013. The amount of monthly repayments will be based on a formula using 80% of the gold spot price as the value of the gold (or cash equivalent) to be delivered to Waterton. On each repayment date, we may pay the amount in gold to Waterton's gold account, or, if requested by Waterton, pay the amount in cash. The Senior Facility bears an interest rate at 5% per annum. The loan is secured by a first priority charge on the assets of Gryphon Gold and BMC.

We paid Waterton a non-refundable structuring fee equal to 1% of the draw-down amount and issued Waterton 14,062,500 Series T Warrants, exercisable to acquire shares of common stock at a price of C\$0.16 per share until April 18, 2015.

As part of the Senior Facility, we entered into a Gold and Silver Supply Agreement with Waterton whereby Waterton has the right to purchase all of the gold and silver produced by BMC at the Borealis property. The Gold and Silver Supply agreement is effective from the closing date of the Senior Facility until the Borealis Property ceases operations.

Management

James T. O Neil serves as our Chief Executive Officer (CEO). Mr. O Neil began his career with ASARCO in 1973 where he ended up as Vice President-Finance and Administration from 2001-2004. From 2004-2006 Mr. O Neil was Vice President-Finance, Controller, & Treasurer with Apollo Gold Corporation. From 2006 until present, Mr. O Neil served as CFO and Chief Operations Officer of Jipangu International.

R. Llee Chapman serves as our Chief Financial Officer. Mr Chapman has over 30 years of mining and financial experience. Mr Chapman spent 11 years at the Goldstrike Operation for Barrick Gold, was Executive Vice President and Chief Financial Officer for Apollo Gold from 2002 - 2005, spent three years as Regional Vice President of Business Services for Newmont Mining Corp and operated a mining/financial consulting company for several years.

Steven K. Jones serves as our Vice President Exploration. Mr Jones has 34 years of mining and exploration experience.. Mr Jones spent 4 years with Phillips Petroleum as an exploration geologist, 2 years with Getty Mining as a consulting exploration geologist, 4 years with Pegasus Gold as a Senior Geologist, 14 years with Kennecott Exploration as a manager of geology, and 10 years as an international consulting geologist

Lisanna M. Lewis serves as our Vice President - Treasurer and Secretary. Ms. Lewis was appointed in 2010.

Corporate Strengths

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

- Our executive management team has significant operating, financial and exploration experience in Nevada and our Borealis management team has many years of heap leach experience in developing and operating mines in the North American.
- As the Borealis Property was the site of surface mining operations from 1981 to 1990, the process to receive permits and start operations on previously mined operations is less difficult than getting permits for a

previously undisturbed area. The USDA Forest Service and the Nevada Bureau of Mining Regulation and Reclamation have both approved the Plan of Operations and Reclamation Plan, allowing us to proceed with the development of a heap leach mine, assuming sufficient oxide reserves are found and additional financing is available. We have also received approvals for surface exploration and water wells and have successfully progressed through the required agency and public review process for those permits.

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- Our land position is extensive; we control 751 unpatented mining claims covering approximately 15,020 acres and one 5 acre millsite claim. We believe many surface showings of gold mineralization on the property may provide opportunities for discovery of additional 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, assuming additional financing is available.

Proven and probable reserves as defined in the 2011 Study are 210,800 oz Au Proven and 158,000 oz Au Probable (*Not an SEC Guide 7 compliant resource*). 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 volatile and cyclical; the cost to extract and process the mineralized material; and government regulations and permitting requirements.

We have focused our activities on Nevada. Mining is an integral part of Nevada's economy. Nevada ranks fourth in the world in gold production, after South Africa, Australia, and China. 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.

(Source: Gryphon Gold, 2005)

Gold Industry

Gold Uses. Gold has two main categories of use: fabrication and investment. Fabricated gold has a variety of end uses, including jewelry, electronics, dentistry, industrial and decorative uses, medals, medallions and official coins. Gold investors buy gold bullion, official coins and jewelry.

Gold Supply. The supply of gold consists of a combination of production from mining and the draw-down of existing stocks of gold held by governments, financial institutions, industrial organizations and private individuals. In recent

years, mine production has accounted for 60% to 70% of the annual supply of gold.

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Gold Prices and Market Statistics

The following table presents the annual high, low and average afternoon fixing prices for gold over the past six years, expressed in U.S. dollars per ounce on the London Bullion Market.

Year	High	Low	Average
2006	\$ 726	\$ 521	\$ 604
2007	\$ 841	\$ 608	\$ 681
2008	\$ 1,011	\$ 713	