

GRYPHON GOLD CORP
Form 424B4
October 24, 2012

PROSPECTUS

Gryphon Gold Corporation

18,812,500 SHARES OF COMMON STOCK

This prospectus relates to the sale, transfer or distribution of up to 18,812,500 shares of common stock, par value \$0.001 per share, of Gryphon Gold Corporation by the selling security holders described herein. The price at which the selling security holders may sell the shares of common stock will be determined by the prevailing market price for the shares or in negotiated transactions. The shares of common stock registered for resale include:

- 3,250,000 shares of common stock acquirable by selling security holders upon exercise of Series O Warrants at \$0.30 per share, until January 21, 2013;
- 1,500,000 shares of common stock acquirable by selling security holders upon exercise of Series R Warrants at Cdn\$0.1862 per share, until March 20, 2015; and
- 14,062,500 shares of common stock acquirable by selling security holders upon exercise of Series T Warrants at Cdn\$0.16 per share, until April 18, 2015.

We will not receive any proceeds from the sale or distribution of the common stock by the selling security holders. We may receive proceeds from the exercise of the warrants, if any, and will use the proceeds from any exercise for general working capital purposes.

Our common stock is currently listed on the Over-the-Counter Bulletin Board under the symbol **GYPH.OB** and on the Toronto Stock Exchange under the symbol **GGN**. As of September 20, 2012, the last reported sale price of our common stock was \$0.10 per share on the Over-the-Counter Bulletin Board and Cdn.\$0.10 per share on the Toronto Stock Exchange. We convert Canadian dollar data into United States dollars using the noon rate of exchange of Cdn\$1.00 = US\$1.0241 on September 20, 2012 as reported by the Bank of Canada.

Investing in our common stock involves a high degree of risk. You should read this entire prospectus carefully, including the section entitled "Risk Factors" beginning on page 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

THE DATE OF THIS PROSPECTUS IS October 22, 2012

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You should rely only on the information contained or incorporated by reference in this prospectus and in any free writing prospectus that we have authorized for use in connection with this offering. Neither we, the underwriter, nor the Canadian agent has authorized any other person to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we, the underwriter nor, the Canadian agent is making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Some of the industry and market data contained in this prospectus are based on independent industry publications or other publicly available information, while other information is based on our internal sources. Although we believe that each source is reliable as of its respective date, the information contained in such sources has not been independently verified, and neither we, the underwriter, nor the Canadian agent can assure you as to the accuracy or completeness of this information.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and 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" 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. Unless the context provides otherwise, all references to Gryphon, Gryphon Gold, we, us, our, or similar terms, refer to Gryphon Gold Corporation and its wholly owned subsidiaries.

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.

The Company

Incorporation and Address

We were formed under the laws of the State of Nevada on April 24, 2003.

We own 100% of the issued and outstanding shares of our operating subsidiary, Borealis Mining Company, which we refer to as BMC. BMC was formed under the laws of the State of Nevada on June 5, 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 (604) 261-2229.

Business Overview

Gryphon Gold is in the business of acquiring, exploring, and developing gold properties in the United States, with an emphasis in 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.

On October 21, 2010, we announced that we had developed a new strategic plan to potentially expedite production at the Borealis Property. The focus was to finalize critical data pertaining to the Freedom Flats leach at the Borealis Property and then to finance the scaled-down version of the mine start-up. The Phase 1 concept of the board of directors (the Board) plan is 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 through a toll process or at an Adsorption Desorption Recovery plant (referred to as an ADR).

In November 2010, we began the sample collection from the Freedom Flats leach to confirm the critical data pertaining to heap gold grade (oz. per ton) and gold and silver recovery. Metallurgical test work, being 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 flow from the Phase 2 is 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 capital 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 an 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. As a result, 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

The initial mine plan is estimated at 3 years with an additional 3 years if drilling will confirm 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 dependent 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 were 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, at which time we delivered and sold an additional 975 ounces of gold to Waterton Global Value, L.P.

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.

Recent Developments

On April 25, 2011, we released the Pre-Feasibility Study for the development of the Borealis Property. 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 new leach pad, both preg and barren ponds, carbon columns, roads, grounds and power distribution system.

As at March 31, 2012, the ADR was 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 bar on March 30, 2012 and have poured gold each week since then. We expect our operating cost per ounce to be in the \$900-\$1,000 per ounce range.

Recent 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 any over-allotments. 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 that were to mature on 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 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, L.P. Bridge Loan

On March 20, 2012, we entered into a Bridge Loan facility with Waterton Global Value, L.P. for \$1,500,000 (the Bridge Loan). The Bridge Loan was to be paid within 60 days or be subject to immediate repayment from the \$15,000,000 Senior Facility. Security for the Bridge Loan was a perfected lien and a first priority security interest in all tangible and intangible properties and assets of Gryphon Gold. The Bridge Loan, which we repaid on April 19, 2012, accrued interest at a rate of 15% per annum and was subject to a \$30,000 structuring fee, a fee of \$100,000 for legal and other related expenses, as well as the issuance 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 Cdn\$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, L.P. Senior Credit Facility

On April 18, 2012, we entered into a Senior Secured Gold Stream non-revolving credit facility (the Senior Facility) with Waterton Global Value, L.P. (Waterton), 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 repay the Bridge Loan in full, as well as our Cdn\$3,000,000 10% subordinated secured notes due in July of 2013, and our Cdn\$4,500,000 10% subordinated secured notes, due November 27, 2013. The Senior Facility accrues interest at 5% per annum and is repayable in 12 equal monthly installments commencing in May 2013. The amount of monthly repayments will be based on a formula using 80% of the gold spot price as the value of gold. On each repayment date, we may pay the monthly repayment 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 Senior Facility 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 Cdn\$0.16 per share until April 18, 2015. The fair value of the warrants issued to note holders and brokers pursuant to the Senior Facility was \$1,039,566, which was calculated using Black-Scholes model with a risk free interest rate of 0.40%, volatility of 87.35%, 1,095 days expected term and an exercise and market price of C\$0.16 per share. This relative fair value resulted in a discount to the notes payable and will be amortized over the 24-month term of the notes and as at June 30, 2012, \$105,380 had been amortized and charged to interest expense.

The debt offering costs in connection with the Senior Facility totaled \$585,091 and at June 30, 2012, \$55,466 was amortized and charged to interest expense and \$37,921 charged to expense related to the warrant derivative.

The Senior Facility requires us to comply with various financial and non-financial covenants. The financial covenants include unaudited quarterly financial statements, annual audited financial statements, proxy statements, and any material reports. Within 10 days after the end of each calendar month, we must submit to the lender a written report concerning its business and activities. Pursuant to a series of guarantees, security agreements, deed of trust, and a stock pledge agreement, the senior obligations under the Senior Facility are secured by a first priority lien on the stock of the Company and the Company's assets.

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.

On September 24, 2012, we and Waterton amended our Senior Facility, to increase Waterton's commitment amount under the Senior Facility by \$5 million (the Facility Increase), bringing the aggregate borrowings under the Senior Facility from \$15 million to \$20 million. Under the amended Senior Facility, amounts drawn down from the Senior Facility will be repayable in monthly payments beginning in December 2012 and ending in November 2014, with initial payments being approximately \$50,000 per month and increasing to approximately \$900,000 per month in March 2013 through to the end of the term in November 2014. The specific repayment mechanics applicable to any principal amounts outstanding under the Senior Facility remain unchanged.

As consideration for providing the Facility Increase and amending the repayment schedule of the Senior Facility, the Company and Waterton agreed to amend the terms of their existing Gold and Silver Supply Agreement to permit Waterton to purchase all of the Company's production at a 3% discount to prevailing spot prices.

Our Management

James T. O'Neil serves as our President and Chief Executive Officer (CEO) and our interim Chief Financial Officer (CFO). 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.

Steven K. Jones serves as our Vice President Exploration. Mr. Jones brings 34 years of mining and exploration experience to the Gryphon team. 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 Vice President, Treasurer, and Secretary.

Donald B. Tschabrun serves as our Chief Operating Officer. Mr. Tschabrun was most recently the Principle Mining Engineer at AMEC plc, a global consultancy providing engineering and project management services for the minerals and metals industry among others. Prior to that, Mr. Tschabrun was the Director of Engineering and COO at Jipangu International.

The Offering

This is an offering of up to 18,812,500 shares of our common stock by certain selling stockholders.

*Shares Offered By the Selling
Stockholders*

18,812,500 shares of common stock, \$0.001 par value per share,
including:

- 3,250,000 shares of common stock acquirable by selling security holders upon exercise of Series O Warrants at \$0.30 per share, until January 21, 2013;
- 1,500,000 shares of common stock acquirable by selling security holders upon exercise of Series R Warrants at Cdn\$0.1862 per share, until March 20, 2015; and
- 14,062,500 shares of common stock acquirable by selling security holders upon exercise of Series T Warrants at Cdn\$0.16 per share, until April 18, 2015.

Offering Price

Determined at the time of sale by the selling stockholders

*Common Stock Outstanding as of June 29,
2012*

194,103,382 common shares

Use of Proceeds

We will not receive any of the proceeds of the shares offered by the selling stockholders. We may receive proceeds from the exercise of the warrants, if any, and will use the proceeds from any exercise for general working capital purposes.

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.

Risk Factors

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 13 of this prospectus.

Listing Symbols

Our common stock is currently listed on the Over-the-Counter Bulletin Board under the symbol GYPH.OB and on the Toronto Stock Exchange under the symbol GGN .

The number of shares of our common stock that will be outstanding immediately after this offering, assuming full exercise of the Series O, Series R and Series T Warrants, will be 212,915,882 shares of common stock based on the number of issued and outstanding shares of common stock as of September 20, 2012.

Summary Financial Data

The following consolidated statements of operations data for the fiscal years ended March 31, 2012 and 2011 and consolidated balance sheet data as at March 31, 2012 and 2011 are derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The following consolidated statements of operations data for the three months ended June 30, 2012 and 2011 and consolidated balance sheet data for the three months ended June 30, 2012 are unaudited. Our unaudited consolidated statements of operations data and consolidated balance sheet data have been prepared on a basis consistent with our audited consolidated financial statements, and in the opinion of our management, include all adjustments, consisting only of normal, recurring adjustments and accruals, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Our historical results for any period are not necessarily indicative of our future performance. You should read the following information in conjunction with Management's Discussion and Analysis of Financial Condition and Operating Results and our financial statements and related notes included elsewhere in this prospectus.

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

	Year Ended March 31,		Three months ended June 30 (unaudited)	
	2012	2011	2012	2011
Revenue	\$ NIL	\$ NIL	\$ 5,889,363	\$ NIL
Income (loss) for the period from continuing operations	\$ (5,121,372)	\$ (3,383,599)	\$ 71,576	\$ (592,465)
Net loss for period	\$ (5,121,372)	\$ (2,747,891)	\$ (379,151)	\$ (583,461)
Total loss per share	\$ (0.03)	\$ (0.03)	\$ NIL	\$ NIL
Basic and diluted weighted average number of common shares outstanding	181,395,836	90,075,261	194,103,382	141,980,549

CONSOLIDATED BALANCE SHEET DATA:

	At March 31,		Three months ended June 30 2012 (unaudited)
	2012	2011	
Cash	\$ 602,343	\$ 837,457	\$ 4,533,261
Total assets	\$ 30,212,382	\$ 4,260,541	\$ 34,254,032
Total current liabilities	\$ 6,964,235	\$ 397,106	\$ 8,084,165
Total non-current liabilities	\$ 12,011,779	\$ 51,300	\$ 15,222,067
Accumulated deficit	\$ (43,072,173)	\$ (37,950,801)	\$ (43,451,324)
Total stockholders' equity	\$ 11,236,368	\$ 3,812,135	\$ 10,947,800
Total liabilities and stockholders' equity	\$ 30,212,382	\$ 4,260,541	\$ 34,254,032

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the notes thereto, before deciding whether to invest in shares of our common stock. Each of these risks could have a material adverse effect on our business, operating results, financial condition, and/or growth prospects. As a result, the trading price of our common stock could decline and you might lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our operations.

Risks Related to Our Operations

Our independent auditors have expressed doubt about our ability to continue as a going concern, which may hinder our ability to continue operating and our ability to obtain future financing

The audit opinion for our financial statements for the fiscal year ended March 31, 2012 includes a qualification raising substantial doubt about our ability to continue as a going concern. We will likely need to raise additional capital to help fund our operations and further capital expenditures and expansion. No assurance can be given that we will be successful in raising additional capital on favourable terms or at all. Further, even if we raise additional capital, there can be no assurance that we will achieve profitability or positive cash flow. If we are unable to raise additional capital and possible future revenues do not result in positive cash flow, we will not be able to meet our obligations and may have to suspend or cease operations. We had an accumulated deficit of \$43,451,324 as at June 30, 2012 (\$43,072,173 as at March 31, 2012) and have cash on hand of \$4,533,261. In addition, at June 30, 2012, we had \$16,980,240 in notes payable and long-term debt. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

We will require future financing to enable us to continue operations.

We have just begun operating on the Borealis Property and may not have sufficient capital to fully fund all of our obligations, and we recognized that additional resources were required to enable us to continue operations.

At March 31, 2012, we had working capital of \$843,193 with an average cash expenditure rate of \$1,000,000 per month in a typical month. This level of activity will change based upon future events. We have instituted a new cost accounting to track production expenditures on a monthly basis. Current assets consisted of \$602,343 in cash, \$358,005 in accounts receivable, and \$171,516 in prepaid expenses, \$6,363,016 in metal and supply inventories and \$312,549 in deferred debt issue costs. We had \$5,004,298 in accounts payable and \$1,959,937 in the current portion of our debts.

Subsequent to March 31, 2012, we obtained a \$15,000,000 Senior Facility. On April 19, 2012, we drew down the full \$15,000,000 and used the proceeds to pay off a Bridge Loan of \$1,500,000 entered into with Waterton on March 20, 2012, Cdn\$3,000,000 10% subordinated secured notes, due in July of 2013, and Cdn\$4,500,000 10% subordinated secured notes, due November 27, 2013. The Senior Facility accrues interest at a rate of 5% per annum. On September 24, 2012, we and Waterton amended our Senior Facility, to increase Waterton's commitment amount under the Senior Facility by \$5 million, bringing the aggregate borrowings under the Senior Facility from \$15 million to \$20 million. Under the amended Senior Facility, amounts drawn down from the Senior Facility will be repayable in monthly payments beginning in December 2012 and ending in November 2014, with initial payments being approximately \$50,000 per month and increasing to approximately \$900,000 per month in March 2013 through to the end of the term in November 2014. We intend to use the remaining proceeds for working capital and additional capital expenditures related to our Borealis Project. We anticipate that the remaining proceeds from the amended Senior Facility and cash flow from operations will be sufficient to fund our cash requirements to achieve full production and processing capabilities at the Borealis Project. However, no assurance can be given that we will achieve profitability or positive

cash flow from operations and we may require additional financing if we encounter unexpected costs or delays.

Our lease for the Borealis Property is subject to our continuing to perform development work, an activity that requires capital.

Our lease for the Borealis Property, which includes claims covering the principal deposits, states that after January 24, 2009 (twelve years from the effective date of the lease) we must be engaged in active mining, development or processing to automatically extend the term of the lease. Development is defined to mean work or construction in preparation for mining or processing a proven or probable reserves, including further exploration of development drilling of such a reserve. If we do not perform any qualifying development activities within a 365-day period, we are subject to losing our lease rights in the Borealis Property. Qualifying work has been completed on an ongoing basis since the January 24, 2009 trigger date. If projected capital costs or operating costs for the Borealis Project exceed current projections, further mine development is delayed or estimated production revenues are delayed or less than projected, without additional financing in the future, we may not be able to continue production and expansion and we may lose the lease to the Borealis Property.

Risks related to the Borealis Property.

Our mining operations may be hazardous and we are subject to significant regulatory oversight that may disrupt our operations.

Mining operations are inherently hazardous and subject to unforeseen risks of accidents. Our operations are regulated by the Mine Safety and Health Administration (MSHA), and MSHA regulators make regular inspections at our mine site. Although we strive to maintain a safe and reliable work place for all of our employees and we employ a full time Safety Director to insure that safe work practices are followed, we cannot eliminate all risks of accidents or major safety violations at the Borealis Mine Site. An accident may result in injury or death at a mine site and safety violations may result in stop work orders and/or significant fines. Accidents or safety violations may disrupt our operations and have an adverse affect on our production targets and results of operations.

We have limited history of producing metals from our mineral property and there can be no assurance that we can continue to profitably produce precious metals.

While we have moved from the development stage to production, we are subject to risks of a new start-up operation, including, but not limited to:

- mechanical break down and unforeseen maintenance issues;
- equipment capacity limitations and delays in full utilization of equipment and facilities;
- reliability of contractor services and service providers;
- the ability to find sufficient gold reserves to support a mining operation;
- the availability and costs of skilled labor and mining equipment;
- compliance with environmental and other governmental approval and permit requirements;
- our success depends on our ability to achieve operational results that match design parameters in terms of:
 - ◆ ore grade
 - ◆ gold and silver metal recoveries
 - ◆ operating costs
 - ◆ operating efficiencies
- the availability of funds to finance future development of the property;
- increases in reclamation bonding;
- potential opposition from non-governmental organizations, environmental groups, local groups or local inhabitants which may delay or prevent development activities; and
- potential increases in operating costs and working capital increases due to changes in the cost of fuel, power, materials, supplies, and other costs.

The costs, timing, and complexities of production may be increased by the remote location of the Borealis Property. It is common in new mining operations to experience unexpected problems and delays during mine start-up and production. In addition, delays in production often occur. Accordingly, we cannot assure you that our activities will result in profitable mining operations or profitably produce metals at any of our properties.

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 non-productive. 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 evaluation of the host rock, alteration, structure, geochemistry and proper sampling;
- 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.

Actual capital costs, operating costs, production and economic returns may differ significantly from those we have anticipated and there are no assurances that our production activities will result in profitable mining operations.

We plan to estimate operating and capital costs for the Borealis Property based on information available to us and that we believe to be accurate. However, costs for labor, regulatory compliance, energy, mine and plant equipment and materials needed for production may significantly fluctuate. In light of these factors, actual costs related to our proposed budgeted production costs may exceed any estimates we may make. We do not have an operating history upon which we can base estimates of future operating costs related to the Borealis Property, and we intend to rely upon our future economic feasibility of the project and any estimates that may be contained therein. Studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the material to be mined and processed;
- anticipated recovery rates of gold and other metals from the material;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions and availability of water.

Capital and operating costs, production and economic returns, and other estimates contained in feasibility studies may differ significantly from actual costs, and there can be no assurance that our actual capital and operating costs will not be higher than anticipated or disclosed.

In addition, any calculations of cash costs and cash cost per ounce may differ from similarly titled measures of other companies and are not intended to be an indicator of projected operating profit.

A shortage of critical equipment, supplies, and resources could adversely affect our operations.

We are dependent on certain equipment, supplies and resources to carry out our mining operations, including input commodities, drilling equipment and skilled labor. A shortage in the market for any of these factors could cause unanticipated cost increases and delays in delivery times, which could in turn adversely impact production schedules and costs.

Operations at the Borealis Property will require a significant amount of water. The Borealis Property is located in an arid region with an over-appropriated water basin. Successful mining and processing will require careful control of project water usage and efficient reclamation of project solutions back into the process. The figures for our mineralization are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.

Unless otherwise indicated, mineralization figures presented in this prospectus and in our filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by independent geologists and our internal geologists. When making determinations about whether to

advance any of our projects to development, we must rely upon such estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until material is actually mined and processed, mineral reserves and grades of mineralization must be considered as estimates only.

These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. We cannot assure you that:

- these estimates will be accurate;
- reserves or other mineralization estimates will be accurate; or
- this mineralization can be mined or processed profitably.

Any material changes in mineral reserves estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital.

On June 6, 2011, we broke ground and began construction of the Borealis Project. To date, the leach pad, the ponds, power distribution system, refinery and process plant as well as general facilities are in place. We have \$19.6 million dollars invested in our property, plant and equipment at year-end.

Because we have just recently started production at our Borealis Property, mineralization estimates, including reserves estimates, for the Borealis Property may require adjustments or downward revisions based upon actual production experience. In addition, the grade of material ultimately mined, if any, may differ from that indicated by our feasibility studies and drill results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

The mineralization estimates contained in this report have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold and silver may render portions of our mineralization, reserve estimates uneconomic and result in reduced reported mineralization or adversely affect the commercial viability of our Borealis Property. Any material reductions in estimates of mineralization, or of our ability to extract this mineralization, could have a material adverse effect on our results of operations or financial condition.

Changes in the market price of gold, silver and other metals, which in the past has fluctuated widely, will affect the profitability of our operations and financial condition.

Our profitability and long-term viability depend, in large part, upon the market price of gold and other metals and minerals produced from our mineral properties. The market price of gold and other metals is volatile and is impacted by numerous factors beyond our control, including:

- sales by central banks and other holders, speculators and producers of gold and other metals in response to any of the below factors.
- the relative strength of the U.S. dollar and certain other currencies;
- interest rates;
- global or regional political, financial, or economic conditions;
- supply and demand for jewelry and industrial products containing metals; and
- expectations with respect to the rate of inflation;

A material decrease in the market price of gold and other metals could affect the commercial viability of our Borealis Property and our anticipated development and production assumptions. Lower gold prices could also adversely affect our ability to finance future development at the Borealis Property, all of which would have a material adverse effect on our financial condition and results of operations. There can be no assurance that the market price of gold and other metals will remain at current levels or that such prices will improve.

Mining is inherently dangerous and subject to conditions or events beyond our control, which could have a material adverse effect on our business.

Mining involves various types of risks and hazards, including:

- environmental hazards;
- power outages;
- metallurgical and other processing problems;
- unusual or unexpected geological formations;
- structural cave-ins or slides;

- flooding, fire, explosions, cave-ins, pit wall landslides and rock-bursts;
- inability to obtain suitable or adequate machinery, equipment, or labor;
- mine safety risk and risk of closure or significant fines;
- metals losses; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

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

We currently maintain insurance to insure against general commercial liability claims, losses of equipment and pollution. Our insurance will not cover all of the potential risks associated with a mining company's operations, and we may 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 certain hazards as a result of exploration and production may be prohibitively expensive to obtain for a company of our size and financial means.

Losses from events that are not covered by our insurance policies 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 are subject to significant governmental regulations.

Our primary properties, operations and exploration and development activities are in Nevada and are subject to extensive federal, state, and local laws and regulations governing various matters, including:

- environmental and wildlife protection;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration, development of mines, production and post-closure reclamation;
- export controls;
- price controls;
- regulations concerning business dealings with native groups;
- labor standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in us incurring significant expenditures. We may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or a more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of our operations and delays in the development of our properties.

Our activities are subject to environmental laws and regulations that may increase our costs of doing business and restrict our operations.

All of our exploration, potential development and production activities are in the United States and are subject to regulation by governmental agencies under various environmental laws. These laws address, among other things, emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations.

Our operations involve the use of sodium cyanide, which is a toxic material. The use of sodium cyanide is normal for the industry, and appropriate steps are taken to prevent leakage into the environment. However, if the material is

discharged, we could incur significant liabilities associated with containment and clean-up, against which we might not be insured. Additionally, our operations result in emissions of greenhouse gases, which may be subject to increased regulation in the future. In general, environmental legislation is evolving and the trend has been towards stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations requires significant capital outlays, and future changes in these laws and regulations may cause material changes to our operations and future activities. It is possible that future changes in these laws or regulations could have a significant negative impact on our operations at the Borealis Property, or some portion of our business, causing us to re-evaluate those activities at that time.

Land reclamation requirements for our Borealis Property may be burdensome.

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance.

Reclamation may include requirements to:

- control dispersion of potentially deleterious effluents; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with our production, we have set up a provision for our reclamation obligations at the Borealis Property, but this provision may not be adequate. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

Our operations require us to obtain government permits and approvals.

Permits and approvals from various government agencies, such as the State of Nevada and the United States Forest Service, were required in order to construct and begin operations on the Borealis Property. All major operating permits remain in place, but there are still some additional minor permits or permit modifications to be secured. Though these additional permits should be straightforward to obtain, there can be no assurance that delays will not occur in connection with obtaining these additional permits or later renewing the existing ones. In addition, our permits may be revoked in the future for failure to comply with applicable regulations or for other reasons that may be beyond our control.

We also have gold resources outside of our currently permitted boundaries. If we decide to expand operations, all permits and approvals will have to be obtained from the state and federal agencies in order for us to proceed.

We may experience difficulty attracting and retaining qualified management to meet the needs of our anticipated growth, and the failure to manage our growth effectively could have a material adverse effect on our business and financial condition.

We are dependent on the services of key executives including, James T. O Neil, President and CEO and interim CFO, Steve Jones, Vice President Exploration, Lisanna Lewis, Vice President & Treasurer and Robert Cassinelli, our Project Manager, and other highly skilled and experienced employees and consultants focused on our Borealis Property's production and managing our interests and on-going exploration programs on our other properties. Our management is also responsible for the identification of new opportunities for growth and funding. Due to our relatively small size, the loss of these persons or our inability to attract and retain additional highly skilled employees required for our development activities may have a material adverse effect on our business or future operations. We do not maintain key-man life insurance on any of our key management employees.

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

The mining industry is intensely 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 costs associated with production, and the expertise required to operate our project, larger companies with significant resources may have an advantage over us. We face strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than us. Competition for resources at all levels is currently very intense, particularly affecting the availability of manpower, drill rigs, mining equipment and production equipment. 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.

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 through the BMC and the claims that are subject to the Borealis Property 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 these properties 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 laws. 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 laws, 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 mill site 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.

There are differences in U.S. and Canadian practices for reporting reserves and resources.

We are a reporting issuer in Canada and report under Canadian reporting standards outside the United States. Our disclosure outside the United States differs from the disclosure contained in our SEC filings. We generally furnish our disclosure released outside the United States with the SEC as Regulation FD disclosure.

Our reserve and resource estimates disseminated outside the United States are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as we generally report reserves and resources in accordance with Canadian practices. These practices are different from the practices used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated and inferred resources, which are generally not permitted in disclosure filed with the SEC. In the United States, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report resources as in place tonnage and grade without reference to unit measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in disclosure released outside the United States, or in the documents incorporated herein by reference, may not be comparable to information made public by other United States companies subject to the reporting and disclosure requirements of the SEC.

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, when the Borealis Property produces gold and other base or precious metals. Our ability to maintain or increase the property's annual production of gold and other base or precious metals will be dependent almost entirely on our ability to bring new mines into production.

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

Certain directors of Gryphon Gold have served or are serving 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.

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 rules and regulations which govern publicly-held companies. Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the SEC that increase responsibilities and liabilities of directors and executive officers. We are a small company with a very limited operating history and small revenues and 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 may be required to provide an auditors attestation on the effectiveness of our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such attestation 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 have furnished a report by management on our internal control over financial reporting in our annual report on Form 10-K for the year ended March 31, 2012. Such report contains, 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.

We are currently a smaller reporting company as defined under the rules and regulations of the SEC, and therefore, do not have to provide an auditor's report on the effectiveness of such internal control over financial reporting pursuant to recent changes to Section 404 of the Sarbanes-Oxley Act of 2002. However, if we lose our status as a smaller reporting company in the future, we would be required in our annual report on Form 10-K for the following fiscal year to provide an attestation report from our auditors on the effectiveness of such internal control over financial reporting.

While we have evaluated our internal control over financial reporting and have concluded that we have two material weaknesses related to the transformation from exploration and development to production accounting. Complex accounting transactions are apparent relating to our debt terms and our units of production depreciation along with other accounting estimates. We received a bridge loan just before year end that included the issuing of warrants to existing debt holders in return for the forbearance of the debt covenants which created a substantial modification in the terms of the notes. Subsequent to year end and during the audit procedure it was brought to management's attention that this transaction should be recorded as a loss on the modification of debt instead of accounting for it as a discount to the notes payable. Included in the loss was the fair value of the warrants issued to the existing noteholders and the extinguishing the existing debt discount and offering costs. During the audit process subsequent to year end it was brought to management's attention that the units of production depreciation method used to calculate plant, property and equipment's depreciation for the period was calculated incorrectly as the amount for mineral properties was missed during the calculation resulting in a material effect on the financial statements. We intend to remediate these weaknesses by adding additional people to the staff and having a better segregation of duties program among the staff. We will also institute a formal review program for all complex accounting issues. Our intention is to close the books on a monthly basis in order to get more timely information. A review of our IT system will also take place this year. If we are unable to address the weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on our stock price.

Failure to comply 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, on committees of our Board, or as executive officers.

We may be subject to legal proceedings that may have an adverse affect on our results of operations.

On January 31, 2012, we were served with a complaint alleging breach of contract that was filed in the First Judicial District Court for the State of Nevada in Carson City by Borealis royalty holders which include the Cavell Trust, Hardrock Mining Company and John W. Whitney. The royalty holders allege that advance royalties which we have paid are not recoverable and are payable during the duration of the mining lease. On February 21, 2012, we filed an answer and counterclaim against the plaintiffs for alleged breach of contract claim. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding and the substantial defense and settlement costs associated with legal proceedings could have a material effect on our future financial position and results of operations. We currently place an amount equal to the accrued offset to the advance royalties into escrow pending the outcome of the litigation.

Risks Related To Our Securities

The market for our common shares has been volatile in the past, and may be subject to fluctuations in the future.

The market price of our common stock has ranged from a high Cdn\$0.35 and a low Cdn\$0.13 during the twelve month period ended March 31, 2012. The market price for our common stock closed at Cdn\$0.15 on March 31, 2012. The market price of our common stock may fluctuate significantly from its current level in response to quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations for a number of reasons, including the failure of the operating results of certain companies to meet market expectations that have particularly affected the market prices of equity securities of many mining companies that have often been unrelated to the operating performance of such companies. These broad market fluctuations, or any industry-specific market fluctuations, may adversely affect the market price of our common stock.

We have convertible securities outstanding, which if fully exercised could require us to issue shares of our common stock and result in dilution to existing stockholders.

As of March 31, 2012, we had 194,103,382 shares of common stock issued and outstanding. We may be required to issue the following shares of common stock upon exercise of options and warrants or conversion of convertible securities:

- 5,940,000 (inclusive of the 550,000 granted to a consultant outside of the stock option plan) shares of common stock issuable upon vested exercise of options outstanding as of March 31, 2012;
- 30,748,273 shares of common stock issuable upon exercise of warrants outstanding as of March 31, 2012 (732,215 expiring on June 16, 2012); and
- 2,727,857 shares of common stock issuable upon converting the \$1,909,500 convertible note held by our royalty holders (current exercise amount is \$0.80);

Subsequent to March 31, 2012, we issued an additional 14,062,500 Series T Warrants, exercisable to acquire shares of common stock at a price of Cdn\$0.16 per share until April 18, 2015.

If all of the convertible securities issued and outstanding as of March 31, 2012 are fully exercised or converted, we would issue an additional 39,416,130 shares of common stock, and our issued and outstanding share capital would increase to 233,519,512 shares. If all of the convertible securities issued and outstanding as of September 20, 2012 are fully exercised or converted, we would issue an additional 52,478,434 shares of common stock, and our issued and outstanding share capital would increase to 246,581,816 shares.

The Waterton Senior Credit Facility requires us to repay the amounts we draw down on the credit facility in cash or gold at the option of Waterton.

Our Senior Facility requires monthly repayments based on a formula using 80% of the gold spot price as the value of gold. On each monthly 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 loan is secured by a first priority charge on the assets of Gryphon Gold and BMC.

Repayment of the Senior Facility may impact our results of operations. The reduced cash flow could severely limit our business growth and future funding.

(see Risks Related to Our Operations; *We will require future financing to enable us to continue operations*)

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 has traded below \$5.00 per share throughout its trading history. 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 in the foreseeable future.

We have never paid a dividend to our stockholders, 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern our 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) are statements of historical fact and may be forward-looking statements.

With respect to forward-looking statements and information contained in this prospectus, 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, 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 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. 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 prospectus by the foregoing cautionary statement.

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 prospectus use the terms *reserves*, *proven reserves*, *probable reserves*, "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource" as defined and reported under Canadian National Instrument 43-101 (NI 43-101). We advise investors that these terms are defined in and required to be disclosed by NI 43-101; however, these terms are not consistent with similar terms defined or used under the SEC's Industry 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 prospectus 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.

PRICE RANGE OF COMMON STOCK**Market Information**

Our common stock is quoted on the Toronto Stock Exchange (TSX) and is quoted on the Over-the-Counter Bulletin Board in the United States. Our common shares commenced trading on the TSX on December 22, 2005. Before trading on the TSX our stock was not publicly traded on any exchange. On June 1, 2006, our stock became eligible to be quoted on the Over-the-Counter Bulletin Board market in the United States.

The high and low sales prices of our common stock on the TSX were as follows:

<u>Period</u>	<u>High</u>	<u>Low</u>
2012		
Third Quarter (through Sept. 19)	Cdn\$0.13	Cdn\$0.09
Second Quarter	Cdn\$0.19	Cdn\$0.11
First Quarter	Cdn\$0.26	Cdn\$0.13
2011		
Fourth Quarter	Cdn\$0.37	Cdn\$0.24
Third Quarter	Cdn\$0.32	Cdn\$0.14
Second Quarter	Cdn\$0.16	Cdn\$0.15
First Quarter (TSX)	Cdn\$0.25	Cdn\$0.13
2010		
First Quarter (TSX)	Cdn\$0.23	Cdn\$0.13
Second Quarter (TSX)	Cdn\$0.20	Cdn\$0.10
Third Quarter (TSX)	Cdn\$0.18	Cdn\$0.09
Fourth Quarter (TSX)	Cdn\$0.28	Cdn\$0.15

The closing price of our common stock was Cdn\$ 0.095 on September 20, 2012 as quoted on the TSX.

As of September 20, 2012, we had 194,103,382 shares of common stock issued and outstanding, held by approximately 3,000 registered stockholders. In many cases, shares are registered through intermediaries, making the precise number of stockholders difficult to obtain.

Dividend Policy

We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any further determination to pay cash dividends will be at the discretion of our Board and will be dependent on the financial condition, operating results, capital requirements and other factors that our Board deems relevant. We have never declared a dividend.

Purchases of Equity Securities by the Small Reporting Company and Affiliates**Equity Compensation Plans*****Securities Authorized for Issuance***

On March 29, 2005, our Board adopted a stock option plan which was approved by our stockholders on May 13, 2005. As of April 16, 2011, all options granted under this stock compensation plan have been either forfeited or exercised (107,500) and the plan is no longer in effect.

On April 4, 2006 (amended July 24, 2006), the Board approved the 2006 Omnibus Incentive Plan, which increased the number of reserved shares of common stock for issuance to employees, officers, directors, consultants and advisors, from 3,000,000 to 6,000,000 shares. The 2006 Omnibus Incentive Plan was ratified by the stockholders at our annual general meeting on September 12, 2006, along with all options previously granted there under, pending such ratification.

On September 8, 2009, at the special meeting of the stockholders, the stockholders approved an increase in the number of shares of common stock issuable pursuant to the grant of stock options under the 2006 Omnibus Incentive Plan. After the stockholders approved increase, the 2006 Omnibus Incentive Plan authorizes us to grant 6,000,000 options of common stock and 1,000,000 restricted stock units.

On September 8, 2011, at the annual general meeting of the stockholders, the stockholders approved an increase in the number of shares of common stock issuable pursuant to the grant of stock options under the Omnibus Incentive Plan. After the stockholders approved the increase, the 2006 Omnibus Incentive Plan authorizes us to grant 12,000,000 options of common stock and 1,000,000 restricted stock units.

On August 28, 2012, at a meeting of the stockholders, the stockholders approved an increase in the number of shares of common stock issuable pursuant to the grant of stock options under the 2006 Omnibus Incentive Plan. After the stockholders approved increase, the 2006 Omnibus Incentive Plan authorizes us to grant 6,000,000 options of common stock and 10,000,000 restricted stock units.

On September 4, 2012, at a meeting of the stockholders, the stockholders approved an increase in the authorized share capital from 250,000,000 to 500,000,000.

As of September 20, 2012, we had granted 13,022,000 stock options, of which 6,707,000 were forfeited and 150,000 were exercised pursuant to the terms of our Omnibus Incentive Plan as described below with expiry dates to 2017; 2,626,170 restricted stock units had been granted as of September 20, 2012, of which 142,750 have been forfeited and the equivalent of 42,500 were issued in cash pursuant to the terms of our Omnibus Incentive Plan.

We have no equity compensation plans in place that have not been approved by our stockholders. The table below shows securities issued under our equity compensation plans as of September 20, 2012.

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders⁽¹⁾	7,655,000 ⁽¹⁾	\$0.23*	13,201,580 ⁽²⁾
Equity compensation plans not approved by security holders	--	--	--
TOTAL	7,655,000	--	13,201,580

(1) Consists of 6,165,000 outstanding options and 1,500,000 restricted stock units granted from the Omnibus Incentive Plan.

(2) Consists of 5,685,000 options and 7,516,580 restricted stock units remaining under the Omnibus Incentive Plan.

* Based on the September 20, 2012 exchange rate of Cdn\$1 equals US\$1.0241.

2006 Omnibus Incentive Plan

The Plan is administered by the Compensation Committee, which has full and final authority with respect to the granting of options there under. Options may be granted under the Plan to such directors, officers, employees or consultants of Gryphon Gold and its subsidiaries as the Compensation Committee may from time to time designate (referred to as a participant). Each option will generally entitle a participant to purchase one share of common stock during the term of the option upon payment of the exercise price. The exercise price of any options granted under the Plan shall be determined by the Compensation Committee and may not be less than the market price of our common

stock on the date of grant of the options (calculated in accordance with the rules of the Toronto Stock Exchange as the volume weighted average trading price for the five trading days preceding the date of grant). Gryphon Gold may provide financial assistance to eligible persons to purchase shares of common stock under the Plan, subject to applicable law and the rules and policies of any securities regulatory authority or stock exchange with jurisdiction over the Corporation or a trade in its securities. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the option to which the financing applies.

The term of any options granted shall be determined by the Compensation Committee at the time of the grant but the term of any options granted under the Plan shall not exceed ten years. If desired by the Compensation Committee, options granted under the Plan may be subject to vesting provisions. Options granted under the Plan are not transferable or assignable other than by will or otherwise by operation of law. In the event of death or disability of an option holder, options granted under the Plan vest immediately, if unvested, and expire one year from the death or disability of the option holder.

Certain restrictions contained in the Plan include:

- the number of shares of common stock which may be issued pursuant to the Plan (or any other employee related plan or options for service) to any one person may not exceed 5% of all the common shares issued and outstanding on a non-diluted basis from time to time; and

- the number of shares of common stock which may be issued pursuant to the Plan (or any other employee-related plan or options for services) to insiders (as defined in the rules of the Toronto Stock Exchange to include generally directors, senior officers of Gryphon Gold or its subsidiaries or stockholders who own more than 10% of our common stock) during any twelve month period may not exceed 10% of the common stock issued and outstanding on a non-diluted basis from time to time (unless approval of disinterested stockholders has been obtained in accordance with the rules of the Toronto Stock Exchange).
- the number of shares of common stock which may be reserved for issuance in respect of options granted to insiders pursuant to the Plan (or any other employee-related plan or options for service) may not exceed 10% of the common stock issued and outstanding on a non-diluted basis from time to time unless approval of disinterested stockholders has been obtained in accordance with the rules of the Toronto Stock Exchange).

Our Board may at any time terminate or amend the Plan in any respect, provided however, that the Board may not, without the approval of the stockholders, amend the Plan or any option granted thereunder in any manner that requires stockholder approval under applicable law or the rules and policies of any stock exchange or quotation system upon which the common shares are listed or quoted.

Sale of Unregistered Securities

For a description of the sales of unregistered securities since the beginning of our fiscal year ended March 31, 2012, see Recent Capital Raises.

DESCRIPTION OF SECURITIES

Our authorized capital stock of Gryphon Gold consists of five hundred million (500,000,000) shares of common stock, par value \$0.001 per share and fifteen million (15,000,000) shares of Preferred Stock, par value \$0.001 per share. No other class or series of capital stock is currently authorized under the Corporation's articles of incorporation.

Common Stock

As of September 20, 2012, we had 194,103,382 shares of common stock outstanding, 52,478,434 shares of common stock reserved for issuance upon exercise of outstanding options and warrants.

Holders of common stock are entitled to one vote per share on all matters subject to stockholder vote. The common stock has no preemptive or other subscription rights. All of the presently outstanding shares of common stock are fully paid and non assessable. If the corporation is liquidated or dissolved, holders of shares of common stock will be entitled to share ratably in assets remaining after satisfaction of liabilities and subject to the rights, if any, of the holders of our preferred stock.

The holders of the common stock are entitled to receive dividends when and as declared by the Board, out of funds legally available therefore. The corporation has not paid cash dividends with respect to its common stock in the past. No share of common stock of the corporation which is fully paid is liable to calls or assessment by the corporation.

Preferred Stock

Our articles of incorporation authorize our Board to issue, by resolution and without any action by our stockholders, one or more series of preferred stock and to establish the designations, dividend rights, dividend rate, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund terms and all other preferences and rights of any series of preferred stock, including rights that could adversely affect the voting power of the holders of our common stock.

One of the effects of undesignated preferred stock may be to enable the Board to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of our management. The issuance of shares of preferred stock pursuant to the Board's authority described above may adversely affect the rights of holders of common stock. For example, preferred stock issued by us may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for the common stock at a premium or may otherwise adversely affect the market price of the common stock.

Nevada Laws

The Nevada Business Corporation Law contains a provision governing acquisition of controlling interest. This law provides generally that any person or entity that acquires 20% or more of the outstanding voting shares of a publicly-held Nevada corporation in the secondary public or private market may be denied voting rights with respect to the acquired shares, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights in whole or in part. The control share acquisition act provides that a person or entity acquires control shares whenever it acquires shares that, but for the operation of the control share acquisition act, would bring its voting power within any of the following three ranges:

- 20 to 33 1/3%;
- 33 1/3 to 50%; or
- more than 50%.

A control share acquisition is generally defined as the direct or indirect acquisition of either ownership or voting power associated with issued and outstanding control shares. The stockholders or Board of a corporation may elect to exempt the stock of the corporation from the provisions of the control share acquisition act through adoption of a provision to that effect in the articles of incorporation or bylaws of the corporation. Our articles of incorporation and bylaws do not exempt our common stock from the control share acquisition act.

The control share acquisition act is applicable only to shares of Issuing Corporations as defined by the Nevada law. An Issuing Corporation is a Nevada corporation, which:

- has 200 or more stockholders, with at least 100 of such stockholders being both stockholders of record and residents of Nevada; and
- does business in Nevada directly or through an affiliated corporation.

At this time, we do not have 100 stockholders of record resident of Nevada. Therefore, the provisions of the control share acquisition act do not apply to acquisitions of our shares and will not until such time as these requirements have been met. At such time as they may apply, the provisions of the control share acquisition act may discourage companies or persons interested in acquiring a significant interest in or control of us, regardless of whether such acquisition may be in the interest of our stockholders.

The Nevada Combination with Interested Stockholders Statute may also have an effect of delaying or making it more difficult to effect a change in control of us. This statute prevents an interested stockholder and a resident domestic Nevada corporation from entering into a combination, unless certain conditions are met. The statute defines combination to include any merger or consolidation with an interested stockholder, or any sale, lease, exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions with an interested stockholder having:

- an aggregate market value equal to 5 percent or more of the aggregate market value of the assets of the corporation;
- an aggregate market value equal to 5 percent or more of the aggregate market value of all outstanding shares of the corporation; or
- representing 10 percent or more of the earning power or net income of the corporation.

An interested stockholder means the beneficial owner of 10 percent or more of the voting shares of a resident domestic corporation, or an affiliate or associate thereof. A corporation affected by the statute may not engage in a combination within three years after the interested stockholder acquires its shares unless the combination or purchase is approved by the Board before the interested stockholder acquired such shares. If approval is not obtained, then after the expiration of the three-year period, the business combination may be consummated with the approval of the Board or a majority of the voting power held by disinterested stockholders, or if the consideration to be paid by the interested stockholder is at least equal to the highest of:

- the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which he became an interested stockholder, whichever is higher;
- the market value per common share on the date of announcement of the combination or the date the interested stockholder acquired the shares, whichever is higher; or
- if higher for the holders of preferred stock, the highest liquidation value of the preferred stock.

USE OF PROCEEDS

We will not receive any proceeds from the sale or distribution of the common stock by the selling security holders. We may receive proceeds from the exercise of the Series O Warrants, the Series R Warrants, or the Series T Warrants upon exercise of these warrants, if any, and will use the proceeds from any exercise for general working capital purposes.

DETERMINATION OF OFFERING PRICE

Our common stock is quoted on the Toronto Stock Exchange (TSX) and the Over-the-Counter Bulletin Board in the United States. The actual offering price of the shares of common stock covered by this prospectus will be determined by prevailing market prices at the time of sale or by private transactions negotiated by the selling security holders. The offering price will thus be determined by market factors and the independent decisions of the selling security holders.

SELLING SECURITY HOLDERS

This prospectus covers the offering of up to 18,812,500 shares of our common stock by selling security holders.

The shares issued to the selling security holders are restricted shares under applicable federal and state securities laws and are being registered to give the selling security holders the opportunity to sell their shares. The registration of such shares does not necessarily mean, however, that any of these shares will be offered or sold by the selling security holders. The selling security holders may from time to time offer and sell all or a portion of their shares in the over-the-counter market, in negotiated transactions, or otherwise, at market prices prevailing at the time of sale or at negotiated prices.

The registered shares may be sold directly or through brokers or dealers, or in a distribution by one or more underwriters on a firm commitment or best efforts basis. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in an accompanying prospectus supplement. See the Plan of Distribution section of this document.

Each of the selling security holders reserves the sole right to accept or reject, in whole or in part, any proposed purchase of the registered shares to be made directly or through agents. The selling security holders and any agents or broker-dealers that participate with the selling security holders in the distribution of their registered shares may be deemed to be underwriters within the meaning of the Securities Act, and any commissions received by them and any profit on the resale of the registered shares may be deemed to be underwriting commissions or discounts under the Securities Act.

We will receive no proceeds from the sale of the registered shares. We have agreed to bear the expenses of registration of the shares, other than commissions and discounts of agents or broker-dealers and transfer taxes, if any.

Selling Security Holder Information

At September 20, 2012, we had 194,103,382 shares of common stock issued and outstanding. The following sets forth information related to the selling security holders who own or have the right to acquire an aggregate of 18,812,500 shares of our common which are covered in this prospectus.

	Before Offering		After Offering		
	Total Number of Shares Beneficially Owned (a)	Percentage of Shares Owned (a)	Number of Shares Offered	Shares Owned After Offering (b)(c)	Percentage of Shares Owned (a)(c)
Waterton Global Value, L.P.	15,562,500 ⁽¹⁾	7.42%	14,062,500 ⁽²⁾	nil	nil
Waterton Global Value, L.P.	15,562,500 ⁽¹⁾	7.42%	1,500,000 ⁽³⁾	nil	nil
Union Securities Ltd ITF Account 027-7602- 9 Target Financial Associates Ltd. (5)	50,000 ⁽⁴⁾	(*)	50,000	-	0.03%
Fusion Publishing Inc. (6)	57,450 ⁽⁴⁾	(*)	57,450	-	0.00%
Macquarie Private Wealth Inc. ITF Simlie Foscolos AC# 250-476K-1 (7)	37,500 ⁽⁴⁾	(*)	37,500	-	0.00%

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Macquarie Private Wealth Inc. ITF Elias Foscolos AC# 250-475K-1 (8)	37,500 ⁽⁴⁾	(*)	37,500	-	0.00%
Nancy Elizabeth Miles	75,000 ⁽⁴⁾	(*)	75,000	-	0.01%
Kyle L. Knoth	5,000 ⁽⁴⁾	(*)	5,000	-	0.00%
Robert W. Knoth	10,000 ⁽⁴⁾	(*)	10,000	-	0.00%
Lisa and Roderick Nassif	10,000 ⁽⁴⁾	(*)	10,000	-	0.00%
Rex A. Knoth	5,000 ⁽⁴⁾	(*)	5,000	-	0.00%
Robert H. Papke	10,000 ⁽⁴⁾	(*)	10,000	-	0.00%
Christine T. Moss	57,500 ⁽⁴⁾	(*)	57,500	-	0.00%
Marvin K. Kaiser	25,000 ⁽⁴⁾	(*)	25,000	-	0.00%
James R. Warmack	25,000 ⁽⁴⁾	(*)	25,000	-	0.00%

Mark Taegder	65,000 ⁽⁴⁾	(*)	65,000	-	0.00%
Jacqueline M. Martin	25,000 ⁽⁴⁾	(*)	25,000	-	0.00%
Munday - Maxwell & Gaylene Association	675,000 ⁽⁴⁾	(*)	675,000	-	0.00%
NBCN Inc. ITF Bruce Veinot, Acct 4edb09w (9)	26,395 ⁽⁴⁾	(*)	26,395	-	0.00%
NBCN Inc. ITF Marie Veinot, Acct 4edb08w (10)	66,980 ⁽⁴⁾	(*)	66,980	-	0.00%
NBCN Inc. ITF Bruce Veinot, Acct 4eda84a (11)	6,625 ⁽⁴⁾	(*)	6,625	-	0.00%
NBCN Inc. ITF Mark Wayne, Acct 4EE211E (12)	495,050 ⁽⁴⁾	(*)	495,050	-	0.00%
NBCN Inc. ITF Stephen Mulherin, Acct 4EG016E (13)	250,000 ⁽⁴⁾	(*)	250,000	-	0.00%
Steven Lum	5,000 ⁽⁴⁾	(*)	5,000	-	0.00%
NBCN Inc ITF Brian Parker AC 3LE168E (14)	125,000 ⁽⁴⁾	(*)	125,000	-	0.00%
Gundyco ITF 500-98933-21 (15)	250,000 ⁽⁴⁾	(*)	250,000	-	0.00%
Gundyco ITF Wayne McNeil AC 562-97022-17 (16)	250,000 ⁽⁴⁾	(*)	250,000	-	0.00%
Gundyco ITF Eric Olsen AC 560-97831-12 (17)	250,000 ⁽⁴⁾	(*)	250,000	-	0.00%
Big D Associates (18)	5,000 ⁽⁴⁾	(*)	5,000	-	0.00%
Sharon Ivany	250,000 ⁽⁴⁾	(*)	250,000	-	0.00%
Robyn Reid Ivany	50,000 ⁽⁴⁾	(*)	50,000	-	0.00%
Jaclyn Reid Ivany	50,000 ⁽⁴⁾	(*)	50,000	-	0.00%
Total	18,812,500		18,812,500	-	nil

- (a) All percentages are based on 194,103,382 shares of common stock issued and outstanding on September 20, 2012. Beneficial ownership is calculated by the number of shares of common stock that each selling security holder owns or controls or has the right to acquire within 60 days of September 20, 2012.
- (b) This table assumes that each stockholder will sell all of its shares available for sale during the effectiveness of the prospectus that includes this prospectus. Selling security holders are not required to sell their shares.
- (c) Assumes that all shares registered for resale by this prospectus have been issued and sold.
- (*) Less than 1%.
- (1) Altitude Management Limited exercises investment and voting control over these securities. Consists of shares of common stock acquirable upon exercise of Series T Warrants and Series R Warrants within 60 days of September 20, 2012.
- (2) Consists of shares of common stock acquirable upon exercise of Series T Warrants at a price of Cdn\$0.16 per share until April 18, 2015.
- (3)

Consists of shares of common stock acquirable upon exercise of Series R Warrants at a price of Cdn\$0.1862 per share until March 20, 2015.

- (4) Consists of shares of common stock acquirable upon exercise of Series O Warrants at a price of \$0.30 per share until January 21, 2013.
- (5) Target Financial Associates Ltd. is a corporation. Stanlie Hunt and Marina Hunt have investment and voting control over these securities.
- (6) Fusion Publishing Inc. is a corporation. Jason Tomkinson has sole investment and voting control over these securities.
- (7) Simlie Foscolos has sole investment and voting control over these securities.
- (8) Elias Foscolos has sole investment and voting control over these securities.
- (9) Bruce Veiniot has sole investment and voting control over these securities.
- (10) Marie Veiniot has sole investment and voting control over these securities.
- (11) Bruce Veiniot has sole investment and voting control over these securities.
- (12) Mark Wayne has sole investment and voting control over these securities.
- (13) Stephen Mulherin has sole investment and voting control over these securities.

- (14) Brian Parker has sole investment and voting control over these securities.
- (15) Milan Cacic has sole investment and voting control over these securities.
- (16) Wayne McNeil has sole investment and voting control over these securities.
- (17) Eric Olsen has sole investment and voting control over these securities.
- (18) Big D Associates is a partnership. Russ Burchard and Jeff Sampson have investment and voting control over these securities.

Transactions with selling security holders

On January 21, 2011, we issued 6,500,000 units at a price of Cdn\$0.20 per unit for gross proceeds of Cdn\$1,300,000 in a private placement to investors. Each unit consists of one share of our common stock and one half (1/2) of one full Series O warrant. Each Series O warrant is exercisable for a period of twenty-four months following the date of issuance at an exercise price of \$0.30 per share. In the event that the common shares trade at a weighted volume average price of greater than Cdn\$0.90 per share for a period of 20 consecutive trading days at any time following the issuance of the warrants, the Company may, in its sole discretion, accelerate the expiration date of the warrants by giving written notice to the holders thereof within 10 business days of the occurrence thereof, and in such case, the warrants will expire on the 20th business day after the date on which such notice is given by the Company. The common shares issuable, or issued, upon exercise of the warrants are included in this prospectus.

On March 20, 2012, we entered into a Bridge Loan Agreement with Waterton Global Value, L.P. (Waterton), pursuant to which Waterton agreed to advance the Registrant \$1,500,000. The Bridge Loan was secured by a first priority security interest on the assets of the Registrant and its subsidiary, BMC, under the terms of a Pledge and Security Agreement, Deed of Trust and Security Agreements. BMC provided a guarantee in favor of Waterton. We issued to Waterton an aggregate of 1,500,000 Series R Warrants in connection with the Bridge Loan. These warrants are exercisable at a price of Cdn\$0.1862 until March 20, 2015.

On April 18, 2012, we entered into a Senior Secured Gold Stream credit facility with Waterton. We drew down the full \$15,000,000 under the Senior Facility. The proceeds were used to pay off the Bridge Loan of \$1,500,000 entered into with Waterton on March 20, 2012 as well as our Cdn\$3,000,000 10% subordinated secured notes, due in July of 2013, and our Cdn\$4,500,000 10% subordinated secured notes, due November 27, 2013. The Senior Facility accrues interest at a rate of 5% per annum, and is secured by a first priority charge on the assets of Gryphon Gold and BMC. In addition, we issued an aggregate of 14,062,500 Series T Warrants to Waterton in connection with the Senior Facility. Each warrant is exercisable at a price of Cdn\$0.16 to acquire one share of common stock until April 18, 2015.

On September 24, 2012, we and Waterton amended our Senior Facility, to increase Waterton's commitment amount under the Senior Facility by \$5 million, bringing the aggregate borrowings under the Senior Facility from \$15 million to \$20 million. Under the amended Senior Facility, amounts drawn down from the Senior Facility will be repayable in monthly payments beginning in December 2012 and ending in November 2014, with initial payments being approximately \$50,000 per month and increasing to approximately \$900,000 per month in March 2013 through to the end of the term in November 2014. We intend to use the remaining proceeds for working capital and additional capital expenditures related to our Borealis Project. We anticipate that the remaining proceeds from the amended Senior Facility and cash flow from operations will be sufficient to fund our cash requirements to achieve full production and processing capabilities at the Borealis Project.

As consideration for providing the Facility Increase and amending the repayment schedule of the Senior Facility, the Company and Waterton agreed to amend the terms of their existing Gold and Silver Supply Agreement to permit Waterton to purchase all of the Company's production at a 3% discount to prevailing spot prices.

The securities issued or issuable to selling securityholders were issued or will be issued in private placement transactions pursuant to Section 4(2) of the U.S. Securities Act. Each of the selling securityholders is an accredited

investors (as defined in Rule 501(a) of Regulation D) under the U.S. Securities Act.

Securities Registered for Re-Sale by the selling security holders

The 18,812,500 shares of common stock registered for resale under this prospectus consist of:

- 3,250,000 shares of common stock acquirable by selling security holders upon exercise of Series O Warrants at \$0.30 per share, until January 21, 2013;
- 1,500,000 shares of common stock acquirable by selling security holders upon exercise of Series R Warrants at Cdn\$0.1862 per share, until March 20, 2015; and

- 14,062,500 shares of common stock acquirable by selling security holders upon exercise of Series T Warrants at Cdn\$0.16 per share, until April 18, 2015.

PLAN OF DISTRIBUTION

We are registering the shares of common stock on behalf of the selling security holders. When we refer to selling security holders, we intend to include donees and pledgees selling shares received from a named selling security holder after the date of this prospectus. All costs, expenses and fees in connection with this registration of the shares offered under this registration statement will be borne by us. Brokerage commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by the selling security holders. Sales of shares may be effected by the selling security holders from time to time in one or more types of transactions (which may include block transactions) on the over-the-counter market, in negotiated transactions, through put or call options transactions relating to the shares, through short sales of shares, or a combination of such methods of sale, at market prices prevailing at the time of sale, or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling security holders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling security holders.

The selling security holders may affect such transactions by selling shares directly to purchasers or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling security holders and/or purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling security holders and any broker-dealers that act in connection with the sale of shares might be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act, and any commissions received by such broker-dealers and any profit on the resale of shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. The selling security holders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against some liabilities arising under the Securities Act.

Because the selling security holders may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act, the selling security holders will be subject to the prospectus delivery requirements of the Securities Act. We have informed the selling security holders that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales in the market.

In the event that the registration statement is no longer effective, the selling security holders may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of such Rule, including the minimum six-month holding period.

Upon being notified by any selling security holder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a supplement to this prospectus, if required, under Rule 424(b) of the Act, disclosing:

- the name of each selling security holder(s) and of the participating broker-dealer(s),
- the number of shares involved,
- the price at which the shares were sold,
- the commissions paid or discounts or concessions allowed to the broker-dealer(s), where applicable,
- that the broker-dealer(s) did not conduct any investigation to verify information set out or incorporated by reference in this prospectus; and

- other facts material to the transaction.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under Risk Factors and elsewhere in this prospectus.

Overview

Exploration

During the year ended March 31, 2012, there were 2 drilling programs completed on the Borealis Property. The first program consisted of 32 reverse circulation holes for 4,485 feet of drilling and the second consisted of 27 reverse circulation holes for 1,295 feet of drilling. The first program was conducted over the backfilled Borealis Pit as confirmation drilling while the second program was conducted in the historic East Pit as confirmation drilling. The confirmation work was intended to confirm both grade estimate and metallurgical recovery based on fire versus cyanide assaying.

Development

On June 6, 2011, construction commenced on the Borealis Project. During the current fiscal year ended March 31, 2012, the leach pad was completed, fluid ponds were constructed, roads were improved, power installed, facilities erected and the property put into commercial production. The ADR was approximately 90% complete, and operational. Our first bar of doré was poured on March 30, 2012.

Transactions during year ended March 31, 2012

On May 24, 2011, we closed an offering of 89,060,000 shares of common stock for net cash proceeds of \$9,601,639, after offering costs of \$1,466,723. As compensation to the underwriters, we granted the underwriters warrants exercisable to purchase shares of common stock, expiring November 10, 2013, at an exercise price of US\$0.30 per share. Additionally, in consideration for services rendered by the underwriters, we paid the underwriters a cash fee equal to 6% of the aggregate gross proceeds of US\$10,902,500.

On May 26, 2011, we announced that, effective May 20, 2011, we exercised the option to fix the Net Smelter Return (NSR) royalty on its Borealis Property at 5%. In August 2008, Gryphon and its wholly-owned subsidiary, BMC, entered into an option agreement with the lessors of the Borealis Property to amend the Borealis Mining Lease to fix the gold price based sliding scale royalty at a 5% Net Smelter Royalty. Prior to the exercise of the option, the NSR payable to the lessors on the Borealis Property was calculated as the price of gold divided by one hundred expressed as a percentage (i.e. at a gold price of \$1,500/ounce the NSR royalty rate would be 15.0%). Under the terms of the option agreement, as amended, Gryphon exercised the option by paying the lessors aggregate consideration of \$7,000,000 (less the \$250,000 previously paid by Gryphon to the Lessors upon execution of the Option Agreement) as follows:

- (i) \$150,000 in cash,
- (ii) 7,726,500 shares of common stock ;
- (iii) 5% promissory notes in the aggregate principal amount of \$1,600,000, due May 20, 2013, with installment payments due upon commencement of production on the Borealis Property; and
- (iv) 5% convertible notes in the aggregate principal amount of \$1,909,500, due May 20, 2014, convertible into shares of Gryphon common stock at \$0.70 per share through May 20, 2012, \$0.80 per share through May 20, 2013 and \$0.90 per share through May 20, 2014.

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.

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.

On March 20, 2012, we entered into a Bridge Loan with Waterton Global Value, L.P. for \$1,500,000. The Bridge Loan was to be paid within 60 days or be subject to immediate repayment from the \$15,000,000 Senior Facility. Security for the Bridge Loan was a perfected lien and a first priority security interest in all tangible and intangible properties and assets of Gryphon Gold. The Bridge Loan accrued interest at a rate of 15% per annum and was subject to a \$30,000 structuring fee, a fee of \$100,000 for legal and other related expenses, as well as the issuance 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 Cdn\$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.

Discussion and Analysis

This discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements and related notes. The discussion and analysis of the financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Critical accounting policies, the policies we believe are most important to the presentation of its financial statements and require the most difficult, subjective and complex judgments, are outlined below in Critical Accounting Policies, and have not changed significantly.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements is in accordance with accounting principles generally accepted in the United States. The following are critical accounting policies and estimates which we believe are important to understanding our financial results.

- **Use of estimates:** The preparation of financial statements requires us to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and the revenues and expenses for the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results could differ from these estimates.
- **Revenue Recognition:** Sales of all metals products are recorded as revenues when title and risk of loss transfer to the purchaser. Sales to the purchaser is recorded net of charges for treatment, refining, smelting losses, and other charges negotiated by us with the purchaser.
- **Inventories:** We record gold in process, gold doré, and gold on carbon at lower of cost or market. Costs capitalized to in process and finished goods inventory include the cost of mineralized material processed; direct and indirect materials and consumables; direct labor; repairs and maintenance; utilities; amortization of property, plant and equipment; and local mine administrative expenses. Mine operating supplies are recorded at the lower of purchase cost or net realizable value. We record provisions to reduce inventory to net realizable value to reflect changes in economic factors that impact inventory value or to reflect present intentions for the use of slow moving and obsolete supplies inventory.
- **Mineral property interests:** We expense exploration costs as they are incurred. When we determine that a mining deposit can be economically and legally extracted or produced based on established proven and probable reserves, development costs incurred after such determination will be capitalized. The establishment of proven and probable reserves is based on results of final feasibility studies which indicate whether a property is economically feasible. Upon commencement of commercial production, we will transfer capitalized costs to the appropriate asset category and amortize them over their estimated useful lives and/or ounces produced, as appropriate. We capitalize the cost of acquiring mineral property interests (including claims establishment and maintenance) until we have determined the viability of the property. We expense capitalized acquisition costs if we determine that the property has no future economic value. We will also write down capitalized amounts if estimated future cash flows, including potential sales proceeds, related to

the mineral property are estimated to be less than the carrying value of the property.

- ***Stock-based compensation:*** We follow guidance provided by ASC 718-10 for recognizing share-based payments. ASC 718-10 requires all share-based payments to be recognized in the financial statements based on their values using either a modified-prospective or modified-retrospective transition method. Effective April 1, 2006, we adopted the fair value recognition provisions of ASC 718-10, using the modified-prospective-transition method.

Our total employees are relatively few in number and turnover is considered remote, therefore we currently estimate forfeitures to be 20%. Estimation of forfeitures will be reviewed on a quarterly basis.

- **Asset retirement obligations:** We account for reclamation costs by the allocation of the expense over the life of the related assets which are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and abandonment costs. Such costs include care and maintenance, removal of mining infrastructure, filling in of the mine area, and re-vegetation of the land. The asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. We review, on an annual basis, unless otherwise deemed necessary, our asset retirement obligation in accordance with ASC 410, Asset Retirement and Environmental Obligations .
- **Tax valuation allowance:** We have recorded a valuation allowance that fully reserves for our deferred tax assets because at this time we cannot establish that we will be able to utilize the tax loss carry-forwards in the future. If in the future we determine that we will be able to use all or a portion of our deferred tax assets in the future, based on our projections of future taxable income, we will reduce the valuation allowance, thereby increasing income in that period.
- **Foreign currency translation:** The United States dollar is our functional currency. Transactions involving foreign currencies for items included in operations are translated into U.S. dollars using average exchange rates; monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date and all other balance sheet items are translated at the historical rates applicable to the transactions that comprise those amounts. Translation gains and losses are included in our determination of net income.

Three months ended June 30, 2012 compared to three months ended June 30, 2011

For the three months ended June 30, 2012, we incurred a net loss of \$379,151 from operations compared to a net loss of \$583,461 from operations in the same period in the prior year.

Revenue for the quarter ended June 30, 2012 was \$5,889,363 with a cost of sales of \$5,045,815, compared to no revenue in the prior year's quarter ended June 30, 2011. The Company began sales of loaded carbon in its third quarter of fiscal year 2012, and began sales of doré in the quarter ended June 30, 2012.

Exploration expenses during the quarter ended June 30, 2012 were \$25,218, compared to \$90,896 in the prior year. The decrease in exploration expenses was due to Company resources being directed toward production.

Management salaries and consulting fees in the quarter ended June 30, 2012 were \$320,935 compared to \$233,407 compared incurred in the quarter ended June 30, 2011. Total non-cash compensation expense to the recognition of costs related to stock options was \$90,583 compared to \$18,508 in the quarter ended June 30, 2011. General and administrative costs increased by \$13,391 over the first quarter of fiscal year 2011. Legal and audit fees for the period were \$212,176 compared to \$74,147. These costs increased due to the level of legal filings surrounding the Senior Facility and the litigation with the royalty holders.

Interest expense was \$889,401 in the quarter ended June 30, 2012 compared to \$19,811 in the same period in the prior year. This increase is due to the interest incurred on the promissory and convertible notes issued to reduce the potential future obligations under the royalty, the July and November notes payable, the Bridge Loan and non-cash interest expense related to the debt offering and notes payable discounts that were fully amortized in the quarter.

The company recognized a gain of \$417,776 in this year's first quarter for the change in the liability of warrants issued in Canadian currency.

Going Concern

The audit opinion for the Company's financial statements for the fiscal year ended March 31, 2012 includes a going concern qualification. Management intends to use the profit from the Borealis Project to fund operations but may need to raise additional capital to help fund the operation and further capital expenditures and expansion. No assurance can

be given that the Company will be successful in raising additional capital on favourable terms or at all. Further, even if the Company raises additional capital, there can be no assurance that the Company will achieve profitability or positive cash flow. If the Company is unable to raise additional capital and possible future revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to suspend or cease operations. The Company has an accumulated deficit of \$43,451,324 as at June 30, 2012 (\$43,072,173 as at March 31, 2012) and has cash on hand of \$4,533,261. In addition, at June 30, 2012 the Company had \$16,980,240 in notes payable and long-term debt. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and the satisfaction of liability in the normal course of business. The recoverability of amounts shown for mineral property interests in the Company's consolidated balance sheets are dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties, the receipt of necessary permitting and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable.

Year ended March 31, 2012 compared to year ended March 31, 2011

For the year ended March 31, 2012 we had a net loss from continuing operations of \$5,121,372 or \$0.03 per share compared to a net loss from continuing operations of \$3,383,599 or \$0.04 per share and a net income from discontinued operations of \$635,708 or \$0.01 per share for the prior fiscal year. Construction of the Borealis Project began in June 2011 and the leaching cycle began in late September 2011 with the first shipment of loaded carbon accomplished in October 2011, and the first doré bar poured on March 30, 2012. Despite the rapid move to commercial shipments of loaded carbon and ultimately gold, the Borealis Project faced a number of startup issues resulting in considerably lower than expected production for the year ended March 31, 2012. In the course of operations we experienced three key challenges that resulted in less than anticipated production rates.

- The amount of material placed on the leach pad was severely limited due to the contractor being unable to produce leach pad overliner in a timely manner;
- Lower than projected material delivered to the leach pad due to our crusher being removed from site for approximately two months and the temporary crusher not meeting specifications for planned production levels; and
- The pump delivering the barren solution to the leach pad was not the correct size and was providing less than 50% of original operating requirements.

All of the above challenges were remedied in our fourth quarter.

Our revenues were derived from loaded carbon sales. During the year we sold 32,278 tons of carbon containing approximately 1,580 gold ounces. Revenues were \$2,737,842. We delivered 529,729 tons to the leach pad for the year containing 6,409 recoverable ounces (using a 40% recovery rate).

Exploration expenses during the year ended March 31, 2012 were \$113,483 compared to \$949,022 in the same period in the prior fiscal year. The decrease is due to directing resources towards the commencement of production, with a majority of the costs incurred on the property being capitalized as development.

Management salaries and consulting fees for the year were \$1,411,379 compared to \$1,195,968 incurred in the prior fiscal year. Total non-cash compensation expense due to the recognition of costs related to stock options was \$277,283 in the year ended March 31, 2012 compared to the prior fiscal year of \$184,410.

Interest expense, net of capitalized interest, was \$979,510 for the year compared to \$1,040 in the same period in the prior fiscal year. This increase is due to the interest incurred on the promissory and convertible notes issued to reduce the potential future obligations under the royalty and the debt offerings completed in July 2011 and November 2011.

We had a loss on the modification of debt of \$1,590,321 compared to nil in the same period in the prior fiscal year. The loss was derived from the fair value of warrants, \$972,412, issued to existing noteholders in return for the forbearance of the debt covenants which created a substantial modification in the terms of the notes. Also included in the loss were the deferred debt issue costs, \$358,503, and discount to notes payable, \$319,634, previously capitalized.

Year ended March 31, 2011 compared to year ended March 31, 2010

For the year ended March 31, 2011 we had a net loss from continuing operations of \$3,383,599 or \$0.04 per share and net income from discontinued operations of \$635,708 or \$0.01 per share compared to a net loss from continuing operations of \$3,273,757 or \$0.05 per share and a net income from discontinued operations of \$957,536 or \$0.01 per share for the prior fiscal year.

Exploration expenses from continuing operations during the year ended March 31, 2011 were \$949,022 or 28% of our net expense from continuing operations compared to \$1,405,165 or 43% of our total net expenses from continuing

operations in the prior fiscal year. During the year ended March 31, 2011, Gryphon Gold completed a total of 49 reverse circulation drill holes for 7215 feet and 3 core holes for 110 feet on the Borealis Property. Much of the 2011 fiscal year's exploration expense was from property lease payments, claim maintenance fees and two small drill programs.

Management salaries and consulting fees from continuing operations for the year ended March 31, 2011 were \$1,195,968 compared to \$682,814 incurred in the prior fiscal year. The increase is due to our CEO returning to full time and the hiring of additional geological and engineering staff along with the hiring of an investor relation consultant. Total non-cash compensation expense recognized in the year totaled \$184,410 compared to non-cash compensation expense of \$166,088 recognized in the prior fiscal year. General and administrative from continuing operations expenses totaled \$699,613, compared to \$521,774 in the prior year. The increase is due to the addition of the Carson City, Nevada office, and increased investor relations activity. Legal and audit fees from continuing operations for the period decreased to \$260,470 from \$429,314 for the year ended March 31, 2011. The decrease resulted from a decrease in corporate activities. Travel and accommodation expense for the year ended March 31, 2011 was \$142,515, compared to \$119,777 for the prior fiscal year.

Liquidity and Capital Resources

Historically, our primary source of liquidity is cash that we raise by way of sale of common stock from treasury, other equity securities, and debt financings. Based upon our current operating plans and expected business conditions, we currently expect to fund our short and long-term working capital needs primarily using existing cash revenue from our Borealis Project. In addition, on a going forward basis the sale of common shares may be a source along with a variety of debt instruments to go along with continuous sales of gold and silver doré.

Borealis Lease

We anticipate continuing to take all steps necessary to preserve our rights to the Borealis Property under the existing terms of the property lease. We also intend to work with the USFS to maintain our permits under the Plan of Operations. These steps are intended to preserve the existing value of the Borealis Property for our stockholders.

Borealis Project

Based upon the April 25, 2011 Pre-Feasibility Update and subsequent to the successful completion of a \$10.9 million public offering on May 18, 2011, we began construction and development of the Borealis Project. Our plan was based on the Plan of Operations filed with the U.S. Forest Service and could change based on additional information as it is acquired and analyzed in our ongoing engineering studies and facts on the ground to expand production.

Capital Resources

Bridge Loan and Senior Facility

During the year ended on March 31, 2012, we used the \$1,500,000 we received from the Bridge Loan to fund our working capital and fund the operations at the Borealis project. On April 19, 2012, we drew down the full \$15,000,000 from the Senior Facility and used the proceeds to repay the Bridge Loan of \$1,500,000, Cdn\$3,000,000 of the 10% subordinated secured notes, due in July of 2013, and Cdn\$4,500,000 of the 10% subordinated secured notes, due November 27, 2013. The Senior Facility accrues interest at a rate of 5% per annum. On September 24, 2012, we and Waterton amended our Senior Facility, to increase Waterton's commitment amount under the Senior Facility by \$5 million, bringing the aggregate borrowings under the Senior Facility from \$15 million to \$20 million. Under the amended Senior Facility, amounts drawn down from the Senior Facility will be repayable in monthly payments beginning in December 2012 and ending in November 2014, with initial payments being approximately \$50,000 per month and increasing to approximately \$900,000 per month in March 2013 through to the end of the term in November 2014. The monthly repayments will be based on a formula using 80% of the gold spot price as the value of gold. On each repayment date, we may pay the monthly repayment amount in gold to Waterton's gold account, or, if requested by Waterton, pay the amount in cash. We intend to use the remaining proceeds for working capital and additional capital expenditures related to our Borealis Project. We anticipate that the remaining proceeds from the amended Senior Facility and cash flow from operations will be sufficient to fund our cash requirements to achieve full production and processing capabilities at the Borealis Project.

Repayment of the Senior Facility may impact our results of operations due to the applied 20% discount to the gold spot price in connection with our repayment obligations. The reduced cash flow could severely limit our business growth and future funding.

Working Capital and Operating Activities

At June 30, 2012, we had working capital of \$3,267,826. Current assets consisted of \$4,533,261 in cash, \$27,179 in accounts receivable, \$275,103 in prepaid expenses, \$6,024,646 in inventories, and \$491,802 in debt issue costs. We had \$3,863,407 in accounts payable and accrued liabilities, \$3,136,500 in the current portion of the long-term debt,

and \$1,084,258 in notes payable.

During the three months ended June 30, 2012, we used cash in operating activities of \$792,263, which included our net loss during the quarter of \$379,151, off-set by interest paid with debt of \$149,229, depreciation of \$394,666, non-cash compensation of \$90,583, a gain in ARO accretion of \$27,627, amortization of debt costs and note payable discount of \$623,494, impairment of inventory of \$60,531, change in liability in warrants of \$417,776, gain on disposal of equipment of \$430, \$5,572 of unrealized foreign exchange, and changes in non-cash working capital of \$1,346,608.

We used cash from investing activities of \$259,648, including \$58,800 to increase the reclamation bond, \$166,049 in capital expenditures, \$35,799 in interest on self-constructed assets, and \$1,000 proceeds from the sale of equipment.

We received cash from financing activities of \$4,988,401, including \$5,395,095 from the Senior Facility. We used cash of \$85,075 in debt issue costs, and \$321,619 in payments on notes payable for the quarter ended June 30, 2012. Cash increased during the period by \$3,930,918 to \$4,533,261 as at June 30, 2012.

Updated share capital as at September 20, 2012:

Basic Common Stock Issued and Outstanding	194,103,382
Warrants, Options and other Convertible Securities	52,478,434
Fully Diluted Common Stock	246,581,816

Royalty Obligations

On May 25, 2011 we exercised our option to fix the NSR at 5%. Under the terms of the option agreement, as amended, we exercised the option by paying the lessors aggregate consideration of \$7,000,000 (less the \$250,000 previously paid by Gryphon to the Lessors upon execution of the Option Agreement) as follows:

(i) \$150,000 in cash,

(ii) 7,726,500 shares of common stock;

(iii) 5% promissory notes in the aggregate principal amount of \$1,600,000, due May 20, 2013, with installment payments due upon commencement of production on the Borealis Property; and

(iv) 5% convertible notes in the aggregate principal amount of \$1,909,500, due May 20, 2014, convertible into shares of our common stock at \$0.70 per share through May 20, 2012, \$0.80 per share through May 20, 2013 and \$0.90 per share through May 20, 2014.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Contractual Obligations

Prior to production at the Borealis Project, we made advance royalty payments of approximately \$10,205 per month to certain lease holders. Also, to maintain its existing claims on the Borealis Property, we make payments totaling approximately \$94,000 annually. These payments are contingent upon us maintaining an interest in the property.

As of March 31, 2012, we had the following non-cancellable contractual obligations:

	Total	Payments Due by Period			More than 5 Years
		Less than 1 Year	2-3 Years	4-5 Years	
Operating Lease Obligation ⁽¹⁾	93,217	65,800	27,417	-	-
Operating Lease Obligation ⁽²⁾	1,200	1,200	-	-	-
Operating Lease Obligation ⁽³⁾	86,562	38,472	48,090	-	-

(1) Obligation for the rental of office space in Vancouver, BC, 5-year term, terminating August 2013 and payments of approximately Cdn\$5,470 per month. The Vancouver office has been sub-leased commencing May 1, 2010 for the remaining life on lease for Cdn\$4,200 per month. \$13,470, the difference between the required lease payments and the estimated future sub-lease receipts, has been accrued as a loss at year ended March 31, 2012.

- (2) Obligation for rental of office space in Hawthorne, Nevada, one-year term, terminating April 30, 2013 and payments of \$1,200 per month.
- (3) Obligation for rental of office space in Carson City, Nevada, three-year term, terminating June 30, 2014 and payments of \$3,206 per month.

On April 18, 2012, we obtained a \$15,000,000 Senior Facility. We used the proceeds from the Senior Facility to pay off a Bridge Loan of \$1,500,000 entered into with Waterton in March 20, 2012, Cdn\$3,000,000 10% subordinated secured notes, due in July of 2013, and Cdn\$4,500,000 10% subordinated secured notes, due November 27, 2013. The Senior Facility accrues interest at a rate of 5% per annum. On September 24, 2012, we and Waterton amended our Senior Facility, to increase Waterton's commitment amount under the Senior Facility by \$5 million, bringing the aggregate borrowings under the Senior Facility from \$15 million to \$20 million. Under the amended Senior Facility, amounts drawn down from the Senior Facility will be repayable in monthly payments beginning in December 2012 and ending in November 2014, with initial payments being approximately \$50,000 per month and increasing to approximately \$900,000 per month in March 2013 through to the end of the term in November 2014. The monthly repayments will be based on a formula using 80% of the gold spot price as the value of gold. On each repayment date, we may pay the monthly repayment amount in gold to Waterton's gold account, or, if requested by Waterton, pay the amount in cash. We intend to use the remaining proceeds for working capital and additional capital expenditures related to our Borealis Project. We anticipate that the remaining proceeds from the amended Senior Facility and cash flow from operations will be sufficient to fund our cash requirements to achieve full production and processing capabilities at the Borealis Project.

Recent Accounting Pronouncements

Please see the notes to our audited financial statements for a complete list of recent accounting pronouncements.

BUSINESS

Name and Incorporation

Gryphon Gold Corporation 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 financing office, is located in the United States at 611 N. Nevada Street, Carson City, Nevada, 89703 and our telephone number is (604) 261-2229.

We own 100% of the issued and outstanding shares of our operating subsidiary, Borealis Mining Company (which we refer to as BMC). BMC was formed under the laws of the State of Nevada on June 5, 2003. We owned 100% of Gryphon Nevada Eagle Holding Company, which owned 100% of the membership interests in Nevada Eagle Resources LLC. We sold Nevada Eagle Resources LLC and Gryphon Nevada Eagle Holding Company in April 2010 and May 2010, respectively. We have no other subsidiaries. Gryphon Nevada Eagle Holding Company was formed under the laws of the State of Nevada on July 27, 2007, and Nevada Eagle Resources LLC was organized under the laws of the State of Nevada on April 28, 2005.

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 below.

As sole stockholder 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 operators of the Borealis Property.

On November 30, 2006, our Board concluded that we would not proceed with near term construction and production financing 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. 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 and detailed 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.

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 report outlined 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 an oxide heap leach mine 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 and, if economically feasible, building a mine. 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 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 and did not comply with SEC Guide 7 standards.

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. The mineralization data and the economic analysis data contained in the Pre-Feasibility Study superseded and replaced 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 in excess 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 new leach pad, both preg and barren ponds, carbon columns, roads, grounds and power distribution system. As at March 31, 2012 the ADR was 90% complete and operational.

We have specifically 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.

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
2005	\$ 536	\$ 411	\$ 444
2006	\$ 726	\$ 521	\$ 604
2007	\$ 841	\$ 608	\$ 681
2008	\$ 1,011	\$ 713	\$ 872
2009	\$ 1,213	\$ 810	\$ 972
2010	\$ 1,421	\$ 1,058	\$ 1,225
2011	\$ 1,896	1,316	1,571

(Source: Kitco)

The price of gold closed at \$1,758.50 per ounce on September 20, 2012, based on the London PM Fix Price.

Competition

We compete with other larger and better financed mining companies for the acquisition, exploration, financing and development of gold properties. There is competition for the limited number of gold acquisition and exploration opportunities, some of which are with other companies having substantially greater financial resources than we have. As a result, we may have difficulty acquiring attractive gold projects at reasonable prices. We also compete with other mining companies for mining engineers, geologists and other skilled personnel in the mining industry and for exploration and development equipment.

We believe no single company has sufficient market power to affect the price or supply of gold in the world market.

Employees

As of September 19, 2012, we had 8 full-time corporate employees working out of the Carson City Office. On July 26, 2012, our CFO, Robert L. Chapman, resigned. Effective as of Mr. Chapman's resignation, Mr. James O. Neil, our President and Chief Executive Officer, was appointed as Interim Chief Financial Officer. Mr. Chapman's resignation was not as a result of any disagreement with the Company's independent auditors or any member of management on any matter of accounting principles or practices, financial statement disclosure, or internal controls. Our office in Vancouver, British Columbia was closed in May 2012, before that we had one full time and one part time employee working there. As of March 31, 2012, BMC, our wholly-owned subsidiary, had 36 employees including 6 mine management and 30 staff at the site.

Environmental Regulation

Our gold projects are subject to various federal, state and local laws and regulations governing protection of the environment. These laws are continually changing and, in general, are becoming more restrictive. Our policy is to conduct business in a way that safeguards public health and the environment. We believe that our operations are conducted in material compliance with applicable laws and regulations.

Changes to current local, state or federal laws and regulations in the jurisdictions where we operate could require additional capital expenditures and increased operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could impact the economics of our projects.

During the year ended March 31, 2012, there were no material environmental incidents or material non-compliance with any applicable environmental regulations.

PROPERTIES

Executive Offices

Our principal executive office is at 611 N. Nevada Street, Carson City, Nevada 89703. We do not currently own investments in real estate, real estate mortgages or securities of persons primarily engaged in real estate activities, nor do we expect to do so in the foreseeable future.

Borealis Property

Unless stated otherwise, information of a technical or scientific nature related to the Borealis Property is summarized or extracted from the 2011 Study. The 2011 Study was prepared in accordance with the requirements of National Instrument 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 2011 Study. For a complete description of assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the 2011 Study which is available for review on the System for Electronic Document Analysis and Retrieval (SEDAR) at the website: www.sedar.com and on our website at www.gryphongold.com. Information contained on our website or available on SEDAR is not incorporated in and does not form part of this prospectus.

The Borealis Property in Nevada is our principal asset, which we hold through our subsidiary, BMC. In the 1980s 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 BMC.

At Borealis, there is one large hydrothermal system, containing at least 13 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.

During the year ended March 31, 2012, there were two drilling programs completed on the Borealis Property. The first program consisted of 32 reverse circulation holes for 4,485 feet of drilling and the second consisted of 27 reverse circulation holes for 1,295 feet of drilling. The first program was conducted over the backfilled Borealis Pit as confirmation drilling while the second program was conducted in the historic East Pit as confirmation drilling. The confirmation work was intended to confirm both grade estimate and metallurgical recovery based on fire versus cyanide assaying.

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 15,020 acres. The approximate center of the property is at longitude 118° 45' 34" West and latitude 38° 22' 55" North. The figure below shows the location and access to the Borealis Property.

(Source: Gryphon Gold, 2005)

The Borealis Property is comprised of 751 unpatented mining claims of approximately 20 acres each, totaling about 15,020 acres, and one unpatented millsite claim of approximately 5 acres. Of the 751 unpatented mining claims, 128 claims are owned by others but leased to BMC, and 623 of the claims were staked by Golden Phoenix Minerals, Inc., whom we refer to as Golden Phoenix, or Gryphon Gold and transferred to BMC.

Our rights, through BMC 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 128 leased claims are owned by John W. Whitney, Hardrock Mining Company and Richard J. Cavell, who we refer to as the Borealis Owners. BMC 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 BMC by the prior lessee, Golden Phoenix. The mining lease contains a project area provision, such that any new mining claims located or acquired by BMC within the project area after the date of the mining lease shall automatically become subject to the provisions of the mining lease. The project area is located in the following areas of the property:

- T.6.N-R.28.3 All of Sections 1, 2 and 12. North ½ of Section 13.
- T.6.N-R.29.E. All of Sections 2 through 11 and 15 through 22. North ½ of Section 14.
- T.7.N-R.28.E. All of Sections 35 and 36.
- T.7.N-R.29.E. All of Sections 31 and 32. West ½ of Section 33.

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. BMC is responsible for those actions. At present, the estimated annual BLM maintenance fees are \$125 per claim, or \$94,000 per year for all of the Borealis Property claims (751 unpatented mining claims plus one millsite claim). In addition, Mineral County filing and document fees totaling \$6,400 are paid to fulfill the annual filing requirements.

Royalty Obligations

The leased portion of the Borealis Property was subject to advance royalty payments of approximately \$10,205 per month, payable to the Borealis Owners. These advance royalty payments were subject to annual adjustments based on changes in the United States Consumer Price Index.

The leased portion of the Borealis Property is currently subject to a production royalty that consists of a 5% Net Smelter Royalty (NSR). We intend to start payment of the 5% NSR after all advance royalties have been recouped, but we are presently putting this 5% NSR and an amount of the disputed advance royalty into a trust account under the dispute terms of the lease agreement. *See* Legal Proceedings.

On August 22, 2008, we entered into a 12-month option agreement, at a cost of \$250,000, with an option to amend the Borealis Property mining lease at 5%, versus the uncapped variable rate upon payment of \$1,750,000 in cash, 7,726,250 shares of common stock and a three-year, \$1,909,500 5% note payable. The option period was extended for an additional six months for a payment of \$125,000, settled through the issuance of common stock. On February 12, 2010, we entered into an agreement to extend the option agreement from February 22, 2010 until August 22, 2010 and to extend the condemnation period from August 22, 2010 to August 22, 2011, in consideration of \$150,000, comprised of cash of \$25,000 and shares of 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 February 2, 2011 the option was extended on a month-to-month basis for up to six months beginning February 22, 2011 in consideration for \$25,000 per month. Under the terms of the amended option agreement, Gryphon has agreed to exercise the option and fix the Borealis Net Smelter Return (NSR) royalty at 5% on the tenth business day following the closing of any offering to raise \$8 million or more and the leaseholders have agreed to accept a two year, 5% promissory note in the principal amount of \$1.6 million in lieu of a portion of the original \$1.75M cash payment due on exercise of the Option. The option was exercised on May 20, 2011. Upon exercise of the Option, we paid the leaseholders \$150,000 in cash, issued a \$1.6

million promissory note, 7,726,250 shares of common stock and a convertible promissory note in the principal amount of \$1.9 million.

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 12 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: pinion/juniper woodland, sagebrush, ephemeral drainages and areas disturbed by mining and reclaimed. Predominate species include pinion pine, Utah juniper, greasewood, a variety of sagebrush species, crested wheat grass and fourwing saltbush.

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, are providing sufficient water supply for our 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 heap leach areas is gained through a locked gate. All 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 operations are generally available from suppliers located in Reno, Nevada.

Historical Gold Production

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

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 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.

Reported past Borealis production, 1981-1990⁽¹⁾

<u>Crushed and Agglomerated Ore⁽²⁾</u>	<u>Tons</u>	<u>Grade</u> <u>(opt Au)</u>
Borealis	1,488,900	0.103
Freedom Flats	1,280,000	0.153
Jaime's/Cerro Duro/Purdy	517,900	0.108
East Ridge	795,000	0.059
Gold View	264,000	0.047
Total	4,345,800	0.107
<u>Run of Mine Ore⁽³⁾</u>		
Polaris (Deep Ore Flats)	250,000	0.038
Gold View	396,000	0.009
Northeast Ridge	3,000,000	0.025
East Ridge	2,605,000	.021
Total	6,251,000	0.023
Grand Total	10,596,800	0.057

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- (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 Au.
- (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.

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 no