

GRYPHON GOLD CORP
Form 10QSB
February 12, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

Q QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **December 31, 2007**

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

Commission file number: **333-127635**

Gryphon Gold Corporation
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

92-0185596
(I.R.S. Employer
Identification No.)

**1130 WEST PENDER STREET, SUITE 810
VANCOUVER, BC**
(Address of principal executive offices)

V6E 4A4
(zip code)
Issuer's Telephone Number: (604) 261-2229

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

Yes **Q** No **£**

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

Yes **£** No **Q**

As of February 12, 2008 there were 61,712,895 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one)

Yes **£** No **Q**

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GRYPHON GOLD CORPORATION
December 31, 2008

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SIGNATURES

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Gryphon Gold Corporation
(an exploration stage company)

CONSOLIDATED BALANCE SHEETS
(Stated in US dollars)
(unaudited)

	As at December 31, 2007 \$	As at March 31, 2007 \$
ASSETS		
Current		
Cash	5,541,213	7,150,154
Accounts receivable	85,415	65,483
Prepaid expenses	157,553	129,065
Total Current Assets	5,784,181	7,344,702
Mineral properties [note 5]	12,619,565	1,920,371
Equipment [note 4]	158,042	153,362
Other assets [note 9]	261,389	134,759
	18,823,177	9,553,194
LIABILITIES AND STOCKHOLDERS, EQUITY		
Current		
Accounts payable and accrued liabilities	1,050,614	786,565
Current portion of capital lease [note 11]	32,536	32,977
Total current liabilities	1,083,150	819,543
Convertible promissory note [note 12]	4,366,656	-
Capital lease [note 11]	-	17,308
Commitments & contingencies [note 10]		
Stockholders' equity		
Common stock	61,682	47,298
Additional paid-in capital	37,756,189	26,649,868
Deficit accumulated during the exploration stage	(24,444,500)	(17,980,822)
Total stockholders' equity	13,373,371	8,716,344
	18,823,177	9,553,194

See accompanying notes

Gryphon Gold Corporation
(an exploration stage company)

CONSOLIDATED STATEMENT OF OPERATIONS
(Stated in US dollars)
(Unaudited)

	Three Months Ended		Nine Months Ended		Period from
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	April 24, 2003 (inception) to December 31, 2007
	\$	\$	\$	\$	\$
Exploration [<i>note 6</i>]	661,007	1,328,514	3,414,405	3,649,732	13,342,512
Management salaries and consulting fees	529,729	855,562	1,663,160	1,746,164	6,906,312
General and administrative	254,831	240,219	812,436	721,437	2,386,964
Legal and audit	111,020	106,258	308,877	271,017	1,269,364
Travel and accommodation	68,704	96,678	172,408	282,117	861,978
Depreciation	18,746	14,625	48,983	40,107	134,413
Loss on disposal of equipment	-	19,135	6,552	19,135	26,274
Foreign exchange (gain) loss	3,034	25,776	18,336	4,801	523
Interest income	(40,782)	(66,303)	(170,332)	(242,832)	(672,693)
Interest expense	130,300	-	188,853	-	188,853
Net loss for the period	(1,736,589)	(2,620,464)	(6,463,678)	(6,491,678)	(24,444,500)
Basic and diluted loss per share	\$(0.03)	\$(0.06)	\$(0.13)	\$(0.16)	
Basic and diluted weighted average number of common shares outstanding	58,954,952	41,703,926	49,764,662	40,518,405	

See accompanying notes

Gryphon Gold Corporation
(an exploration stage company)

**CONSOLIDATED STATEMENT OF
STOCKHOLDERS EQUITY**

(Stated in US dollars)
(Unaudited)

	Common Stock		Additional paid-in capital	Deficit accumulated during the exploration stage	Total
	Shares #	Amount \$	\$	\$	\$
Balance, inception April 24 , 2003					
Shares issued					
For private placements	33,197,370	33,197	16,765,307	--	16,798,504
Share issue costs	--	--	(645,048)	--	(645,048)
Initial Public Offering (IPO)	6,900,000	6,900	5,029,597	--	5,036,497
Share issue costs (IPO)	--	--	(2,241,940)	--	(2,241,940)
Compensation component of shares issued	--	--	226,000	--	226,000
Fair value of agent's warrants issued [note 7[b]]	--	--	156,740	--	156,740
Fair value of underwriters compensation warrant on IPO [note 7[b]]	--	--	135,100	--	135,100
Exercise of warrants	197,500	198	194,085	--	194,283
Fair value of options granted to consultant [note 7[c]]	--	--	49,558	--	49,558
Net loss for the year	--	--	--	(9,243,681)	(9,243,681)
Balance, March 31, 2006	40,294,870	40,295	19,669,399	(9,243,681)	10,466,013
Shares issued					
For private placements	5,129,000	5,129	3,966,518	--	3,971,647
Share issue costs	--	--	(95,505)	--	(95,505)
Fair value of agent's warrants issued on private placements [note 7[b]]	--	--	11,397	--	11,397
Fair value of options granted [note 7[c]]	--	--	1,314,961	--	1,314,961
Fair value of vested stock grants [note 7[d]]	108,000	108	151,138	--	151,246
Exercise of warrants	1658,275	1,658	1,548,894	--	1,550,552
Exercise of options	107,500	108	83,066	--	83,174
Net loss for the year	--	--	--	(8,737,141)	(8,737,141)
Balance, March 31, 2007	47,297,645	47,298	26,649,868	(17,980,822)	8,716,344
Shares issued					
For private placements	9,486,500	9,487	7,346,341	--	7,355,918
For Mineral Properties	4,500,000	4,500	3,444,918	--	3,449,418
Share issue costs	--	--	(507,537)	--	(507,537)
Fair value of agents warrants issued on private placements [note 7[a][b]]	--	--	54,490	--	54,490
Fair value of options granted [note 7[c]]	--	--	361,731	--	361,732
Fair value of vested stock grants [note 7[d]]	267,500	267	321,918	--	322,184
Exercise of warrants	130,000	130	84,370	--	84,500
Net loss for the period	--	--	--	(6,463,678)	(6,463,678)
Balance, December 31, 2007	61,681,645	61,682	37,756,189	(24,444,500)	13,373,371

See accompanying notes

Gryphon Gold Corporation
(an exploration stage company)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Stated in US dollars)
(Unaudited)

	Three Months Ended		Nine Months Ended		Period from
	December 31,	December 31,	December 31,	December 31,	April 24, 2003
	2007	2006	2007	2006	(inception) to
	\$	\$	\$	\$	December 31,
					2007
					\$
OPERATING ACTIVITIES					
Net Loss for the period	(1,736,589)	(2,620,464)	(6,463,678)	(6,491,678)	(24,444,500)
Items not involving cash:					
Depreciation	18,745	14,625	48,982	40,107	134,412
Loss on disposal of equipment	--	19,135	6,552	19,135	26,274
Fair value of options, warrants and other non-cash compensation	199,422	529,683	683,916	779,747	2,504,056
Non-cash interest expense	65,930	--	94,297	--	94,297
Changes in non-cash working capital items:					
Accounts receivable	(27,859)	5,325	(19,932)	26,674	(85,415)
Accounts payable and accrued Liabilities	(173,198)	101,677	264,049	(506,431)	1,050,614
Prepaid expenses	(82,496)	(54,536)	(28,487)	(13,883)	(157,553)
Cash used in operating activities	(1,736,045)	(2,004,555)	(5,414,301)	(6,146,329)	(20,877,815)
INVESTING ACTIVITIES					
Reclamation deposit	(6,177)	--	(60,877)	(52,100)	(195,636)
Purchase of equipment	(17,154)	(17,802)	(57,374)	(35,173)	(251,642)
Nevada Eagle acquisition and related non-compete agreement [note 3]	--	--	(3,068,340)	--	(3,068,340)
Mineral property expenditures [note 5]	(5,409)	--	(9,119)	(22,164)	(1,929,490)
Mineral property lease payments received	24,135	--	29,134	--	29,135
Proceeds from sale of equipment	--	--	2,314	--	6,264
Cash used by investing activities	(4,605)	(17,802)	(3,164,262)	(109,437)	(5,409,709)
FINANCING ACTIVITIES					
Capital lease principal payments	(6,079)	(5,437)	(17,749)	(12,318)	(35,660)
Cash received for shares	3,621,211	662,053	7,494,908	1,755,514	34,662,045
Share issue costs	(261,123)	--	(507,537)	(3,533)	(3,186,773)
Subscription receivables collected	--	--	--	--	389,125
Cash provided by financing activities	3,354,009	656,616	6,969,622	1,739,663	31,828,737
Increase (decrease) in cash during the period	1,613,359	(1,365,741)	(1,608,941)	(4,516,103)	5,541,213
Cash, beginning of period	3,927,854	6,240,563	7,150,154	9,390,925	--
Cash, end of period	5,541,213	4,874,822	5,541,213	4,874,822	5,541,213

See accompanying notes

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Gryphon Gold Corporation was incorporated in the State of Nevada in 2003 and wholly owns its subsidiaries, Borealis Mining Company, Gryphon Nevada Eagle Holding Company and Nevada Eagle Resources LLC (collectively, the Company). The Company is an exploration stage company in the process of exploring its mineral properties, and has not yet determined whether these properties contain reserves that are economically recoverable.

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.

2. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial statements, applied on a consistent basis. These interim financial statements follow the same significant accounting policies and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements as at and for the year ended March 31, 2007 (the "Annual Financial Statements"), except for the new revenue recognition and intangible asset policies described below related to the Nevada Eagle acquisition (see note 3). Accordingly, they do not include all disclosures required for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the Annual Financial Statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

In June 2006, the FASB issued FASB interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. Effective April 1, 2007, the Company adopted FIN 48, which did not have a material impact on the Company's interim unaudited consolidated financial statements.

Revenue recognition

Mineral lease rentals or option payments are treated as reductions of the cost of the property as the payor is accumulating an interest in the mineral property; payments in excess of capitalized costs are recognized in income. Some agreements provide for payments in the form of stock and other equity instruments as well as cash payments. Stock and other equity instruments are recognized based on their fair market value at the time of receipt. Fluctuations incurred during the holding period are accounted for as gains or losses from held for trading securities. The leases provide for the receipt of royalty payments upon production of the property. Royalty payments will be recognized in the period in which production occurs. There are no properties in the production stage at this time.

Intangible Assets

Identifiable intangible assets include a non-competition agreement. The initial measurement of the non-competition agreements is based on the fair value of the consideration paid. The agreement is being amortized on a straight-line basis, over management's estimated useful life of five years.

3. ACQUISITION OF NEVADA EAGLE RESOURCES LLC

On August 21, 2007 Gryphon Gold Corporation closed the acquisition of Nevada Eagle Resources LLC, a privately held Nevada limited liability company (Nevada Eagle), pursuant to a membership interest purchase agreement (the Purchase Agreement), dated July 4, 2007, by and between the Company, Gerald W. Baughman and Fabiola Baughman, as sellers (Sellers), and Nevada Eagle. Under the Purchase Agreement, the company acquired all of the outstanding limited liability company interests of Nevada Eagle from the Sellers (the Acquisition) for the following consideration, paid on August 21, 2007 (the Closing Date):

- (a) \$2,500,000 in cash;
- (b) 4,500,000 shares of common stock of the Company (the Common Shares) valued at \$3,449,418; and
- (c) a 5% convertible note in the principal amount of \$5,000,000 (the Convertible Note) with an issue date of August 21, 2007 and a fair value of \$3,390,640.

The Convertible Note, due March 30, 2010, bears interest at an annual rate of 5% and is convertible at the option of the holder into common shares of the Registrant at an initial conversion price of \$1.00 per share during first the twelve-month period following the Closing Date, \$1.25 per share during the second twelve-month period following the Closing Date, \$1.50 per share thereafter, and \$1.75 per share if converted on March 30, 2010. The interest payments are due beginning on January 1, 2008, and payable thereafter on each January 1, and June 1.

In addition to the purchase consideration, the Sellers were entitled to all revenues of Nevada Eagle (payable in cash, stock, or other consideration) calculated to be received and received on the Assets and Properties from January 1, 2007 through midnight on December 31, 2007; however, pursuant to a letter agreement between the Company and the Sellers, dated August 21, 2007, the Sellers' revenue right did not include revenues generated or arising from any new agreements entered into by the Company regarding the acquired properties (as described below) executed after August 21, 2007.

Gryphon granted the Sellers registration rights under which Gryphon agreed to file, within the later of (i) 90 days of the Closing Date or (ii) any date in which Gryphon is required to file a registration statement for a third-party in connection with a financing or acquisition, but no later than 120 days of the Closing Date, a resale registration statement under the Securities Act of 1933, as amended (Securities Act), to register the Common Shares issuable at Closing and the common shares of the Company issuable upon exercise of the Convertible Note.

Upon completion of the Acquisition, Nevada Eagle became a wholly-owned subsidiary of Gryphon Nevada Eagle Holding Company, a Nevada corporation, which is a wholly-owned subsidiary of the Company. Nevada Eagle has interests in 54 prospective gold properties covering over 70 square miles of gold trends in Nevada. Twenty-four of these properties are in the Walker Lane belt and add to Gryphon's inventory of volcanogenic hosted gold resources. Seven of the properties are in the Cortez Trend, seven in the Austin-Lovelock Trend, two in the Carlin Trend and the balance are unique situations throughout Nevada with a few in contiguous states. These properties offer Gryphon both production opportunities or royalty income upon production. Twenty-six of the properties are farmed-out through lease and option agreements that generate a positive cash flow net of carryings costs. The remaining wholly-owned properties are retained for Gryphon Gold's own exploration effort or additional future farm outs.

Under the terms of the Purchase Agreement, the closing of the Acquisition was subject to several closing conditions, including execution of several ancillary agreements as follows:

- (a) A Lock-up Agreement, dated August 21, 2007, under which the Sellers agree that for a period of three months following the Closing Date not to sell Common Shares issued or issuable under the Purchase Agreement and Convertible Note and, thereafter, to limit the sale of such Common Shares to 20% of the aggregate Common Shares issued under the Purchase Agreement and Convertible Note each quarter (with

unsold Common Shares aggregating each quarter thereafter);

- (b) An Employment Agreement between the Registrant and Mr. Baughman for a term of one year, renewable by the parties, to serve as Gryphon's Vice President of Corporate Development; and

- (c) A Non-Competition Agreement under which the Sellers have agreed not to compete with the Company for the latter of (i) twelve (12) months following the Closing Date (the Restricted Period), or (ii) twelve (12) months following the termination of the Company's employment of Gerald Baughman. The scope of the non-competition obligation relates to the business of acquiring and/or holding base metal and precious metal mineral assets located in the state of Nevada within the Area of Interest and to properties that have been examined by the Company or Mr. Baughman during the course of his employment by the Company, in any manner or capacity. Area of Interest is defined as any property owned by the Company, Nevada Eagle, or any affiliate of the Company or Nevada Eagle on the latter of (i) Closing Date or (ii) the termination date of Gerald Baughman's employment by the Company, if any, together with any adjacent areas within one kilometre of the exterior boundary of such properties.

Consideration paid for acquisition of Nevada Eagle

Cash at closing	\$2,500,000
Cash due diligence costs and other expenses	568,340
	3,068,340

Common shares	3,449,418
Convertible note and value of conversion feature	4,272,359
	\$10,790,117

Allocation of Purchase Price

Mineral properties	10,719,209
Non-competition agreement	70,908
	\$10,790,117

4. EQUIPMENT

December 31, 2007

	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Office and lab equipment	197,986	71,002	126,984
Trucks under capital lease	71,319	40,261	31,058
Total	269,305	111,263	158,042

March 31, 2007

	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Office and lab equipment	151,857	46,601	105,256
Trucks under capital lease	71,319	23,213	48,106
Total	223,176	69,814	153,362

5. MINERAL PROPERTIES

The Company initially entered into a property option agreement dated July 21, 2003 to acquire up to a 70% interest in the Borealis property in Nevada, USA from Golden Phoenix Minerals, Inc. for cash consideration of \$125,000 and the obligation to make qualifying expenditures over several years. On January 28, 2005, the Company purchased outright the rights to a full 100% interest in the property for \$1,400,000. A cash payment of \$400,000 was made on closing. The Company paid the full outstanding consideration of \$1,000,000, in four quarterly payments of \$250,000 during the year ended March 31, 2006.

Effective August 21, 2007, the Company purchased all the rights and interests of Nevada Eagle, as described in footnote 3. \$10,719,209 of the purchase price was allocated to the value of the exploration properties acquired.

	Total
	\$
Mineral property costs, March 31, 2005	1,775,326
Expenditures during the year	122,881
Mineral property costs, March 31, 2006	1,898,207
Expenditures during the year	22,164
Mineral property costs, March 31, 2007	1,920,371
Nevada Eagle acquisition ^[note 3]	10,719,209
Lease payments received	(29,134)
Expenditures during the period	9,119
Mineral property costs, December 31, 2007	12,619,565

6. EXPLORATION

					Period from
					April 24, 2003
	Three months ended	Nine months ended		December 31,	(inception) to
	December 30,	December 31,	December 30,	December 31,	December 31,
	2007	2006	2007	2006	2007
	\$	\$	\$	\$	\$
Borealis property					
Exploration :					
Property maintenance	194,654	96,035	546,233	527,395	2,515,204
Project management	69,899	215,037	189,772	490,281	1,333,973
Drilling	262,095	764,180	1,990,632	1,872,538	6,584,570
Engineering	15,353	123,777	20,353	275,646	763,693
Geological	106,752	109,950	609,393	445,978	1,833,332
Metallurgy	9,556	19,535	35,324	37,894	289,042
Subtotal Borealis property	658,309	1,328,514	3,391,707	3,649,732	13,319,814
Other Exploration & Development	2,698	-	22,698	-	22,698
Total exploration	661,007	1,328,514	3,414,405	3,649,732	13,342,512

7. CAPITAL STOCK

[a]

Authorized capital stock consists of 150,000,000 common shares with a par value of \$0.001 per share and 15,000,000 preferred shares with a par value of \$0.001 per share.

During the quarter ended December 31, 2007, 30,000 (192,500 for the nine months ended December 31, 2007) common shares were issued to employees and directors of the Company upon vesting of outstanding Restricted Stock Units.

On December 31, 2007, the Company issued an additional 22,500 (75,000 for the nine months ended December 31, 2007) common shares to a consultant acting as financial advisor to the Company in certain transactions. The issuance is based on the consulting agreement, which requires 7,500 common shares to be issuable monthly for the term (March 15, 2007 – March 14, 2008) of the consulting agreement. The Company charged to expense \$16,342 in the quarter attributable (\$68,990 for the nine months ended December 31, 2007) to the fair value of the common shares.

On December 14, 2007, the Company completed the final tranche of a private placement totalling 4,486,500 units at Cdn\$0.80 for gross proceeds of C\$3,589,200. Each unit consisted of one common share and one series I warrant. Each series I warrant entitles the holder to purchase a common share at a price of Cdn\$1.00 per share during the first 12 months after closing and Cdn\$1.25 per share during the second 12 months after closing and until expiry. Cash

compensation of C\$71,624 and 89,530 compensation warrants (series J) were issued to agents and are exercisable at a price of Cdn\$0.80 per share and expire 9 months after closing. The Company has a right to force warrant holders to exercise warrants, if the common share price of the Company remains equal to or greater than, Cdn\$1.85 per common share, for a period of twenty consecutive days.

On August 21, 2007, the Company issued 4,500,000 common shares as partial consideration for the acquisition of Nevada Eagle (see note 3, Acquisition of Nevada Eagle Resources LLC).

7. CAPITAL STOCK (cont d)

On August 3, 2007, the Company completed a private placement of 5,000,000 units at Cdn\$0.80 for gross proceeds of C\$4,000,000. Each unit consisted of one common share and one series G warrant. Each series G warrant entitles the holder to purchase a common share at a price of Cdn\$1.00 per share during the first 12 months after closing and Cdn\$1.25 per share during the second 12 months after closing and until expiry. Cash compensation of C\$152,040 and 265,050 compensation warrants (series H) were issued to agents and are exercisable at a price of Cdn\$0.83 per share and expire 9 months after closing. The Company has a right to force warrant holders to exercise warrants, if the common share price of the Company remains equal to or greater than, Cdn\$1.85 per common share, for a period of twenty consecutive days.

As at February 14, 2008, the Company has 61,712,895 common shares issued and outstanding, which includes common shares, issued to consultants (see note 13, Subsequent Events).

[b]

Warrants:

The following table contains information with respect to all warrants:

	Number of Warrants #	Fair Value of Warrants \$
Warrants outstanding, March 31, 2004		
Issued for:		
Private placements	3,407,981	
Agents compensation	141,008	45,100
Exercised		
Warrants outstanding, March 31, 2005		
Issued for:		
Private placements	3,015,204	
Agents compensation on private placement	130,000	35,100
Initial Public Offering (IPO) Series A	6,900,000	
Underwriters compensation on IPO	690,000	135,100
Private placements Series B	2,737,500	
Agents compensation on private placement Series C	280,500	76,540
Exercised	(197,500)	
Warrants outstanding, March 31, 2006		
Issued for:		
Private placements Series D	64,500	
Private placements Series E	5,000,000	
Agents compensation on private placement Series F	85,050	11,397
Exercised	(1,658,275)	
Expired	(15,175,410)	
Warrants outstanding, March 31, 2007		
Issued for:		
Private placements Series G	5,000,000	
Private placements Series I	4,486,500	
Agents compensation on private placement Series H	265,050	44,040
Agents compensation on private placement Series J	89,530	10,450
Exercised	(130,000)	
Expired	(64,500)	
Warrants outstanding, December 31, 2007		
	15,067,138	357,727

7. CAPITAL STOCK (cont d)

The following table summarizes information about warrants outstanding and exercisable as at December 31, 2007:

Warrants Outstanding and Exercisable

Warrants	Average Remaining Life Years	Exercise Price	Expiry date
141,008	0.1	\$0.65	January 28, 2008
85,050	0.1	Cdn\$0.90	February 9, 2008
5,000,000	1.1	Cdn\$1.10*	February 9, 2009
5,000,000	1.6	Cdn\$0.80**	August 3, 2009
265,050	0.3	Cdn\$0.83	May 3, 2008
3,254,000	1.9	Cdn\$1.00***	November 22, 2009
1,050,000	1.9	Cdn\$1.00***	November 27, 2009
182,500	1.9	Cdn\$1.00***	December 14, 2009
17,780	0.6	Cdn\$0.80	August 22, 2008
71,750	0.6	Cdn\$0.80	August 27, 2008
15,067,138	1.0	\$0.90****	

* The warrants are exercisable through February 8, 2008 at Cdn\$1.10 and exercisable at Cdn\$1.35 per unit thereafter until expiry

**The warrants are exercisable through August 3, 2008 at Cdn\$0.80 and exercisable at Cdn\$1.10 per unit thereafter until expiry

***The warrants are exercisable through November 21, 26 and December 13, 2008 at Cdn\$1.00 and exercisable at Cdn\$1.25 per unit thereafter until expiry

**** Based on the December 31, 2007 exchange rate of Cdn\$1 equals US\$1.0088.

The fair value of agents and underwriters warrants issued during 2007 and 2006 has been estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk-free interest rate of 3.38% to 5.21% as of the date of transaction; expected life of 1 to 3 years depending on their terms; an expected volatility of 51% to 70% (based on the average volatility of companies in the industry at date of issuance for period equivalent to the expected life); and no expectation for the payment of dividends.

[c]

Stock options:

On October 11, 2007, an investor relations firm was awarded 47,000 stock options. The options have vested 100% in this quarter and are exercisable for 5 years at a price of Cdn\$0.88 per share.

On September 6, 2007, a director was awarded 100,000 stock options. The options vest over one year and are exercisable for 5 years at a price of Cdn\$0.77 per share.

On September 13, 2007, an employee was granted 20,000 stock options that vest over 2.5 years and are exercisable for 5 years at a price of Cdn\$0.81 per share.

On September 21, 2007, four employees were granted 835,000 stock options that vest over two years and are exercisable for 5 years at a price of Cdn\$0.90 per share.

On July 27, 2007, a consultant was awarded 75,000 stock options that vest over 2 years and are exercisable for 5 years at a price of Cdn\$0.91 per share.

On May 11, 2007, two employees were granted a total of 60,000 stock options. The options vest over the next 18 months and are exercisable for 5 years at a price of Cdn\$0.95 per share. 40,000 of these options have been subsequently forfeited.

The Company recognizes stock-based compensation expense over the requisite service period of the individual grants, which generally equals the vesting period. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company's total employees are relatively few in number and turnover is considered remote, therefore the Company currently estimates forfeitures to be 5.5%. Estimate of forfeitures is reviewed on a quarterly basis. Stock-based compensation is expensed on a straight-line basis over the requisite service period.

7. CAPITAL STOCK (cont d)

The Company recorded total stock-based compensation expense related to stock options and restricted stock units as follows:

	Three months ended December 31, 2007 \$	Three months ended December 31, 2006 \$	Nine months ended December 31, 2007 \$	Nine months ended December 30, 2006 \$
Management salaries, exploration expense, & consulting fees	199,422	529,683	683,916	779,747
<i>Stock option activity</i>				

The following table summarizes the Company's stock option activity for the nine months ended December 31, 2007:

	Number of Stock Options	Weighted Average exercise price*
Outstanding, beginning of year	5,282,500	\$1.02
Granted	1,137,000	\$0.90
Exercised		
Forfeited	(630,000)	\$1.00
Total outstanding at period end	5,789,500	\$1.00
Vested and exercisable at period end	4,417,000	\$1.03

* Based on the December 31, 2007 exchange rate of Cdn\$1 equals US\$1.0088

The following table summarizes information about stock options outstanding as at December 31, 2007:

Stock Options Outstanding	Average Remaining Life (Years)	Stock Options Exercisable	Average Remaining Life of Exercisable (Years)	Exercise price
1,912,500	2.3	1,912,500	2.3	\$0.75
115,000	2.9	115,000	2.9	Cdn\$0.85
90,000	3.0	72,000	3.0	Cdn\$1.15
50,000	3.0	50,000	3.0	Cdn\$1.25
190,000	3.3	158,000	3.3	Cdn\$1.37
1,490,000	4.3	1,490,000	4.3	Cdn\$1.37
30,000	3.4	30,000	3.4	Cdn\$1.60
80,000	3.6	80,000	3.6	Cdn\$1.29
50,000	3.8	50,000	3.8	Cdn\$1.34
240,000	4.0	145,000	4.0	Cdn\$0.81
20,000	4.0	20,000	4.0	Cdn\$0.88
425,000	4.2	212,500	4.2	Cdn\$0.80
20,000	4.3	10,000	4.3	Cdn\$0.95
75,000	4.6	25,000	4.6	Cdn\$0.91
100,000	4.6		4.6	Cdn\$0.77

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20,000	4.6		4.6	Cdn\$0.81
835,000	4.7		4.7	Cdn\$0.90
47,000	4.8	47,000	4.8	Cdn\$0.88
5,789,500		4,417,000		\$1.05*

* Based on the December 31, 2007 exchange rate of Cdn\$1 equals US\$1.0088

7. CAPITAL STOCK (cont d)*Valuation assumptions*

Compensation expense recorded in the financial statements has been estimated using the Black-Scholes option pricing model. The assumptions used in the pricing model include:

	2008	2007
Dividend yield	0%	0%
Expected volatility	49% - 55%	55% - 59%
Risk free interest rate	4.09% - 4.63%	4.54% - 5.21%
Expected lives	3 years	3 years

The risk-free interest rate is determined based on the rate at the time of grant for US government zero-coupon bonds for a 3 year term, which is a term equal to the estimated life of the option. Dividend yield is based on the stock option's exercise price and expected annual dividend rate at the time of grant. Volatility is derived by measuring the average share price fluctuation of three publicly listed companies that operate in the same industry. The period of historical volatility is the same period as the expected life of the option being 3 years.

The Black-Scholes option-pricing model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. Options pricing models require the input of highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's equity instruments.

[d]

Restricted stock units:

On May 11, 2007, the Board of Directors approved the grant of 10,000 restricted stock units (RSU) to an employee of the Company which were subsequently forfeited on July 31, 2007.

On September 5, 2007 the Company entered into a Transition Agreement with an employee and director (see note 10(c)). Among other things, the agreement provided a grant of 112,500 RSU's that vest over two years; 18,750 RSU's that were to vest in January 2008 were forfeited; a grant of 50,000 RSU's was forfeited and replaced with a new RSU agreement that provides 2,778 units for each full month of service (subject to a maximum of 50,000 RSU's) completed as a member of the Board of Directors beginning January 1, 2007 and vest upon resignation from the Board of Directors.

On November 30, 2007 a consulting Director retired from the company, therefore, forfeiting 50,000 RSU's.

The following table summarizes information about restricted stock units outstanding as at December 31, 2007:

	RSU's Granted	RSU's Vested	Weighted Average Fair Value at Grant Date
Outstanding at April 1, 2006			
Issued April 18, 2006	8,000	8,000	Cdn\$1.63
Issued December 12, 2006	15,000	15,000	Cdn\$0.84

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Issued January 10, 2007	508,750	277,500	Cdn\$0.82
Issued September 6, 2007	112,500		Cdn\$0.77
Issued September 6, 2007	50,000		Cdn\$0.77
Outstanding at December 31, 2007	694,250	300,500	\$0.83*

** Based on the December 31, 2007 exchange rate of Cdn\$1 equals US\$1.0088*

8. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at their exchange amount as determined by management. All material transactions and balances with related parties not disclosed elsewhere are described below:

During the nine months ended December 31, 2007, the Company paid consulting fees to a non-independent director in the amount of \$32,425 [December 31, 2006 - \$127,303] for services rendered on the exploration of the Borealis property.

9. OTHER ASSETS

	December 31, 2007	March 31, 2007
	\$	\$
Reclamation bond & deposits	195,636	134,759
Non-compete agreement	70,908	
Accumulated Amortization	(5,155)	
	261,389	134,759

During the nine months ended December 31, 2007, the Company increased the amount of their performance bond from \$113,759 to \$168,459 by purchasing a further performance bond totaling \$54,700 from an insurance company.

The total bond purchase is in support of the potential future obligations the Company may incur under a Plan of Operation for exploration within the brown-field area of the Borealis property filed with the U.S. Forest Service. The Company also holds a deposit with the Bureau of Land Management (BLM) for \$27,177 (March 31, 2007 - \$21,000), which supports its potential future obligations for reclamation during the Company's exploration activities within the BLM area. The company increased the amount of this bond by \$6,177 in December 2007. At December 31, 2007, the Company has recorded an estimated reclamation liability of \$5,600 (June 30, 2006 - \$7,000) representing future obligations related to its drilling activities completed to December 31, 2007.

As part of the acquisition of Nevada Eagle (footnote 3), the primary interest holder entered into a non-compete agreement. The non-compete agreement is being amortized over 5 years.

10. COMMITMENTS & CONTINGENCIES

[a]

A portion of the Borealis Property is subject to a mining lease. The Company is required to make monthly lease payments of \$9,485, adjusted annually based on the Consumer Price Index, for the duration of the lease term. In addition, production of precious metals from the Borealis Property will be subject to the payment of a royalty under the terms of the mining lease. The mining lease expires in 2009, but may be renewed by the Company annually thereafter, so long as mining related activity continues on the Borealis Property. The Company has the option to terminate the mining lease at any time prior to expiry in 2009.

[b]

The Company rents office space in Vancouver, BC for a 3 year term. The following are rental lease commitments in relation to the office lease:

	\$
2008	10,565
2009	17,609

[c]

In September 2007, the Company entered into a Transition Agreement with an individual under which, the individual will cease to be an employee and will continue as a director of the Company. The agreement requires the Company to pay \$12,500 per month, for 18 months beginning October 2007, and the individual was granted 112,500 Restricted Stock Units the will vest at 37,500 each on April 1, 2009, July 1, 2009 and October 1, 2009. The agreement provides for certain incidental expenses for 18 months beginning October 2007. The Company recorded a charge to expense of \$322,464 during the quarter ended September 30, 2007 to accrue the cost of the agreement.

[d]

Nevada Eagle holds approximately 23 exploration properties that are not leased out. Annual claim fees to hold these properties are approximately \$34,000.

11. CAPITAL LEASE

The Company leases two trucks that are both accounted for as capital leases, with the present value of the required lease payments recorded as a liability and an asset at inception and thereafter lease payments reduce the liability and result in interest expense and the asset is depreciated. The actual combined lease payments are \$2,371 per month with a residual payment of \$12,000 due December 2007 (will be paid in January 2008) and \$13,854 due May 2008.

The present value of required payments during each fiscal year:

	\$
2008	10,565
2009	17,609

12. CONVERTIBLE PROMISSORY NOTE

Convertible promissory note, with a face value of \$5,000,000 due March 30, 2010 unsecured, bearing interest at 5%. Interest is payable each January 1 st and June 1 st . Discount accretion for the period from August 21, 2007 (date of issue) to December 31, 2007, totalled \$94,297.	December 31, 2007	March 31, 2007
	\$	\$
	4,366,656	0

Gryphon Gold issued a Convertible Promissory Note to the former owner of Nevada Eagle with a face amount of \$5,000,000, due March 30, 2010, bearing interest at 5% per annum, payable on January 1 and June 1 of each year. The note is convertible at the holder's option into shares for the first 12 months after closing at a conversion price of \$1 per common share; for the next 12 months at \$1.25 per common share; for the period 24 months from closing to March 29, 2010 at \$1.50 per common share and on March 30, 2010 at \$1.75 per common share. The conversion rate is subject to certain anti-dilution adjustments and is also subject to adjustment on payment of cash dividends by Gryphon Gold. Upon an event of default, which includes amongst other things a change in control of Gryphon Gold, the holder may demand repayment of the principal amount of the debenture or exercise the conversion feature for a fixed number of shares. After an event of default, the interest rate on the convertible debenture increases to 9%. The change in control in an event of default is considered an embedded derivative however its issue date fair value is not considered to be significant, nor is it considered to be significant at December 31, 2007. The conversion feature does not require bifurcation in the financial statements because it is not a beneficial conversion feature and a cash payment is not required if common shares issued at time of conversion are never successfully registered. The Convertible Promissory Note, including the conversion feature and change in control event of default embedded derivative, has been recorded at its estimated issue date fair value of \$4,272,359 at date of issue, in the unaudited consolidated balance sheet. Interest and discount accretion of \$63,014 and \$65,930, for the three months ended December 31, 2007, has been recorded as interest expense in the unaudited consolidated income statements. The former owner of Nevada Eagle is also an employee of the Company (see note 3).

13. SUBSEQUENT EVENTS

On January 10, 2008, 31,250 RSUs vested for three directors and one employee and common shares were issued.

Item 2.

Management's Discussion and Analysis.

Overview

Gryphon Gold Corporation was incorporated in Nevada on April 24, 2003 and has offices in Hawthorne, Nevada and Vancouver, British Columbia. Our objective is to add to our potential exposure to gold mineralization in Nevada through exploration, joint ventures and acquisitions. Currently, our most valuable asset is a 100% interest in the Borealis Property, located in Mineral County, Nevada. We have not determined if the mineralized material from the Borealis Property can be economically exploited. Through the acquisition of Nevada Eagle Resources LLC, we obtained approximately 54 additional exploration properties. None of these properties have known reserves.

In July 2003, we initially acquired from Golden Phoenix Minerals, Inc. (Golden Phoenix) an option to earn a 70% joint venture interest in the Borealis Property by incurring qualified development expenditures. On January 28, 2005, we acquired the remaining interest held by Golden Phoenix in the Borealis Property for \$1,400,000. Our subsidiary, Borealis Mining, paid to Golden Phoenix \$400,000 upon closing of the purchase on January 28, 2005, with four additional quarterly payments of \$250,000 due to Golden Phoenix. On January 24, 2006, with a final payment of \$250,000, Borealis Mining completed all of its financial requirements with respect to our acquisition of the interest held by Golden Phoenix.

As sole shareholder of Borealis Mining, we control all of the lease rights to a portion of the Borealis Property, subject to advance royalty, production royalty, and other payment obligations imposed by the lease. Our acquisition of the interest of Golden Phoenix in the Borealis Property terminated the July 2003 Option and Joint Venture Agreement.

In addition to our leasehold interest to a portion of the Borealis Property, through Borealis Mining we also own numerous unpatented mining claims that make up the balance of the Borealis Property, and we also own all of the documentation and samples from years of exploration and development programs carried out by the previous operators of the Borealis Property (totaling thousands of pages of data including, but not limited to, geophysical surveys, mineralogical studies and metallurgical testing reports).

A portion of the Borealis Property is subject to the mining lease. We are required to make monthly lease payments of \$9,094, adjusted annually based on change in the Consumer Price Index. In addition, the production of precious metals from the Borealis Property will be subject to the payment of a royalty under the terms of the mining lease. The terms of the mining lease and royalty are described below under the heading Borealis Property . We have also entered into lease arrangements for offices in Vancouver, British Columbia and Hawthorne, Nevada and recently we terminated our office lease in Lakewood, Colorado on December 31, 2006.

On June 26, 2006, we announced that the USDA Forest Service and the Nevada Bureau of Mining Regulation and Reclamation have both approved the Plan of Operations and Reclamation Plan, allowing Gryphon Gold to proceed with the development of a heap leach mine at the Borealis Gold Project. These approvals, combined with the previously approved operating permits from the State of Nevada, represented the key regulatory approvals required to place the Borealis gold mineralization into production.

On November 30, 2006, our board of directors concluded that we would not proceed with construction and production financing of the Borealis heap leach mine. 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 and

terminated operations and engineering staff, including our Chief Operating Officer Mr. Allen Gordon and our Vice President of Borealis Project Development Mr. Matt Bender. Mr. Steven Craig, our Vice President of Exploration, was relocated to Nevada. As of December 1, 2006, our Chief Financial Officer, Mr. Michael Longinotti, commenced working on a part-time basis. Under this agreement, his time spent in the office was reduced by 50% along with his salary, and as of July 1, 2007 Mr. Longinotti resumed full-time employment.

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On January 11, 2007, we announced the results of the revised CIM compliant resource estimate in accordance with NI 43-101 which had been compiled by Mr. Alan C. Noble, P.E. of Ore Reserves Engineering. The results of the report were independently reviewed by AMEC to insure the methodology and assumptions used in the calculations were consistent with industry standards. The resource estimate includes the results of exploration drilling through February 28, 2006. The measured, indicated and inferred gold resource reported in January 2007 was:

Date	Measured*			Indicated*			Inferred*		
	Tons (000 s)	Grade opt	Ozs of Gold	Tons (000 s)	Grade opt	Ozs of Gold	Tons (000 s)	Grade opt	Ozs of Gold
January, 11, 2007	16,360	0.031	503,700	24,879	0.029	709,800	30,973	0.020	609,200

The updated report confirmed a total gold resource (measured, indicated and inferred) of 1,822,700 ounces contained in the Borealis property.

***Cautionary Note to investors concerning estimates of Measured, Indicated and Inferred Mineral Resources:**

We report mineralized material under two separate standards to meet the requirements for reporting in both the U.S. and Canada. U.S. reporting requirements for disclosure of mineral properties are governed by the United States Securities and Exchange Commission (SEC) Industry Guide 7. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101, commonly referred to as NI 43-101. Canadian and United States standards are substantially different, and none of our property has any probable or proven reserves under either Canadian or United States standards. The table above uses the terms measured, indicated and inferred in reference to resources. We advise investors that while these terms are recognized and required by Canadian regulations, the SEC does not recognize them. 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. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. Investors are cautioned not to assume that any part or all of the inferred mineral resource exists or is economically or legally mineable. In the United States, an issuer is not generally permitted to disclose mineralization unless such mineralization satisfies the definitional requirements of proven or probable mineral reserve in accordance with SEC Industry Guide 7, which defines mineral reserve as a part of a mineral deposit, which could be economically and legally extracted or produced at the time the reserve determination is made. Accordingly, information contained in this Form 10-QSB containing descriptions of our mineral deposits in accordance with NI 43-101 may not be comparable to similar information made public by other U.S. companies under the United States federal securities laws and the rules and regulations thereunder. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves.

In December 2006, we completed the geophysical survey, which commenced in September 2006. The positive geophysical results obtained from induced polarization (IP) surveys identified multiple chargeability and resistivity anomalies coincident with aeromagnetic lows which extended several kilometers (km) to the north and northwest of the Graben sulphide deposit. The IP surveys identified two new mineralized exploration targets located under the pediments 3.0 km (Central Pediments) and 5.3 km (Western Pediment) northwest of the Graben sulphide deposit.

During our fiscal year ended March 31, 2007, we completed the following private placements:

1)

On June 10, 2006, we completed private placements to an officer and employee of 129,000 units for gross proceeds of Cdn\$174,150. The units were sold at a price of Cdn\$1.35 each and consist of one common share and one-half of one purchase warrant exercisable at Cdn\$1.82 per share. The warrants expired on June 10, 2007.

2)

On February 9, 2007 we completed a private placement of 5.0 million units at a price of Cdn\$0.90 per unit for gross proceeds of Cdn\$4.5 million. Each unit consisted of one common share and one full purchase warrant. The two year warrants are exercisable at a price of Cdn\$1.10 if exercised within twelve months of the closing and at a price of Cdn\$1.35 if exercised after the First Anniversary but prior to expiry. We paid qualified registered dealers a 7% cash commission in the amount of Cdn\$77,175 and issued compensation options to acquire 85,050 common shares (at a price of Cdn\$0.90 per share for a period of 12 months from closing) in respect of the 1.225 million units placed by them. The shares, warrants and underlying shares were not qualified by prospectus, have not been registered under U.S. securities laws, and are subject to resale restrictions. The Company granted registration rights to the investors in this private placement and accordingly filed with the SEC on June 7, 2007 (amended July 23, 2007), a registration statement under the Securities Act. The Company will use commercially reasonable efforts to cause the registration statement to be declared effective. The proceeds of this offering will be applied to fund the continuation of our exploration and development program on the Borealis Property.

For the fiscal year ended March 31, 2007, our exploration work focused on extension and definition drilling and the broadening of district exploration and we expended \$4.8 million (fiscal year ended March 31, 2006, \$3.6 million) on exploration of the Borealis property.

On July 4, 2007, we entered into a membership interest purchase agreement (the "Purchase Agreement") with Gerald W. Baughman and Fabiola Baughman, as sellers ("Sellers"), and Nevada Eagle Resources LLC, a Nevada limited liability company ("Nevada Eagle"), under which Gryphon agreed to purchase all of the outstanding limited liability company interests of Nevada Eagle (the "Acquisition"). The transaction closed August 21, 2007. Under the terms of the Purchase Agreement, Gryphon acquired Nevada Eagle from the Sellers for the following consideration:

- (a) \$2,500,000 in cash;
- (b) four million five hundred thousand (4,500,000) shares of common stock of Gryphon ("Common Shares"); and
- (c) a 5% convertible promissory note in the principal amount of \$5,000,000 (the "Convertible Note").

The Convertible Note, due March 30, 2010, bears interest at the annual rate of 5% and is convertible at the option of the holder into Common Shares at an initial conversion price of \$1.00 per common share during first the twelve month period following the Closing Date, \$1.25 per common share during the second twelve month period following the Closing Date, \$1.50 per common share thereafter and \$1.75 per common share if converted on March 10, 2007. The interest payments are due on each January 1 and June 1, beginning on January 1, 2008. In addition to the purchase consideration, the Sellers will be entitled to all revenues of Nevada Eagle (payable in cash, stock, or other consideration) calculated to be received and received on the assets and properties from January 1, 2007 through midnight on December 31, 2007.

In addition, we granted the Sellers registration rights under which we agreed to file (within the later of (i) 90 days of the Closing Date or (ii) any date in which we are required to file a registration statement for a third-party in connection with a financing or acquisition, but no later than 120 days of the Closing Date) a resale registration statement to register the Common Shares issuable at Closing and issuable upon exercise of the Convertible Note under the Securities Act of 1933, as amended.

At closing, the following agreements were also executed:

- (a) the sellers executed a Lock-up Agreement under which the Sellers agreed that for a period of three months following the Closing Date not to sell Common Shares issued or issuable under the Purchase Agreement and Convertible Note and, thereafter, to limit the sale of such Common Shares to 20% of the aggregate Common Shares issued under the Purchase Agreement and Convertible Note each quarter (with unsold Common Shares aggregating each quarter thereafter);
- (b) Mr. Baughman entered into an Employment Agreement for a term of one year, renewable by the parties, to serve as our Vice President of Corporate Development; and
- (c) the sellers entered into a Non-Competition Agreement.

Under the terms of the Non-Competition Agreement, the Sellers agreed not to compete with Gryphon for the latter of (i) twelve (12) months following the Closing Date (the "Restricted Period"), or (ii) twelve (12) months following the termination of our employment of Gerald Baughman. The scope of the non-competition obligation relates to the business of acquiring and/or holding base metal and precious metal mineral assets located in the state of Nevada within the Area of Interest and to properties that have been examined by Gryphon or Gerald Baughman during the course of his employment by us, in any manner or capacity. "Area of Interest" is defined as any property owned by the Company, Nevada Eagle, our Affiliates or Nevada Eagle on the latter of (i) Closing Date or (ii) the termination date of

Gerald Baughman's employment by us, if any, together with any adjacent areas within one kilometer of the exterior boundary of such properties.

On August 3, 2007, we completed a private placement of 5,000,000 units at Cdn\$0.80 for gross proceeds of approximately Cdn\$4,000,000. Each unit consisted of one common share and one series G warrant. Each series G warrant entitles the holder to purchase a common share at a price of Cdn\$1.00 per share during the first 12 months after closing and Cdn\$1.25 per share during the second 12 months after closing and until expiry. We paid qualified registered dealers a 7% cash commission in the amount of Cdn\$152,040 and issued compensation options to acquire 265,050 common shares (at a price of Cdn\$0.83 per share for a period of 9 months from closing) in respect of the 2,715,000 million units placed by them. We have a right to force warrant holders to exercise warrants, if the price of our common stock remains equal to or greater than, Cdn\$1.85 per common share, for a period of twenty consecutive days. The shares, warrants and underlying shares were not qualified by prospectus, have not been registered under U.S. securities laws, and are subject to resale restrictions. We granted registration rights to the investors in this private placement and will use commercially reasonable efforts to prepare and file with the SEC, within 120 days of closing, a registration statement under the Securities Act and to cause such statement to be declared effective. The proceeds of this offering will be applied to fund the continuation of our exploration and development program on the Borealis Property.

On December 14, 2007 we completed a private placement of 4,486,500 units at Cdn\$0.80 for gross proceeds of approximately Cdn\$3,589,200. The private placement closed in three tranches on November 22, November 27 and December 14, 2007. Each unit consisted of one common share and one series I warrant. Each series I warrant entitles the holder to purchase a common share at a price of Cdn\$1.00 per share during the first 12 months after closing and Cdn\$1.25 per share during the second 12 months after closing and until expiry. We paid qualified registered dealers a 7% cash commission in the amount of Cdn\$71,624 and issued compensation warrants (series J) to acquire 89,530 common shares (at a price of Cdn\$0.80 per share for a period of 9 months from closing) in respect of the 1,204,000 million units placed by them. We have a right to force warrant holders to exercise warrants, if the price of our common stock remains equal to or greater than, Cdn\$1.85 per common share, for a period of twenty consecutive days. The shares, warrants and underlying shares were not qualified by prospectus, have not been registered under U.S. securities laws, and are subject to resale restrictions. We granted registration rights to the investors in this private placement and will use commercially reasonable efforts to prepare and file with the SEC, within 120 days of closing, a registration statement under the Securities Act and to cause such statement to be declared effective. The proceeds of this offering will be applied to fund the continuation of our exploration and development program on the Borealis Property.

Fiscal 2008 Exploration and Development Progress

Our drilling program during fiscal 2008 has focused on expanding the known Graben deposit and discovering additional deposits in the Central and Western Pediment areas. The program consists of a series of Graben deposit expansion drilling and extension drilling north of the successful G3 - G13 fence of holes. The drilling of the Graben deposit will alternate 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 total, 45 holes were completed during the current drilling program totaling 51,255 feet.

In October 2007, we completed a Controlled Source Audio-Frequency Magnetotelluric (CSAMT) survey on the gold deposits in the Graben. We have expanded this survey to other parts of the Borealis property and expect to survey additional areas of the property during the quarter ended March 31, 2008.

The following activities are planned for the duration of fiscal 2008:

Commence detailed review of properties acquired through Nevada Eagle Resources acquisition and compile exploration and development schedule.

Complete joint venture and lease agreements for the un-leased properties held by Nevada Eagle Resources.

Complete CIM compliant NI 43-101 report for the gold resource on the Borealis property.

Complete the CSAMT geophysical study in the Pediment areas and interpretation of results.

Plan the drill program for fiscal 2009, which is expected to commence near the end of March 2008.

Permit required drill sites required for the fiscal 2009 drill program.

Management's Discussion and Analysis

This discussion and analysis should be read in conjunction with the accompanying Unaudited Interim Financial Statements and related notes. The discussion and analysis of the financial condition and results of operations are based upon the unaudited interim financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP 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 are likely to 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 the financial statements and require the most difficult, subjective and complex judgments, are outlined below in Critical Accounting Policies, and have not changed significantly.

We use words like expects, believes, intends, anticipates, plans, targets, projects or estimates in our report. When used, these words and other, similar words and phrases or statements that an event, action or result will, may, could, or should occur, be taken or be achieved identify forward-looking statements. Such forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, the risks and uncertainties outlined in Exhibit 99.1 titled Risk Factors and Uncertainties, which Exhibit is hereby incorporated by reference. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Our management has included projections and estimates in this quarterly report, which are based primarily on management's experience in the industry, assessments of our results of operations, discussions and negotiations with third parties and a review of information filed by our competitors with the Securities and Exchange Commission or otherwise publicly available. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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

Critical Accounting Policies and Estimates

The preparation of our unaudited interim 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 will likely differ from these estimates.

Revenue recognition

Mineral lease rentals or option payments are treated as reductions of the cost of the property as the payor is accumulating an interest in the mineral property; payments in excess of capitalized costs are recognized in income. Some agreements provide for payments in the form of stock and other equity instruments as well as cash payments. Stock and other equity instruments are recognized based on their fair market value at the time of receipt. Fluctuations incurred during the holding period are accounted for as gains or losses from held for trading securities. Privately held stock, or stock that is not currently trading is valued at zero. The leases provide for the receipt of royalty payments upon production of the property. Royalty payments will be recognized in the period in which production occurs. There are no properties in the production stage at this time.

Exploration of 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 original claim establishment) 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 and ongoing claim maintenance costs. 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

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard 123R, Share-Based Payment, (SFAS 123 (R)) a revision to SFAS 123. SFAS 123(R) 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.

Prior to March 31, 2006, the Company's stock-based employee compensation plans were accounted for under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation (SFAS 123). The Company did not recognize employee stock-based compensation costs in its statement of operations for the periods prior to March 31, 2006, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of the grant.

Effective April 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), using the modified-prospective-transition method. The Company's total employees are relatively few in number and turnover is considered remote, therefore the Company currently estimates forfeitures to be 5.5%. Estimation of forfeitures will be reviewed on a quarterly basis.

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development or normal use of the assets with a corresponding increase in the carrying amount of the related long-lived asset. This amount is then depreciated over the estimated useful life of the asset. Over time, the liability is increased to reflect an interest element considered in its initial measurement at fair value. The amount of the liability will be subject to re-measurement at each reporting period. Currently, the Company has a reclamation liability of \$5,600 which is disclosed further in Note 9 of the financial statements.

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 carryforwards 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.

Recent Accounting Pronouncements

The United States Securities and Exchange Commission recently announced that it would provide for a phased-in implementation process for FASB Statement No. 123(R), Share-Based Payment (SFAS 123(R)). Registrants must adopt SFAS 123(R)'s fair value method of accounting for share-based payments to employees no later than the beginning of the first annual period beginning after December 15, 2005. We adopted SFAS 123(R) effective April 1, 2006.

The Financial Accounting Standards Board ratified the consensus of the Emerging Issues Task Force that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. This consensus is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. To date the Company has not incurred any stripping costs.

In June 2006, the FASB issued FASB interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 will not have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, the application of this Statement will change current practice, effective April 1, 2008. The adoption of SFAS 157 will not have a material impact on the Company's consolidated financial statements.

Results of Operations

We are in an exploration stage and currently have no producing mineral properties and thus we had no revenues during all reporting periods.

Three months ended December 31, 2007 compared to three months ended December 31, 2006

For the three months ended December 31, 2007 we had a net loss of \$1,736,589 or \$0.03 per share compared to a net loss of \$2,620,464 or \$0.06 per share in the same period in the prior year, as spending on our exploration activities on the Borealis property decreased by \$667,507 and management salaries and consulting fees decreased by \$325,833.

Exploration expenses during the three months ended December 31, 2007 were \$661,007 or 38% of our total expenses compared to \$1,328,514 or 51% of total expenses in the prior year. During the third quarter ended December 31, 2007 we completed drilling 5 holes, totaling 5,515 feet (1,681 meters) compared to completing 11 holes totaling 13,680 feet (4,169 meters) in prior year's comparable period. Drilling costs for quarter ended December 31, 2007 were \$262,095 versus \$764,180 in the prior year's comparable quarter. Drilling costs decreased because drilling was temporarily suspended beginning mid-November 2007 (versus mid-December 2006) to allow for a larger CSAMT geophysical study to be completed over the pediment areas and the permitting activity to be completed for the next year's drilling program.

Management salaries and consulting fees in the quarter ended December 31, 2007 were \$529,729 compared to \$855,562 incurred in the quarter ended December 31, 2006 due to the costs incurred in the prior year associated with closing the Denver based engineering office. Total non-cash compensation costs included in the quarter ended December 31, 2007 were \$199,422 versus \$529,683 in the prior year's comparable quarter.

General and administrative costs for the quarter ended December 31, 2007 was \$254,831 compared to \$240,219 for the quarter ended December 31, 2006, a 6% increase. Included in General and administrative are investor relations costs which increased by \$206,311, during the comparable periods. Legal and audit fees for the period increased to \$111,020 from \$106,258 for the three months ended December 31, 2006, and is mainly due to costs associated with being a public company that reports in both Canada and the United States, and registering stock issued under private placements. Travel and accommodation expense during the quarter ended December 31, 2007 was \$68,704, compared to \$96,678 expended on travel in the prior year's comparable quarter. The decrease is due to cost savings from closing the Denver office in the prior year and fewer property site visits. Interest income earned on cash deposits was \$40,782 for the quarter ended December 31, 2007, compared to \$66,303 in the prior year quarter due to lower average cash balances than the comparable quarter. Interest expense was \$130,300 during the quarter ended December 31, 2007 due to the issue of a convertible promissory note as partial payment for the purchase of the membership interest of Nevada Eagle Resources LLC in August 2007. \$65,930 of the total interest was non-cash interest expense.

Nine months ended December 31, 2007 compared to nine months ended December 31, 2006

For the nine month period ended December 31, 2007 we incurred a net loss of \$6,463,678 or \$0.13 per share compared to a net loss of \$6,491,678 or \$0.16 per share incurred during the same period in the prior year, as costs for most categories of expenditures remained consistent year on year.

Exploration expenses during the six month period ended December 31, 2007 were \$3,414,405 or 53% of our net loss compared to \$3,649,732 or 56% of our net loss in the prior year. During the current fiscal year we have drilled a total of 31 holes at the Borealis property, representing 36,405 feet (11,096 meters) compared to 41 holes representing 39,715 feet (12,105 meters). Fewer holes were drilled during the current year because the drilling program focused on drilling deep holes in the Graben and Pediment areas versus drilling shallow holes to add oxide resources in the prior year.

Management salaries and consulting fees in the nine months ended December 31, 2007 were \$1,663,160 compared to \$1,746,164 for the same period in the prior year. Current year costs include \$322,464 in one-time costs for a transition agreement covering a single employee and director including non-cash costs of \$81,235. The majority of the cash costs will be paid out over an 18 month period. Prior years costs include expense for running the Denver engineering office that was closed effective December 31, 2006. Total non-cash compensation costs included in the nine months ended December 31, 2007 were \$683,916 versus \$779,747 in the prior year's comparable period.

General and administrative expenses were \$812,436, versus \$721,437 in the prior year's comparable period. The increase is due to a \$306,641 spending on investor relations. Legal and audit fees for the nine month period increased to \$308,877 from \$271,017 incurred in the prior year's comparable period. Travel and accommodation during the nine months ended December 31, 2007 was \$172,408, compared to \$282,117 reported in prior year nine month period ended December 31, 2006. The decrease was due to a reduction in site visits and the closure of the Denver engineering office in late 2006.

Interest income earned on cash deposits was \$170,332 for the nine months ended December 31, 2007, compared to \$242,832 for the nine months ended December 31, 2006, due to lower average cash balances during the nine month period. Interest expense totaled \$188,853 and arose from the issuance of a convertible promissory note related to the purchase of Nevada Eagle Resources LLC on August 21, 2007. \$94,297 of the interest expense is non-cash.

Liquidity and Capital Resources

Our principal source of liquidity is cash that is raised by way of sale of common stock from treasury and other equity securities.

At December 31, 2007, we had working capital of \$4,701,031. Current assets consisted of \$5,541,213 in cash, \$85,415 in accounts receivable and \$157,553 in prepaid expenses. We had \$1,083,150 in current liabilities at December 31, 2007, consisting of \$1,083,150 in accounts payable and accrued liabilities and \$32,536 related to the current portion of capital leases. The increase in accounts payable and accrued liabilities compared to the balance at March 31, 2007 is related to the recognition of the transition agreement that will be paid over 18 months.

During the quarter ended December 31, 2007, we used cash in operating activities of \$1,736,046, which included our net loss during the quarter of \$1,736,590, offset by depreciation of \$18,745, non-cash compensation of \$199,422, non-cash interest expense of \$65,930 and changes in non-cash working capital used cash of \$283,553. We used cash in investing activities of \$4,604, including \$6,177 for reclamation deposits, \$17,153 for equipment purchases, \$5,409 in new claim fees and \$24,135 of cash was received in lease payments on Nevada Eagle properties. Financing activities provided cash of \$3,354,009, which included \$3,360,088 from the issuance of shares in connection with a private placement, offset by capital lease principal payments of \$6,079. Cash increased during the period by \$1,613,359 to \$5,541,213 as at December 31, 2007.

Under the terms of the acquisition agreement for Nevada Eagle Resources LLC, we have a note payable outstanding for \$4,366,656. Refer to the section **Contractual Obligations** under this document for a full description of the acquisition and commitment.

We completed a private placement of 4,486,500 units at Cdn\$0.80 for gross proceeds of approximately Cdn\$3,589,000. The private placement closed in three tranches on November 22, November 27 and December 14, 2007. Each unit consisted of one common share and one series I warrant. Each series I warrant entitles the holder to purchase a common share at a price of Cdn\$1.00 per share during the first 12 months after closing and Cdn\$1.25 per share during the second 12 months after closing and until expiry. We paid qualified registered dealers a 7% cash commission in the amount of Cdn\$71,624 and issued compensation warrants (series J) to acquire 89,530 common shares (at a price of Cdn\$0.80 per share for a period of 9 months from closing) in respect of the 1,204,000 million units placed by them. We have a right to force warrant holders to exercise warrants, if the price of our common stock remains equal to or greater than, Cdn\$1.85 per common share, for a period of twenty consecutive days. The shares, warrants and underlying shares were not qualified by prospectus, have not been registered under U.S. securities laws, and are subject to resale restrictions. We granted registration rights to the investors in this private placement and will use commercially reasonable efforts to prepare and file with the SEC, within 120 days of closing, a registration statement under the Securities Act and to cause such statement to be declared effective. The proceeds of this offering will be applied to fund the continuation of our exploration and development program on the Borealis Property.

Updated share capital as of December 31, 2007:

Basic Common Stock Issued and Outstanding	61,681,645
Warrants, Options and other Convertible Securities	21,550,888
Fully Diluted Common Stock	83,232,533

Summary of any product research and development that the company will perform for the term of the plan.

We do not anticipate performing any product research and development under our plan of operation.

Expected purchase or sale of plant and significant equipment.

We do not anticipate any significant equipment purchases or sales.

Significant changes in number of employees.

We currently have eight employees. We do not expect a significant change in this number.

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

We make advance royalty payments of \$9,485 per month to certain leaseholders while exploration is proceeding on the Borealis Property. In addition, to maintain its existing claims, we make payments totaling approximately \$130,000 annually. These payments are contingent upon us maintaining an interest in the property. We also make annual claim payments on certain of the properties acquired under the Nevada Eagle Resources acquisition. These costs totaled approximately \$50,000 in 2007.

As of December 31, 2007, we had the following non-cancelable contractual obligations:

Payments Due by Period⁽³⁾

	Total	Less than 1 year	2-3 Years	4-5 Years	More than 5 Years
Operating Lease Obligation (1)	\$10,565	\$10,565	\$0	\$0	\$0
Capital Lease obligations (2)	32,536	32,536	0	0	0
Debenture	5,000,000	0	5,000,000	0	0
Total (1)	\$5,043,101	\$43,101	\$5,000,000	\$0	\$0

Obligation for the rental of office space in Vancouver BC with an initial 3 year term, terminating August 2008 and payments of approximately \$3,388 per month, based on the December 31, 2007 exchange rate of Cdn\$0.9913 equals US\$1.

(2)

The capitalized leases are for the purchase of two trucks.

(3)

The table does not include employment contracts with certain executive management which are described in our 10K-SB filed June 22, 2007 under the section heading Executive Compensation .

Under the terms of the Purchase Agreement we closed with Gerald W. Baughman and Fabiola Baughman, as sellers, and Nevada Eagle, we acquired Nevada Eagle from the Baughman s for the following consideration, paid on August 21, 2007:

- (a) \$2,500,000 in cash;
- (b) four million five hundred thousand (4,500,000) shares of our common stock; and
- (c) a 5% convertible note in the principal amount of \$5,000,000.

The Convertible Note, due March 30, 2010, bears interest at the annual rate of 5% and is convertible at the option of the holder into common shares at an initial conversion price of \$1.00 per common share during first the twelve month period following the Closing Date, \$1.25 per common share during the second twelve month period following the Closing Date, \$1.50 per common share thereafter and \$1.75 per common share if converted on March 10, 2007. The interest payments are due each January 1 and June 1, beginning on January 1, 2008. In addition to the purchase consideration, the Sellers will be entitled to all revenues of Nevada Eagle (payable in cash, stock, or other consideration) calculated to be received and received on the assets and properties from January 1, 2007 through midnight on December 31, 2007.

In addition, granted the Sellers registration rights under which we agreed to file (within the later of (i) 90 days of the Closing Date or (ii) any date in which we are required to file a registration statement for a third-party in connection with a financing or acquisition, but no later than 120 days of the Closing Date) a resale registration statement to register the common shares issuable at Closing and issuable upon exercise of the Convertible Note under the Securities Act of 1933, as amended. We also entered into an Employment Agreement with Mr. Baughman for a term of one year, renewable by the parties, to serve as our Vice President of Corporate Development.

Certain information contained in this Management Discussion and Analysis constitutes forward-looking information and actual results could differ from estimates, expectations or beliefs contained in such statements.

Item 3.

Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective and that our disclosure controls and procedures were adequately designed and are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms. In addition, our principal executive officer and principal financial officer have determined that our disclosure controls and procedures are effective to ensure that material information required to be disclosed in our reports that are filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow accurate and timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rule 13(a)-15(f) or 15(d)-15(f)) that occurred during the company's most recent fiscal quarter and the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1.

Legal Proceedings.

Except as provided below, neither we nor any of our property, including the Borealis Property, are currently subject to any material legal proceedings or other regulatory proceedings and to our knowledge no such proceedings are contemplated.

On September 16, 2005, our subsidiary, Borealis Mining Company, was named as a co-defendant in an ongoing civil action pending in the United States District Court for the District of Nevada, entitled *United States v. Walker River Irrigation District* (Court Doc. No. In Equity C-125, Subfile C-125-B). The action seeks to determine the existence and extent of water rights held by the federal government in the Walker River drainage area for use on federally reserved lands such as Indian reservations, National Forests, military reservations, and the like. The suit does not dispute nor seek to invalidate any existing water rights (including ours); rather, it seeks to determine the extent and priority of the federal government's water rights. On May 27, 2003, the Court stayed all proceedings to allow the United States, the State of Nevada, the State of California, the Walker River Paiute Tribe, the Walker River Irrigation District, Mono County, California, Lyon County, Nevada, Mineral County, Nevada and the Walker Lake Working Group to attempt to mediate a settlement. Borealis Mining Company was named as one of several hundred co-defendants in this action because it owns water rights within a portion of the Walker River drainage area in Nevada, which were granted under a permit on September 16, 2005. We, like most private water right owners, do not intend to participate in the merits of the lawsuit. We do not believe that this civil action, which will determine the extent and priority of federally reserved water rights in the area, will have any effect on our planned business operations as we currently have permits to access water from two sites for our Borealis Property, one of which is not subject to this action and either of which, individually, would provide a sufficient water supply under our approved plan of operation.

Item 1A.

Risks Factors.

See Exhibit 99.1.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarter ended December 31, 2007, all transactions in which we have offered and sold the following securities in unregistered securities pursuant to exemptions under the Securities Act of 1933, as amended have been reported on current reports on Form 8K.

Item 3.

Defaults Upon Senior Securities.

None.

Item 4.

Submission of Matters to a Vote of Security Holders.

None.

Item 5.

Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
3.1 ⁽¹⁾	Articles of Incorporation of Gryphon Gold Corporation, filed April 24, 2003
3.2 ⁽¹⁾	Certificate of Amendment to Articles of Incorporation of Gryphon Gold Corporation, filed August 9, 2005
3.3 ⁽¹⁾	Bylaws of Gryphon Gold Corporation
3.4 ⁽¹⁾	Articles of Incorporation of Borealis Mining Company, filed June 5, 2003
3.5 ⁽¹⁾	Bylaws of Borealis Mining Company
4.1 ⁽⁴⁾	Specimen Common Stock certificate
4.2 ⁽³⁾	Form of Warrant Indenture
4.3 ⁽⁴⁾	Form of Underwriters Compensation Options
10.1 ⁽¹⁾	Investor Rights Agreement by and among Gryphon Gold Corporation and the Stockholders Party Hereto, dated as of May 1, 2003, as amended
10.2 ⁽¹⁾	Assignment of Borealis Mining Lease, dated January 10, 2005, between Golden Phoenix Mineral Company and Borealis Mining Company
10.3 ⁽¹⁾	Agreement and Consent to Assignment of Borealis Mining Lease, entered into as of January 26, 2005, between Richard J. Cavell, Hardrock Mining Company, John W. Whitney, Golden Phoenix Minerals, Inc., Borealis Mining Company and Gryphon Gold Corporation
10.4 ⁽¹⁾	Escrow Agreement, dated January 10, 2005, between Borealis Mining Company, Gryphon Gold Company and Lawyers Title Agency of Arizona (Regarding Purchase Agreement dated January 10, 2005)
10.5 ⁽¹⁾	Purchase Agreement dated January 10, 2005, as amended, Seller: Golden Phoenix Minerals, Inc., Buyer: Borealis Mining Company and Guarantor: Gryphon Gold Corporation
10.6 ⁽¹⁾	Agreement between Golden Phoenix Minerals, Inc. and Borealis Mining Company (Borealis Property, Mineral County, Nevada), dated July 21, 2003
10.7 ⁽¹⁾	Agency Agreement/ Investment Advisory Retainer, between Gryphon Gold Corporation and Desjardins Securities Inc., signed March 9, 2005
10.8 ⁽¹⁾	Service Agreement between Gryphon Gold Corporation and The Kottmeier Resolution Group Ltd., dated May 17, 2005. Replaced by Contact Financial dated December 22, 2005.
10.9 ⁽¹⁾	Office Building Lease dated June 22, 2005, related to Lakewood, Colorado office
10.10 ⁽¹⁾	Executive Compensation Agreement, dated October 1, 2003, between Gryphon Gold Corporation and Allen Gordon dba Evergreen Mineral Ventures LLC
10.11 ⁽¹⁾	Assignment Assumption Agreement between Gryphon Gold Corporation and Allen Gordon
10.12 ⁽¹⁾	Executive Compensation Agreement, dated October 1, 2003, between Gryphon Gold Corporation and Albert Matter

Exhibit Number	Description
10.13 ⁽¹⁾	Executive Compensation Agreement, dated February 1, 2004, between Gryphon Gold Corporation and Tony Ker
10.14 ⁽¹⁾	Executive Compensation Agreement, dated November 1, 2004, between Gryphon Gold Corporation and Thomas Sitar
10.15 ⁽¹⁾	Executive Compensation Agreement, dated June 1, 2005 between Gryphon Gold Corporation and Donald Ranta
10.16 ⁽¹⁾	Gryphon Gold Corporation 2004 Stock Incentive Plan
10.17 ⁽⁴⁾	Form of Escrow Agreement
10.18 ⁽²⁾	Form of Lock Up Agreement Shareholders
10.19 ⁽²⁾	Form of Lock Up Agreement for Executive Officers and Directors
10.20 ⁽²⁾	Warrant Agreement dated August 10, 2005, between Gryphon Gold Corporation and Computershare Trust Company, Inc. (Golden, Colorado)
10.21 ⁽⁵⁾	Membership Purchase Agreement dated July 4, 2007 related to Nevada Eagle Resources LLC
10.22	Transition Agreement
14.1 ⁽²⁾	Code of Business Conduct and Ethics
<u>31.1</u>	<u>Certification Required Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certification Required Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification Required Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>32.2</u>	<u>Certification Required Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
99 ⁽⁶⁾	Risk Factors and Uncertainties

(1) Previously filed on Form SB-2 on August 17, 2005.

(2) Previously filed on Form SB-2 on October 6, 2005.

(3) Previously filed on Form SB-2 on October 27, 2005.

(4) Previously filed on Form SB-2 on November 9, 2005.

(5) Previously filed on Form 8-K on July 6, 2007.

(6) Previously filed on Form 10QSB on August 15, 2007.

