

2015

HALF YEAR REPORT



GRYPHON
MINERALS LIMITED



ABN: 31 107 690 657





Corporate Directory

Non-Executive Chairman

Mel Ashton

Managing Director

Stephen Parsons

Non-Executive Directors

Didier Murcia

Bruce McFadzean

Company Secretary

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Bankers

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PERTH WA 6000

Stock Exchange Listing

Australian Securities Exchange (ASX)

Home Exchange: Perth, WA

Code: GRY

Website Address

www.gryphonminerals.com.au

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**FOCUSSED ON
DEVELOPING THE
3.6Moz BANFORA
GOLD PROJECT**



Directors' Report

Your directors present their report on the consolidated entity consisting of Gryphon Minerals Limited (Gryphon Minerals, Gryphon, the Company, or the Group) and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

The following persons were directors of Gryphon Minerals Limited for the duration of the half-year and up to the date of this report (unless otherwise stated):

Mel Ashton	Non-Executive Chairman
Stephen Parsons	Managing Director
Didier Murcia	Non-Executive Director
Bruce McFadzean	Non-Executive Director

Principle Activities

The principle activity of Gryphon Minerals during the financial half-year was the exploration and the development of mineral projects located in West Africa. The Company is currently focussed on developing the Banfora Gold Project in Burkina Faso and exploring throughout West Africa for gold and copper.

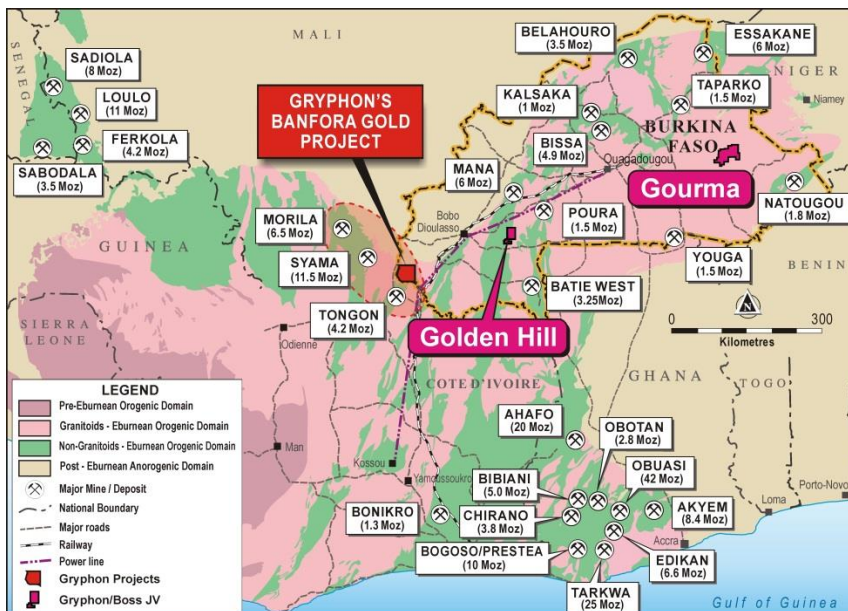
Review of Operations

Banfora Gold Project Burkina Faso | Executive Summary

The Banfora Gold Project (Banfora or the Project) is located in the south-west of Burkina Faso, West Africa. Burkina Faso is one of the largest gold producers in Africa and is located on some of the world's most prolific greenstone belts (accounting for 22% of West Africa's greenstone belt exposure). The country is already host to a number of producing mines and this is anticipated to increase given the prospectivity and strong Government support for the mining industry.

The Project includes exploration licenses covering over 1,000 square kilometres and a mining licence that covers 89 square kilometres. These licences are located in a major gold district where world class gold deposits such as Tongon (4.2 Million oz Au), Syama (5 Million oz Au mined & 6.5 Million oz Au in resources) and Morila (6.5 Million oz Au) are also found. The Project has an enviable location being easily accessible by road in close proximity to the regional town of Banfora and the major city of Bobo-Dioulasso. In addition, an existing hydro-power supply source and substation is located less than 100 kilometres to the south of the project site in Côte d'Ivoire, which can potentially be used to power future mining expansion and development.

Figure 1: Banfora Gold Project | Burkina Faso



Directors' Report

Review of Operations (continued)

Banfora Gold Project Burkina Faso | Studies

In early July 2015, Gryphon announced the results of an Optimisation Study (the "Study") for the development of a 2Mtpa Heap Leach start-up operation, and upside potential realised with the expansion of the facility through the addition of a conventional 1Mtpa carbon-in-leach (CIL) processing plant, at its fully permitted flagship Banfora Gold Project in Burkina Faso (GRY: 90%, Burkina Faso Government: 10%).

The latest Study highlights significantly enhanced Project economics, utilising additional grade control drill data for in-pit resources (refer ASX Announcement of 6 May 2015)³, and subject to finalising a full funding solution, the Company intends to proceed with the development of the Project, potentially making the Banfora Gold Project one of the next operating gold mines commissioned in Burkina Faso, and Gryphon as one of the next low-cost ASX listed gold producers.

As part of the optimisation study on the Project, the Company updated key cost parameters of the start-up Heap Leach operation, and in addition incorporated a scoping level study² for the installation of a 1Mtpa CIL circuit.

The 1Mtpa CIL has the flexibility to be added to the 2Mtpa heap leach operation either at the commencement of development (simultaneously) or at a later date potentially using cash flows from the heap leach operation.

The optionality to develop the heap leach project as a standalone operation is retained given the benefits of lower up-front capex and quicker development time-frame. Retaining this optionality gives Gryphon the flexibility to develop a low-capex project under a more manageable funding solution, in turn allowing the 1Mtpa CIL circuit to be added at a later date, which can be funded in part via Heap Leach cash flow.

The studies have shown the upscaling would be best undertaken at the end of the second year of operation of the start-up heap leach facility. Hence a study has been completed for both scenarios, providing the Company with project development optionality which is considered beneficial under current market conditions.

The Study also focussed on the high cost elements and major contributors to capital, operating and sustaining costs. A gold price of US\$1,250/oz was retained for project economics, as per the original Heap Leach feasibility study base case (refer ASX Announcement of 4 August 2014)⁴. The Study highlights are as follows:

Updated Banfora Gold Project Feasibility Study Economics @ US\$1,250/oz		2015 Studies			2014 Feasibility Study
		Base Case (2mtpa Heap Leach Followed by 1mtpa CIL) ^{2,5}	Upscaled Case (Simultaneous Build of 2Mtpa Heap Leach + 1mtpa CIL) ^{2,5}	2mtpa Heap Leach Stand Alone ⁵	2mtpa Heap Leach Stand Alone ⁴
NPV _{5%} after tax	A\$M	175	210	120	90
IRR after tax	%	24.9%	42.2%	30.4%	20.5%
LOM revenue (net of refining costs)	US\$M	1,162	1,160	778	808
Cash costs/oz (C1) ⁷	US\$/oz	717	707	718	743
All-In Sustaining Costs/oz (AISC)	US\$/oz	811	800	839	868
Capital costs includes working capital & contingencies	US\$M	85 + 45	130	85	97
In pit gold resources	Moz	1.1	1.1	0.8	0.8
Average gold produced	oz/yr	63,000/129,000	133,000	73,800	70,600
LOM	years	9.2	7.0	8.6	9.2
Strip ratio	W:O	3.5:1	3.5:1	3.2:1	3.4:1

² The results are at Scoping Study level. The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. In discussing 'reasonable prospects for eventual economic extraction' in Clause 20, the Code requires an assessment (albeit preliminary) in respect of all matters likely to influence the prospect of economic extraction including the approximate mining parameters by the Competent Person. While a Scoping Study may provide the basis for that assessment, the Code does not require a Scoping Study to have been completed to report a Mineral Resource. Scoping studies are commonly the first economic evaluation of a project undertaken and may be based on a combination of directly gathered project data together with assumptions borrowed from similar deposits or operations to the case envisaged. They are also commonly used internally by companies for comparative and planning purposes. Reporting the general results of a Scoping Study needs to be undertaken with care to ensure there is no implication that Ore Reserves have been established or that economic development is assured. In this regard it may be appropriate to indicate the Mineral Resource inputs to the Scoping Study and the processes applied, but it is not appropriate to report the diluted tonnes and grade as if they were Ore Reserves. While initial mining and processing cases may have been developed during a Scoping Study, it must not be used to allow an Ore Reserve to be developed. The Scoping Study is preliminary in nature as its conclusions are drawn on Inferred mineral resources (2%). No mine sequencing was performed. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

Directors' Report

Review of Operations (continued)

The Company has significantly advanced its strategy of de-risking the Banfora Gold Project and moving towards gold production, with the following key milestones delivered:

- Shallow reserve infill and pre-mining grade control drilling complete which has demonstrated excellent continuity to gold mineralisation.
- Environmental permitting complete.
- Mining Licence granted by the Burkina Faso government.
- Independent studies completed proposing well-established, proven mine and HL & CIL processing technologies.
- A full funding solution is being progressed.

Banfora Gold Project Burkina Faso | Pre-Construction Works

The Company proceeded with only limited, low-cost pre-construction works. Panel fabrication was suspended as a cost-saving measure, with sufficient fabrication completed for the 22 houses and associated structures required for the first small village to be relocated, which sits within the area earmarked for the heap leach processing facility. A number of redundancies were also finalised reflecting the reduced activity in this area.

The Company added the finishing touches to the Gryphon Minerals community development village by completing the erection of a demonstration kitchen and latrine using pre-fabricated panels made prior to June 2015, and using only its small, in-house trained, local construction team. This low-cost initiative will now encourage and support further community development and educational programs in the use of the resettlement outhouses and general hygiene.

The Company also negotiated access to a source of clean river sand for construction purposes; including concrete and specific drainage requirements for earthworks. Samples were sent to a laboratory for testing confirming grading and suitability of the soil source. Following environmental approvals the Company also negotiated with the local communities and were granted free access to the sand source with the local community benefiting from upgrading the access roads in the area.

Repair works were carried out on local access roads and river crossings including the main route to Fourkoura from Nogbele. The Company continues to work closely with the impacted communities to assist with road repairs on an as required basis.

Picture 1: Banfora Gold Project | Panels for Resettlement Housing and Local Construction Team



Directors' Report

Review of Operations (continued)

Banfora Gold Project Burkina Faso | Environmental and Social Responsibility

Gryphon continues to maintain a positive relationship and open dialogue with local communities via the Community Consultation Committee (CCC). Following extensive consultation, the relocation site agreement for Katolo (near the Fourkoura deposit) was signed on 6 November 2015. Local communities are keen to see the Project commence, which is a positive for Gryphon. The CCC continues to be the primary platform for this messaging.

Preparation of Social Management Plans (SMPs), which will accompany the IFC compliant ESIA, continued. Feedback was received from the IFC on ten of fourteen SMPs. Ongoing feedback is being exchanged between the IFC and the ESR team, and the majority of SMP updates will be completed in-house.

Relocation data was audited in order to maintain accurate and up to date information. The ESR Coordinator received administrator training for the database management software so that this work can continue to be implemented and any gaps corrected in-house. The database update will be completed in early 2016 using the proprietary database management software, previously installed by IsoMetrix and InterSocial Consulting.

Gryphon consulted with local and regional government stakeholders in September and October regarding management of artisanal and small-scale miners (ASM) on its exploration tenements with the onset of the dry season. ASM activity is sporadic in these areas, however existing ASM Management programs continue to protect Gryphon's main deposits, and there is no activity impacting the Company's Mineral Resources.

A plan consisting of eight recommendations was agreed upon, and local, provincial, and regional officials informed ASM networks that they must depart Gryphon exploration ground voluntarily, or face eviction by public security forces under the direction of the "ONASIM"; the government department tasked with this responsibility. Due to the heightened security required due to both the coup on September 16 and elections of November 29, the state did not have sufficient resources available to implement the recommendations put forth. However the ONASIM was mobilized its public security forces in early January 2016.

The third phase of the literacy program was completed in November 2015. More than 150 people benefitted, including forty-five women. Program evaluations were completed. The impact will be assessed to determine funding allocation for community development programming in 2016.

The water monitoring program continued. Over a two week period in October 2015, pH, temperature, conductivity and dissolved oxygen were measured at each water source in the project development footprint. Ongoing daily activities of the water monitoring program continued as scheduled:

- collection of data from the meteorological station and the rain monitoring stations
- monitoring of the water table levels
- monitoring the river levels and flow
- downloading data collected by "divers" at measuring points

Banfora Gold Project Burkina Faso | Mining Convention

The Burkina Faso government signed a stability agreement (mining convention) with the Company in late December 2015. The issuance of the Exploitation (Mining) Permit, which was previously approved by Burkina Faso's Council of Ministers, is formally finalized through the endorsement of this Mining Convention by the President of Burkina Faso, and other governmental authorities. The Mining Convention formally grants the Company rights to develop and operate the Banfora Gold Project and it is worth noting Gryphon's Mining Convention operates under the 2003 disposition of the mining code in Burkina Faso which guarantees the corporate tax will remain at 17.5%.

Banfora Gold Project Burkina Faso | Presidential Elections

Burkina Faso held its presidential elections in November 2015 as a result of a government coup in 2014. These elections ran smoothly and the people have embraced the new administration.

Directors' Report

Review of Operations (continued)

Banfora Gold Project Burkina Faso | Low Cost Exploration

Work was restricted to further soil and rock chip sampling and geological mapping. At Ouahiri the Company now has improved its understanding of the controls to mineralisation. A small number of rock chips were collected, testing the latest hypothesis for the controls to mineralisation, returning some interesting values including 16.12 g/t and 12.44 g/t gold. It is now evident that drilling to date on the prospect, including auger drilling, has failed to test key zones with increasing evidence for undrilled high grade mineralisation present within the prospect.

The wet season dataset reviews lead to additional soil sampling over two further prospects, Korindougou, Konandougou and Weah, all of which have been subject to some artisanal mining activity.

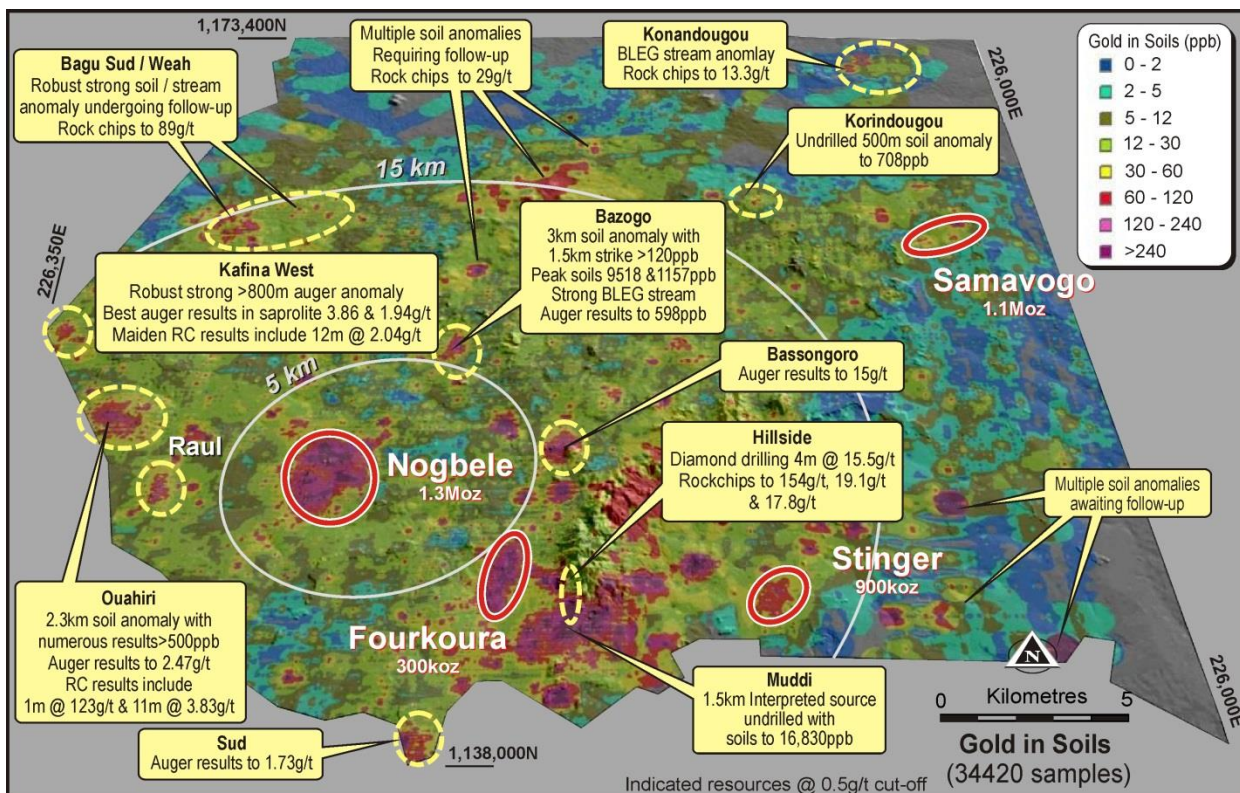
At Korindougou a +500m untested soil anomaly (peak 708ppb gold in soils) has been located on a low residual lateritic mesa. This remains untested by drilling of any type within the newly defined anomalous zone.

At Konandougou, located in the far north east of the Project several lines of soil samples were undertaken located over an area of recent intensive artisanal mining activity, as well as some rock chip sampling. The workings are located in granitoid saprolite in a partially demagnetised zone. There is a weak BLEG stream anomaly coming from the area which lead Gryphon into it prior to the arrival of any artisanal miners. The best rock chip sample returned 13.31 g/t gold but the soil results were generally low and no further work is planned at the prospect at this juncture.

At the Weah Prospect sampling of some new artisanal workings returned peak rock chip results of 89.19 g/t and 10.22 g/t gold. Prospect mapping indicates shallow north west dipping quartz veins on the margin of a granitic intrusion. The prospect is undrilled. Additional mapping and prospecting is required to better evaluate the potential. The prospect recorded one of the highest gold in BLEG stream results on the property, providing encouragement to continue low cost follow-up in this inadequately explored sector of the project.

Desktop activities seeking potential high grade underground targets at Nogbele continued using geophysical, geochemical and previous drill data looking for potential high grade underground mining opportunities to augment the existing open cut resources and reserves.

Figure 2: Soil Geochemical Targets at the Banfora Gold Project



Directors' Report

Review of Operations (continued)

Burkina Faso Exploration Pipeline | Houndé Belt & Regional Projects

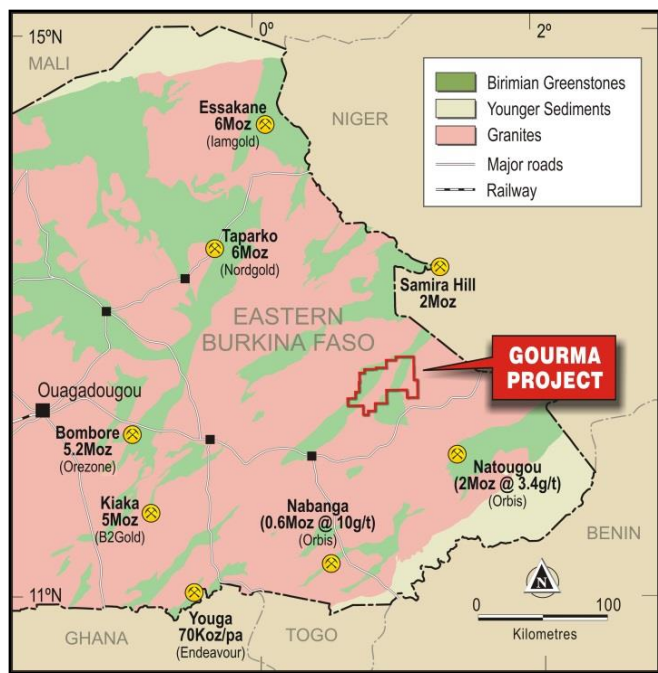
Gryphon and Boss Resources (ASX: BOE) signed a binding heads of agreement to establish a joint venture over the Golden Hill and Gourma gold projects located in Burkina Faso, totalling over 1,750 km². Refer to ASX announcement dated 4 July 2014 for full terms of the agreement. Notice has been given to Boss that Gryphon reached its first milestone, earning a controlling 51% holding in the Joint Venture in January 2016.

Gryphon Minerals continues to apply proven low-cost exploration techniques to explore the two projects. Since work commenced on the JV last year the Company has acquired high resolution remote sensing datasets, completed relatively high density (>1 sample per ~6 km²) drainage sampling, supplemented by laterite sampling, where appropriate, across all joint venture projects, and undertook progressive soil and auger sampling on the most prospective portions of the tenements. This strategy has enabled the Company to fast track prospect identification and evaluation. To date the Company has collected over 18,000 surface samples and drilled over 2,400 auger holes for ~8,500m. Over the past six months a further 3,286m of auger drilling took place leading to some pleasing results with assays still pending. This exploration strategy is designed to direct drilling to those areas most likely to deliver a significant discovery and enable the Company to confidently relinquish ground where appropriate geochemical techniques have been applied and the results are negative.

Figure 3: Gryphon Minerals Project Location Map



Figure 4: Gourma Project Location Map



Houndé Belt & Regional Projects | Gourma Gold Project

The Gourma Project is located within the Fada N'Gourma Greenstone Belt, 250km east of Ouagadougou and only 80 km south-southwest of Niger's largest gold deposit, the 50,000 ounce per annum Samira Hill gold mine (1.9 million ounce project). The Project consists of six contiguous permits (Diabatou, Tyara, Foutouri, Boutouanou, Tyabo and Kankandi) that cover a total area of approximately 1,300 km². It is accessible from the south off the Fada N'Gourma-Kantchari highway via a well maintained gravel road and from the west via a gravel road from the town of Gayeri.

Directors' Report

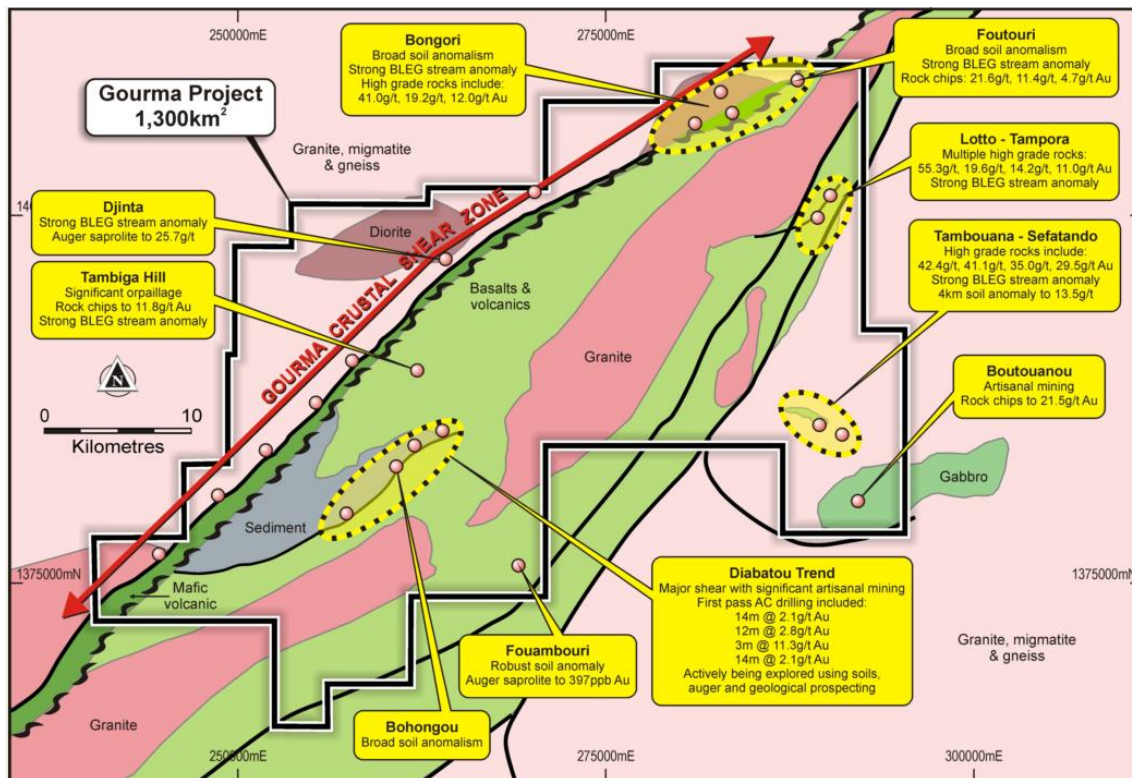
Review of Operations (continued)

Boss Resources were the first modern explorers on the property. Between 2010 and 2013 they completed a detailed aeromagnetic survey and extensive, mostly broad spaced reconnaissance style geochemical work involving several methods including soil, auger and rock chip sampling.

Work by Gryphon to date includes a regolith terrain, and aeromagnetic interpretation, detailed BLEG stream sampling, selective lateritic lag sampling (in areas where drainage geochemistry is an unreliable prospecting method) and soil sampling. The Company has undertaken preliminary shallow auger drilling to test beneath anomalous soils or in areas of problematic regolith. The auger drilling has returned a peak result of 27.5 g/t Au in saprolite (Refer ASX Announcement 17 February 2015).³

Multi-element drainage and laterite sample assays have been received from the four original joint venture permits and the newly acquired Tyabo and Kankandi Tenements (Refer ASX announcement on 28 January 2015)³. The BLEG stream and lag results confirm the Gourma shear zone (GSZ) to be associated with some highly anomalous near surface gold geochemistry. The drainage results also delineated areas with very low background commodity and pathfinder element concentrations which are therefore areas where no more work is necessary making the task of reducing tenure, when necessary, something which can be achieved with confidence. The high precision drainage geochemistry results, combined with robust understanding of the geology and regolith terrain has provided clear direction and focus for the low cost work the Company has been undertaking. The small efficient exploration team are rapidly working towards generating numerous high quality drill targets across the large land package.

Figure 5: Gourma Project Geology and Prospects Overview



Gourma Shear Zone

With the addition of the Tyabo and Kankandi Permits the Gourma Project now includes approximately 60km of a gold bearing crustal shear which has received very little modern exploration. Along the shear there are numerous artisanal workings. Geochemical sampling by Boss utilised both soil and auger geochemistry, identifying a number of prospects which received various levels of follow-up but no substantial drilling. The Bongori South prospect returned historic rock chips to 41.0 g/t, 19.2 g/t and 12.0 g/t gold. 12km to the east the Foutouri Prospect returned peak rock chip results of 21.6 g/t, 11.4 g/t and 4.7 g/t gold.

Directors' Report

Review of Operations (continued)

Work conducted during the period included auger testing beneath a number of soil anomalies. The best results were returned from the Djinta Prospect, where a peak auger assay of 25.7 g/t gold was returned from weathered bedrock as part of an 80m wide zone of anomalous saprolite extending over 80m width at greater than 0.5 g/t gold. As the nearest auger line is still 600m away the significance of these results is unknown and requires further evaluation (Refer to 31 December 2015 quarterly activities report)³.

Gariaga-Diabatou Trend – Multiple Targets

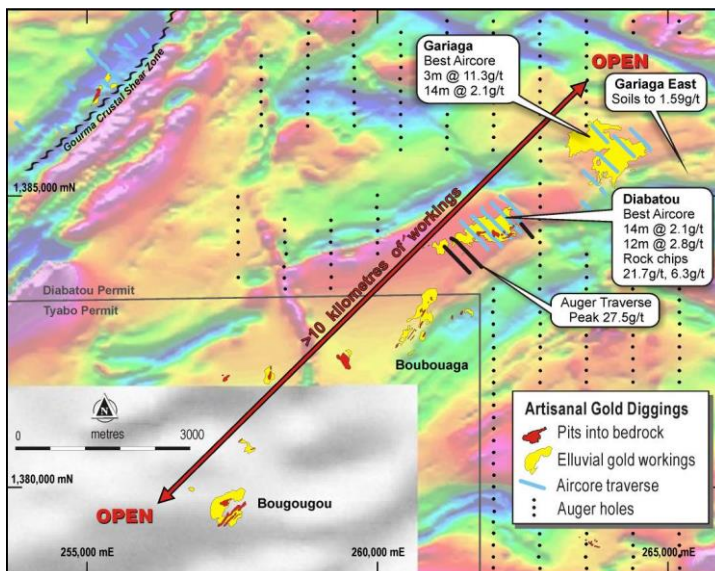
The Gariaga-Diabatou mineralised trend extends southwest onto the recently acquired Tyabo permit. There are numerous bedrock and eluvial gold workings along the trend, extending over a strike length exceeding 10km. Mineralisation on the trend is interpreted to be on the eastern flank of an antiform which represents a bounding shear zone. Quartz tourmaline veins are more common close to the interpreted contact.

First pass drilling by Boss in 2012 returned best aircore results of 3m @ 11.3 g/t gold and 14m @ 2.1 g/t gold from Gariaga, and 14m @ 2.1 g/t gold and 12m @ 2.8 g/t gold from the Diabatou Prospects. The aircore drilling at Diabatou remained in saprolite to an end of hole depth of 80m (Refer to ASX : BOE Announcements on 4 December 2012 and 30 January 2013).

Gariaga is hosted in mafic schist and extends to the southwest beyond a contact with metasediments. Common to both prospects is mineralisation associated with quartz tourmaline veins. The metasediments comprise foliated volcanic sandstone and phyllite, carbonaceous shale and deeply weathered feldspathic semi-schist with lesser amounts of feldspar porphyroblastic schist. There is a quartz rich sandstone (quartz arenite) containing conglomeratic bands in the south west portion of the trend. Mineralisation in all three trends consists of grey, glassy to smokey quartz veins and disseminated mineralisation associated with shearing and silicified zones. This style of mineralisation represents a highly prospective target for hosting broad zones of mineralisation. The disseminated and silicified zones are strongly associated with sericite and pyrite alteration with some malachite and chalcocopyrite observed along the trend.

Work has focused on the collection and assay of soil samples for multi-element determinations using a portable XRF. These results assist with lithochemical mapping as well as the identification of pathfinder elements. The Gariaga-Diabatou trend has been found to have elevated arsenic and copper, some of which coincides with known artisanal gold occurrences and best aircore intercepts, while other arsenic anomalous soils are away from artisanal workings. The multi-element soil data is currently being evaluated in geological and regolith terrain context but initial evaluation is that is extremely useful for guiding auger testing, and eventually more penetrative drilling techniques in the search for economic gold mineralisation.

Figure 6: Gariaga – Diabatou Trend



Directors' Report

Review of Operations (continued)

Foutouri, Lotto, Tambouana, Boutounou – Eastern Target Areas

A number of prospects with high grade surface mineralisation had previously been identified by Boss Resources in the east and southeast of the project. In the far southeast of the tenement package the Sefatendano and Tambouana Prospects are present in northwest striking structures within sheared and altered granite and in gabbro respectively. The high grade veins in the gabbro were sampled by Boss returning peak results of 42.4 g/t, 35.6 g/t and 12.2 g/t gold. The prospects are associated with strong gold-in-drainage responses. To date the Company has identified a four kilometre soil anomaly on the prospect. A first pass auger program has been completed on broad spaced lines to provide first pass subsurface testing of the soil anomaly returning a peak of 462 ppb gold. The auger lines are currently 400m apart and additional augering will be required to better evaluate the significance of the results.

In the same area, the Lotto-Tampora Prospects are notable as Boss returned best rock chips of 55.3 g/t, 19.7 g/t and 14.2 g/t gold from laminated quartz veins. Sampling by Gryphon at Lotto has returned a best rock chip result of 19.7 g/t gold (Refer to ASX Announcement on 17 February 2015)³. The soils responses to date have been weak, but the drainage geochemistry supports a decision to undertake further work in the area.

Houndé Belt & Regional Projects | Golden Hill Project

The Golden Hill Project is the most advanced of all the projects in the Joint Venture and is considered particularly prospective as it is located within the highly mineralised Houndé Greenstone Belt. This belt hosts the majority of the high grade discovered gold ounces in Burkina Faso, including Semafo's (TSX, OMF: SMF) recently discovered Siou Deposit (reserves of 769,000oz @ 4.94 g/t gold) plus the high grade Yaramoko deposit owned by Roxgold (TSX.V: ROG) (790,000oz @ 17.15 g/t gold). The belt also hosts Semafo's Mana Mine (6 Moz) and Endeavour Mining's (TSX: EDV, ASX: EVR) 2Moz 2.0 g/t Houndé deposit (Refer Figure 7). The Golden Hill Project straddles the same structure and stratigraphy that host these high grade deposits.

Figure 7: Golden Hill Project Location

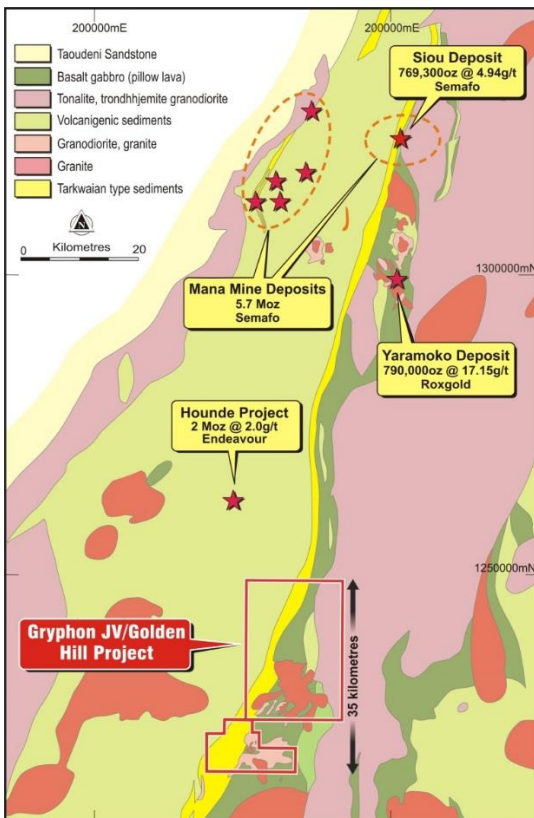
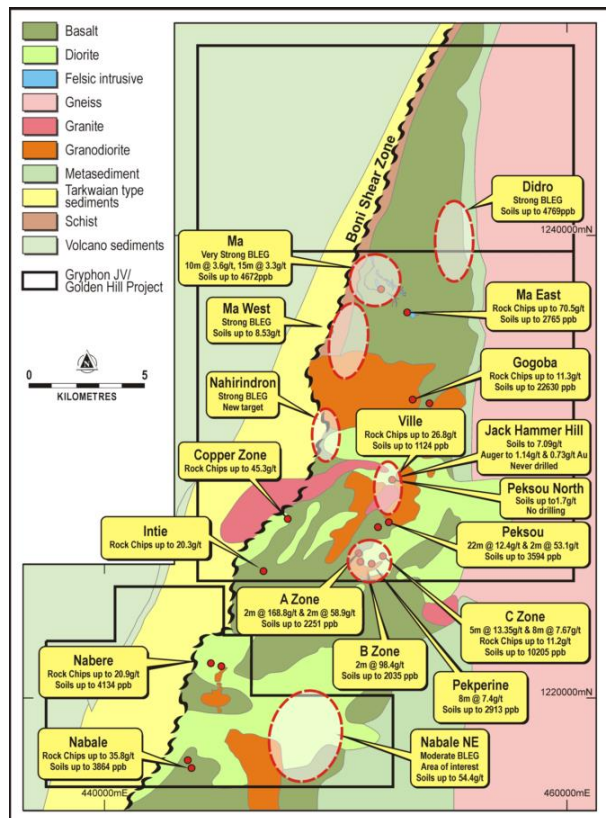


Figure 8: Golden Hill Project

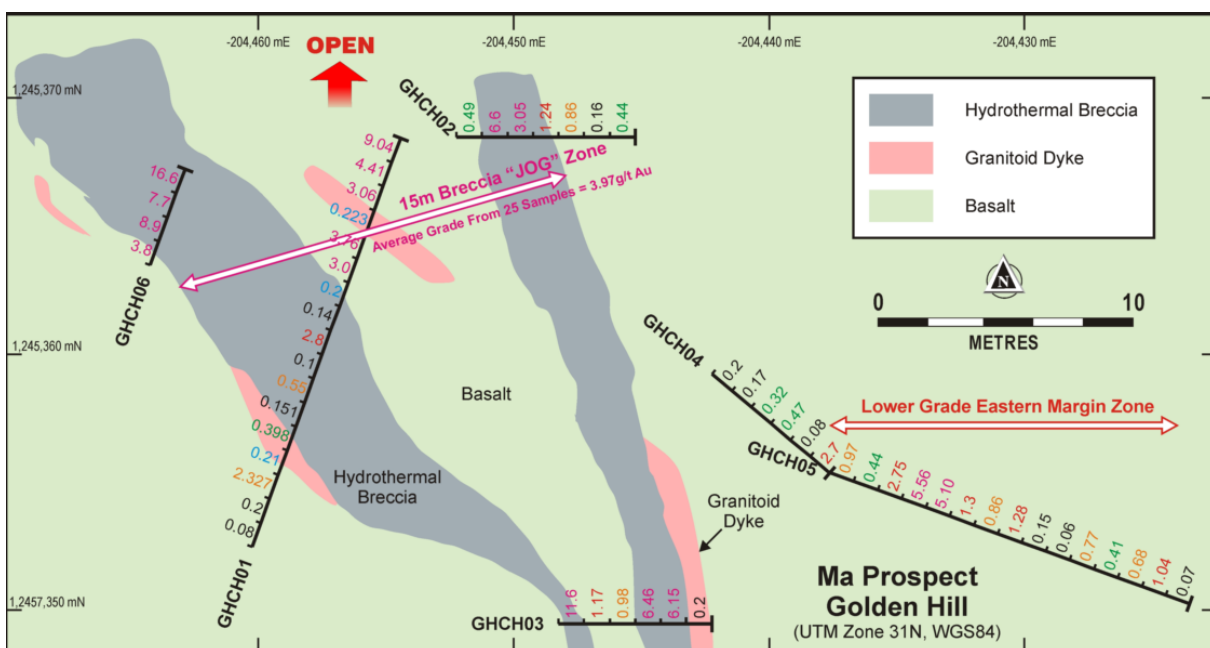


Directors' Report

Review of Operations (continued)

Exploration comprised of geological mapping, channel, mullock, auger drilling and rock chip sampling. The channel sampling took place across a shallow artisanal mining site at the Ma Prospect where a strongly sulphidic hydrothermal breccia has been exposed. A total of 55 one meter channel samples were collected over this zone (Figure 9). Better results include 4m @ 9.28 g/t, 6m @ 4.43 g/t, 17m @ 1.81 g/t (including 6m @ 3.92 g/t), 15m @ 1.43 g/t (including 3m @ 4.47 g/t), 7m @ 1.84 g/t (Refer to the 31 December 2015 quarterly activities report³). The true width of the breccia zone including the intermediate stringer zone is approximately 15 metres and narrows to 5 metres to the south and is of unknown width to the north. The significance of these results is still being evaluated with the current interpretation being that the zone represents a dilational jog along through-going structures. Work is continuing to trace this mineralisation to the north and to demonstrate a link between this hydrothermal breccia and strongly altered bleached basalt with pervasive millimetre scale sulphide veins seen elsewhere within the Ma Prospect.

Figure 9: Channel Sampling results from hydrothermal breccia, Ma Prospect, Golden Hill



The mullock sampling took place at the Jack Hammer Hill prospect (Figure 8) where a ridge of auriferous ferricrete was briefly exploited by orpailleur using pneumatic drills in 2015. The mullock samples were collected on four lines with samples collected at approximately 20 metre intervals over 500 meters of strike. The samples were systematic composites and not selective grab samples, nevertheless they returned values to a peak of 1.40 g/t gold. These mullock samples confirm the southward continuation of two short auger lines drilled 250m apart immediately north of this ridge. The auger lines indicated a north-east striking zone of +100 ppb gold anomalism that is approximately 100 metres wide with peak values of 1.14 g/t gold in GHAU1013 and 0.73 g/t Au in GHAU0990 along strike (Refer to the 30 September 2015 quarterly activities report³).

Field mapping took place concurrent with mullock sampling, confirming the geological interpretation at Jack Hammer Hill, with two main lithologies separated by a north-west trending mafic dyke. To the north of this dyke the saprolite is generally after medium grained equi-granular granitoid with quartz veinlets visible in mullock. To the south of the dyke the saprolite is finer grained massive diorite. Close to the dyke there is evidence for sulphide bearing intrusive breccia in the diorite. The mineralisation at this stage is thought to be in fine grained disseminated sulphides. Induced polarisation (IP) data connect the auger and mullock sampling at Jack Hammer Hill to anomalous historical vertical drill data several kilometres to the south between which there are scattered artisanal workings and anomalous soil results. This area represents one of several priority areas for additional low cost follow-up.

Directors' Report

Review of Operations (continued)

Regional Exploration | Other Projects, West Africa

Mauritania

In October 2015, the Company granted an option to Algold Resources Ltd (TMX: ALG) to acquire 100% of Gryphon's interest in its Mauritanian Properties, principally comprising the Saboussiri Copper/Gold Project, Tijirit Gold Project and Akjoujt Copper/Gold Project.

The consideration for the granting of the option was to issue C\$250,000 worth of Algold Resources Ltd shares (Initial Shares) which are non-refundable. These shares (1,666,666) were received in December 2015.

Algold may exercise the option at any time within 90 days of TSX approval date (23 November 2015) by issuing further shares that together with the Initial Shares would result in Gryphon holding 14.9% of Algold's issued and outstanding shares.

In addition to the initial consideration, Gryphon is entitled to the following milestone payments:

- (i) C\$1.5 million, payable at the option of Algold either in cash or Algold common shares upon the earlier of:
 - a. the date that is 90 days after Algold announces that there is an NI 43-101 compliant mineral resource (of any one or more categories of measured, indicated or inferred) of 500,000 ounces on a gold equivalent ounces basis at any of the properties or combination thereof; and
 - b. the later of the following two dates:
 - i. the date which falls 15 months from the completion of the transaction; and
 - ii. the date on which Algold receives, from the Mauritanian authorities, the documents evidencing the renewal of the licenses with respect to the tenements subject to the option agreement.
- (ii) C\$1.5 million, payable within 90 days of achieving an NI 43-101 compliant mineral resource (of any one or more categories of measured, indicated or inferred) of 1,000,000 ounces on a gold equivalent ounces basis at any of the properties.

The benefits of the transaction include:

- Allowing Gryphon to focus its funds on developing its Banfora Gold Project in Burkina Faso;
- Obtaining a significant stake in a Canadian listed entity allowing Gryphon to participate in the upside; and
- Algold has an experienced management team with recent, relevant experience in developing mineral projects in Mauritania.

On the 15th of February 2016 the Company announced a one month extension to the Option Agreement in exchange for an additional 300,000 shares in Algold, allowing for Algold's exercise of this Option at any time on or before 23 March 2016. Algold exercised the Option over the Tijirit and Akjoujt licenses in March 2016.

Liberia (Tawana Resources NL | Gryphon Minerals owns approximately 9%)

Tawana Resources NL (ASX: TAW) is currently exploring the Mofe Creek Iron Ore Project located 10 kilometres from the historic Bomi Hills Mine (+50Mt high grade DSO magnetite), only 25 kilometres from the coast and adjacent to a heavy haul railway and port in Liberia.

In July 2014, Tawana released the results of a scoping study on the Mofe Creek Iron Ore Project (refer to TAW ASX announcement dated 3 July 2014). The results demonstrated the potential for a low capex, high margin operation with a strong net present value (US\$435M at an 8% discount rate) and internal rate of return of 55.8%.

On 8 July 2015, Tawana announced the discovery of Direct Shipping Ore on their newly acquired tenement MEL1223/14 which presents the Company with a potential strategic opportunity to mine and supply high-grade feed to an early start-up, low capital intensity project at a significantly reduced OPEX and CAPEX cost, due to very simple crushing and screening requirements only (i.e. no beneficiation). In December 2015, the Company completed a low cost, six hole, 300m diamond drill programme focused on the potential DSO mineralisation targets at the Project's newly discovered Goehn South East (SE) prospect. Results are pending.

Directors' Report

Review of Operations (continued)

Corporate

As at 31 December 2015, Gryphon held approximately \$12.9 million in cash and \$0.4 million in listed investments.

Gryphon continued its commitment to ongoing cost management processes and has significantly reduced its net expenditure. During the quarter further cost reduction initiatives by the Company were implemented including:

- as at 1 July 2015 all non-executive Directors agreed to a voluntary 25% reduction in fees. This is their second voluntary fee reduction in the past 2 years totalling 40% in reductions;
- as at 1 July 2015 the Managing Director agreed to a voluntary reduction in his base salary of 10%. This is the Managing Director's second voluntary fee reduction in the past 2 years totalling 28% in reductions; and
- as at 1 October 2015 all other key management personnel agreed to receive 10% of their base salary in shares, in lieu of cash.

The Company remains focussed on further reducing administration costs with the focus of funds being deployed to low-cost exploration and pre-construction costs. Gryphon remains focused on a '**de-risk, get ready & add value**' strategy, while maintaining its fundamental principle of preserving its strong cash position in difficult market conditions.

The Company continues to review full funding solutions in an effort to develop the 2Mtpa heap leach start-up facility. Subject to finalising a full funding solution, the Company intends to proceed with the development of the Project, potentially making the Banfora Gold Project one of the next operating gold mines commissioned in Burkina Faso, and Gryphon as one of the next low-cost ASX listed gold producers.

Operating Results

The loss of the consolidated entity for the half-year ended 31 December 2015 amounted to \$4,963,499 (half-year ended 31 December 2014: \$14,237,931). No dividends were declared or paid during the half-year ended 31 December 2015.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of Amounts


The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Parsons
Managing Director
Gryphon Minerals Limited

14 March 2016
Perth, Western Australia

Directors' Report

Notes

- ¹ Refer to the Feasibility Study ASX announcement dated 4 August 2014. Gryphon Minerals confirms that all material assumptions underpinning the production target, or forecast financial information derived from such production targets, in this announcement continue to apply and have not materially changed.
- ² Refer to ASX Announcement dated 6 July 2015. The results are at Scoping Study level. The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

In discussing 'reasonable prospects for eventual economic extraction' in Clause 20, the Code requires an assessment (albeit preliminary) in respect of all matters likely to influence the prospect of economic extraction including the approximate mining parameters by the Competent Person. While a Scoping Study may provide the basis for that assessment, the Code does not require a Scoping Study to have been completed to report a Mineral Resource.

Scoping Studies are commonly the first economic evaluation of a project undertaken and may be based on a combination of directly gathered project data together with assumptions borrowed from similar deposits or operations to the case envisaged. They are also commonly used internally by companies for comparative and planning purposes. Reporting the general results of a Scoping Study needs to be undertaken with care to ensure there is no implication that Ore Reserves have been established or that economic development is assured. In this regard it may be appropriate to indicate the Mineral Resource inputs to the Scoping Study and the processes applied, but it is not appropriate to report the diluted tonnes and grade as if they were Ore Reserves.

While initial mining and processing cases may have been developed during a Scoping Study, it must not be used to allow an Ore Reserve to be developed. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. The stated production target is based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

Gryphon Minerals is not aware of any new information or data that materially effects the information included in the said announcement.

- ³ For full details of these exploration results refer to ASX announcement. Gryphon is not aware of any new information or data that materially affects the information included in the said announcement.
- ⁴ Refer to the Feasibility Study ASX announcement dated 4 August 2014. Gryphon Minerals confirms that all material assumptions underpinning the production target, or forecast financial information derived from such production targets in this announcement continue to apply and have not materially changed.
- ⁵ Refer to ASX announcement dated 6 July 2015. Gryphon Minerals confirms that all material assumptions underpinning the production target, or forecast financial information derived from such production targets in this announcement continue to apply and have not materially changed.

Directors' Report

Competent Persons Statement

The information in this report that relates to the Exploration Results at the Company's Banfora Gold Project, Burkina Faso and the Tijirit project, Mauritania released in 2013, is based on and fairly represents information which has been compiled by Mr Sam Brooks who is a member of the Australian Institute of Geoscientists. Mr Brooks has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brooks is a full time employee of Gryphon Minerals and has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to the Mineral Resources at the Nogbele and Fourkoura Deposits, Burkina Faso is based on information compiled by Mr Sam Brooks who is a member of the Australian Institute of Geoscientists. Mr Brooks has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brooks is a full time employee of Gryphon Minerals and has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources at the Stinger and Samavogo Deposits, Burkina Faso is based on information compiled by Mr Dmitry Pertel who is a member of the Australian Institute of Geoscientists. Mr Pertel has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pertel is a full time employee of CSA Global Pty Ltd and has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears. This information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to the Ore Reserves, is based on information compiled by Mr Quinton de Klerk who is a member of the Australasian Institute of Mining and Metallurgy. Mr de Klerk has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr de Klerk is a full time employee of Cube Consulting Pty Ltd and has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears.

Forward-Looking Statements

This announcement may contain "forward-looking statements". Forward-looking statements are based on assumptions regarding Gryphon's expected activities, events and/or strategic plans. Statements which are not based on historic or current facts may be forward-looking statements.

Forward-looking statements are based on current views, expectations and beliefs as at the dates they are expressed and which are subject to various risks and uncertainties. Actual results or performance could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this presentation are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of Gryphon, which may cause the actual future activities, events or strategic plans to deliver results materially different from those expressed or implied by the forward-looking statements.

Gryphon disclaims any responsibility for the accuracy or completeness of any forward-looking statement. Gryphon disclaims any responsibility to update or revise any forward-looking statement to reflect any change in Gryphon's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. Investors must not place undue reliance on these forward-looking statements.

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF GRYPHON MINERALS LIMITED

As lead auditor for the review of Gryphon Minerals Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Gryphon Minerals Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2016

Half-Year Financial Statements

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General Information

The financial statements cover Gryphon Minerals Limited as a consolidated entity consisting of Gryphon Minerals Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Gryphon Minerals Limited's functional and presentation currency.

Gryphon Minerals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principle place of business are:

288 Churchill Avenue
SUBIACO WA 6008
Telephone: +61 8 9287 4333
Facsimile: +61 8 9287 4334
Email: admin@gryphonminerals.com.au

A description of the nature of the consolidated entity's operations and its principle activities are included in the directors' report which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 March 2016.

Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the half-year ended 31 December 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue		
Revenue from continuing operations	208	506
Other income	192	-
	<u>400</u>	<u>506</u>
Expenses		
Administration expense	(472)	(651)
Consultancy expense	(176)	(296)
Employee benefits expense	(864)	(1,249)
Share based payment expense	79	(649)
Occupancy expense	(120)	(115)
Compliance and regulatory expense	(60)	(145)
Insurance expense	(50)	(98)
Interest expense	(1)	-
Depreciation expense	(417)	(413)
Exploration and evaluation expense	(3,063)	(10,948)
Fixed assets written off	(52)	(323)
Unrealised foreign exchange gain/(loss)	(168)	143
	<u>(5,364)</u>	<u>(14,744)</u>
Loss before income tax	<u>(4,964)</u>	<u>(14,238)</u>
Income tax benefit/(expense)	-	-
Loss after income tax for the half-year	<u>(4,964)</u>	<u>(14,238)</u>
Other comprehensive income		
<i>Items that will be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	105	2,990
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of financial assets	(312)	(2,161)
Other comprehensive income for the half-year	(207)	829
Total comprehensive loss for the half-year	<u>(5,171)</u>	<u>(13,409)</u>
Loss for the half-year is attributable to:		
Non-controlling interest	(38)	(272)
Members of Gryphon Minerals Ltd	(4,926)	(13,966)
	<u>(4,964)</u>	<u>(14,238)</u>
Total comprehensive loss for the half-year is attributable to:		
Non-controlling interest	(38)	(272)
Members of Gryphon Minerals Ltd	(5,133)	(13,137)
	<u>(5,171)</u>	<u>(13,409)</u>
Basic loss per share (cents)	(1.2)	(3.6)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 Dec 2015 \$'000	30 June 2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		12,883	18,453
Trade and other receivables		315	928
Inventory		23	23
Total Current Assets		13,221	19,404
Non-Current Assets			
Trade and other receivables		283	267
Financial assets	4	418	540
Property, plant and equipment		2,564	2,878
Exploration and evaluation expenditure		6,066	5,139
Total Non-Current Assets		9,331	8,824
Total Assets		22,552	28,228
LIABILITIES			
Current Liabilities			
Trade and other payables		2,526	2,917
Total Current Liabilities		2,526	2,917
Non-Current Liabilities			
Provisions		385	420
Total Non-Current Liabilities		385	420
Total Liabilities		2,911	3,337
Net Assets		19,641	24,891
EQUITY			
Contributed equity	5	229,014	229,014
Reserves		7,245	7,531
Accumulated losses		(215,785)	(210,859)
Equity attributable to the members of Gryphon Minerals Ltd		20,474	25,686
Non-Controlling Interest		(833)	(795)
Total Equity		19,641	24,891

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Contributed Equity	Equity Incentive Reserve	Financial Asset Revaluation Reserve	Foreign Exchange Reserve	Accumulated Losses	Total	Non- Controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	228,981	12,238	(2,786)	227	(196,816)	41,844	(318)	41,526
(Loss)/gain for the year	-	-	-	-	(13,966)	(13,966)	(272)	(14,238)
Fair value adjustment of financial assets	-	-	(2,161)	-	-	(2,161)	-	(2,161)
Exchange differences on foreign operations	-	-	-	2,990	-	2,990	-	2,990
Total comprehensive income for the year	-	-	(2,161)	2,990	(13,966)	(13,137)	(272)	(13,409)
Transactions with owners in their capacity as owners:								
Share based payment transactions	27	649	-	-	-	676	-	676
	27	649	-	-	-	676	-	676
Balance at 31 December 2014	229,008	12,887	(4,947)	3,217	(210,782)	29,383	(590)	28,793
Balance at 1 July 2015	229,014	12,523	(5,352)	360	(210,859)	25,686	(795)	24,891
Loss for the year	-	-	-	-	(4,926)	(4,926)	(38)	(4,964)
Fair value adjustment of financial assets	-	-	(312)	-	-	(312)	-	(312)
Exchange differences on foreign operations	-	-	-	105	-	105	-	105
Total comprehensive income for the year	-	-	(312)	105	(4,926)	(5,133)	(38)	(5,171)
Transactions with owners in their capacity as owners:								
Share based payment transactions	-	(79)	-	-	-	(79)	-	(79)
	-	(79)	-	-	-	(79)	-	(79)
Balance at 31 December 2015	229,014	12,444	(5,664)	465	(215,785)	20,474	(833)	19,641

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities		
Payments for exploration and evaluation	(3,416)	(8,848)
Refund on exploration payment	-	482
Payments to suppliers and employees	(1,802)	(2,248)
Interest received	237	477
Interest paid	(1)	-
Net cash used in operating activities	(4,982)	(10,137)
Cash flows from investing activities		
Payments for exploration farm-ins	(926)	(1,038)
Purchase of property, plant and equipment	(49)	(179)
Refund on equipment purchase	385	500
Tenement fee refunds	2	-
Net cash used in investing activities	(588)	(717)
Net decrease in cash and cash equivalents	(5,570)	(10,854)
Cash and cash equivalents at the beginning of the period	18,453	34,306
Cash and cash equivalents at the end of the period	12,883	23,452

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

Note 1. Basis of Preparation of the Half-Year Financial Statements

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of the Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM has been identified as the board of directors. The basis of determining segments has not changed from the last annual financial statements.

The segment information provided to the board of directors for the reportable segments for the half-year ended 31 December 2015 is as follows:

	Exploration				Total \$'000
	Burkina Faso \$'000	Mauritania \$'000	Regional \$'000	Corporate \$'000	
Half-year ended 31 December 2015					
Interest revenue	-	-	-	208	208
Total segment revenue	-	-	-	400	400
Total segment loss before income tax	(2,481)	(818)	(340)	(1,325)	(4,964)
Half-year ended 31 December 2014					
Interest revenue	-	-	-	506	506
Total segment revenue	-	-	-	506	506
Total segment loss before income tax	(7,565)	(3,469)	(245)	(2,959)	(14,238)
Total segment assets					
31 December 2015	8,306	526	30	13,690	22,552
30 June 2015	8,065	602	30	19,531	28,228
Total segment liabilities					
31 December 2015	(1,931)	(29)	(55)	(896)	(2,911)
30 June 2015	(2,109)	(50)	(24)	(1,154)	(3,337)

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

Note 3. Dividends

No dividends have been paid or recommended during the current or prior half-year reporting period or subsequent to reporting date.

Note 4. Financial Instruments

(a) Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

	31 Dec 2015 \$'000	30 June 2015 \$'000
Financial assets held at fair value through equity:		
Level 1 - Listed equity securities	418	540
Level 2 - None		
Level 3 - None		

(b) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 - The instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - A valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices).
- Level 3 - A valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

As Gryphon only holds listed equity securities, which are measured at the closing bid price at the end of the reporting period, all financial assets held at fair value through equity fall within Level 1 of the fair value hierarchy.

(c) Transfers

During the half-year ended 31 December 2015, there were no transfers of financial instruments between levels 1 and 2 of the fair value hierarchy. There were also no transfers into or out of level 3 during the period.

(d) Movements in fair values

During the half-year ended 31 December 2015, the following movements in listed equity fair values occurred:

- Tawana Resources NL – Reduction in quoted price of securities from \$0.004 to \$0.002 per share (-\$270,100).
- Algold Resources Ltd – Acquired 1,666,666 shares with a quoted price at balance date of \$0.089 per share (\$148,333).

Note 5. Equity – Issued Capital

	31 Dec 2015 Shares	30 June 2015 Shares	31 Dec 2015 \$'000	30 June 2015 \$'000
Ordinary shares – fully paid	401,290,987	401,290,987	229,014 ¹	229,014 ¹
Date	Details	2015 Shares	Price \$	2015 \$'000
Issue of ordinary shares during the half-year				
1 Jul 15	Opening balance	401,290,987		229,014 ¹
	No movements	-		-
31 Dec 15	Closing balance	401,290,987		229,014 ¹

¹ Amounts shown are net of costs to issue.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

Note 6. Equity Incentives

The Company's Equity Incentive Plan gives executives and employees of the Company an opportunity, in the form of unlisted share options, share appreciation rights and performance rights, to subscribe for ordinary shares in the Company.

Performance Rights

The fair value at grant date of performance rights issued during the reporting period was determined using the closing Company share price valuation methodology (5.8c). Two separate tranches of performance rights were issued during the period both with an expiry date of 30 September 2018. Terms & conditions attached to performance rights issued are as follows:

Tranche 1

- Service criteria: Continued employment through to date of vest.
- Performance criteria: 50% vest upon commencement of construction of the Banfora Gold Project by 30 September 2017.

Tranche 2

- Service criteria: Continued employment through to date of vest.
- Performance criteria: 50% vest upon first gold pour at the Banfora Gold Project on or before 30 September 2018.

Set out below are summaries of performance right movements under the plan:

	Average Exercise price Per PR	Number of PRs
As at 1 July 2015	N/A	172,218
Granted during the half-year	N/A	11,390,000
Exercised during the half-year		-
Lapsed during the half-year	N/A	(172,218)
As at 31 December 2015	N/A	11,390,000
Vested and exercisable		-

Note 7. Related Party Transactions

Two members of the Company's Key Management Personnel were granted long-term incentives during the period in line with the terms of the Company's shareholder approved Equity Incentive Scheme in the form of unlisted Performance Rights. The following table outlines the movements in their long-term incentive holdings during the period:

Unlisted Performance Rights	Mr Steven Zaninovich		Mr Michael Naylor	
	#	\$	#	\$
Holding as at 1 July 2015	-	-	-	-
Granted during the half-year	3,400,000	197,200	2,830,000	164,140
Expensed during the half-year	-	13,381	-	11,138
Exercised during the half-year	-	-	-	-
Lapsed during the half-year	-	-	-	-
Holding as at 31 December 2015	3,400,000		2,830,000	
Vested and exercisable	-	-	-	-

The above long-term incentives were issued in line with the terms and conditions detailed in Note 6 above.

Notes to the Consolidated Financial Statements (continued)

For the half-year ended 31 December 2015

Note 8. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2015.

Note 9. Events Occurring Subsequent to Reporting Date

In January 2016 Gryphon reached its first earn-in milestone under the Boss Resources (ASX: BOE) Joint Venture, earning a controlling 51% holding in the Joint Venture.

On the 15th of February 2016 the Company announced a one month extension to the Algold Resources Ltd (TMX: ALG) Option Agreement to acquire 100% of Gryphon's interest in its Mauritanian Properties in exchange for an additional 300,000 Algold shares, allowing for Algold's exercise of this Option at any time on or before 23 March 2016. Algold exercised the Option over the Tijirit and Akjoujt licenses in March 2016.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Declaration

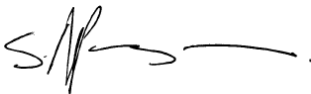
For the half-year ended 31 December 2015

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australia Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Parsons
Managing Director
Gryphon Minerals Limited

14 March 2016
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Gryphon Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gryphon Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gryphon Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gryphon Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gryphon Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 14 March 2016