



Wednesday, 30 June 2010

Joint ASX Announcement

RECOMMENDED TAKEOVER OFFER BY GRYPHON FOR SHIELD TO CREATE A SIGNIFICANT WEST AFRICAN GOLD EXPLORATION COMPANY

Highlights

- **The transaction will create a well funded significant West African focussed gold exploration Company**
- **Combined entity will hold a dominant and strategic land position of over 3,600km² in two highly prospective and under explored regions, Burkina Faso and Mauritania**
- **Inferred resource of 14Mt @ 2.4g/t for 1,100,000oz at the Banfora Gold Project in Burkina Faso and growing**
- **Drill ready targets at the Tijrit Project adjacent to Redback Mining's world class Tasiast gold mine in Mauritania**
- **Large pipeline of highly prospective exploration targets**
- **Combined cash position of approximately A\$23 million enables aggressive exploration**
- **Strong Board and highly successful exploration team**

Gryphon Minerals Limited ("**Gryphon**") and Shield Mining Limited ("**Shield**") are pleased to announce that Gryphon intends to acquire 100% of Shield. Pursuant to an Implementation Agreement, Gryphon and Shield have agreed to effect the transaction by way of an off-market takeover bid under which Gryphon will bid for all of the shares on issue in Shield on the basis of one (1) Gryphon share for every three (3) Shield shares ("**Share Offer**").

Gryphon is also offering to acquire Shield's 21.3 million 20 cent August 2011 ("**August 2011 Options**") options on the basis of one (1) ordinary Gryphon share for every eleven (11) August 2011 Options ("**Option Offer**").

The Share Offer and Option Offer (together the "**Offers**") are **unanimously recommended by the Shield board** in the absence of a superior proposal. The Shield directors intend to accept the Offers for relevant share and option holdings they control, in the absence of a superior offer.

Shield's largest shareholder, controlling 12.8% of Shield's current issued ordinary capital and 2,679,667 August 2011 Options on issue, also intends to accept the Offers, in the absence of a superior offer.

Key Points of the Transaction

- **Shield shareholders will receive one Gryphon share for every three Shield shares**
- **Share Offer represents a 35.8% premium to Shield's closing price and a 55.8% premium to the three month VWAP of Shield shares prior to the announcement**
- **Unanimous recommendation by Shield Board of Directors**
- **Gryphon has entered into pre-bid acceptance agreements with Shield shareholders representing 19.9% of the Shield shares on issue**
- **Shield's CEO and Managing Director, Mr David Netherway will join the Gryphon Board as a non-executive director on successful completion**



The Share Offer

Based on the closing price of Gryphon shares as at 28 June 2010, the Share Offer values a Shield share at 27.2 cents each. This represents a premium of:

- 35.8% to Shield's closing price on 28 June 2010, immediately prior to going into a trading halt;
- 37.2% to the one month VWAP of Shield shares prior to the announcement; and
- 55.8% to the three month VWAP of Shield shares prior to the announcement.

Compelling Acquisition

The acquisition would bring significant benefits to each of the companies and their shareholders.

For Shield, the transaction will provide:

- an investment in Gryphon' JORC inferred resource estimate of 14Mt @ 2.4g/t for 1,100,000oz of gold in Burkina Faso (Refer to ASX announcement 21/09/09);
- an investment in a substantially larger West African focused gold company with a combined tenement holding of approximately 3,600km²;
- greater analyst coverage and expected significantly improved share trading liquidity;
- a stronger financial base from which to explore the Company's tenements in Mauritania;
- strategic growth in West Africa through a portfolio of high quality assets;
- enhanced financial strength to underpin future growth and development in a volatile market;
- a significant premium for Shield shareholders based on the price of Gryphon and Shield shares over the past twelve months;
- a highly experienced and successful exploration and management team; and
- exposure to Australian exploration success through Gryphon's 16% shareholding in Renaissance Minerals Limited (ASX:RNS).

For Gryphon the transaction will provide:

- a portfolio of prospective exploration assets in Mauritania;
- drill ready targets at Tijirit in a greenstone belt adjacent to the highly successful Tasiast Gold Mine 35km to the north west;
- a drill ready copper/gold target at Diaguili together with a strong gold anomaly at Toumbou both at the Saboussiri Project in the south of the country;
- highly prospective gravity targets at Akjoujt, close to First Quantum Minerals Ltd's producing Guelb Moghrein copper/gold mine;
- an established base and relationships in Mauritania, including an exploration office in the Mauritania's capital of Nouakchott;
- the appointment of Shield's Managing Director and CEO, Mr David Netherway, as a non-executive director; and
- additional capital for further exploration.

Mr Netherway is a mining engineer with more than 30 years experience, 15 of which in West Africa. He has been involved in the exploration, feasibility and construction of four operating gold mines in West Africa, including Equigold, Semafo and Afcan.

Shield Board Recommendation

Shield directors **unanimously recommend** that in the absence of a superior proposal, all shareholders and optionholders accept the Offers.

The Shield directors intend to accept the Offers in respect of any Shield shares and options that they control, in the absence of a superior proposal. The directors of Shield currently hold approximately 11.4% of the Shield issued capital.



Gryphon Managing Director, Mr Steve Parsons, said the acquisition would give Gryphon a significant exploration footprint in a highly prospective region of Mauritania.

“We are well resourced and capable of aggressively exploring the highly prospective greenstone belt adjacent to the Tasiast Mine and other exploration assets within Shield’s portfolio”, said Mr Parsons.

“This acquisition delivers a potential pipeline of new opportunities in another West African country and fits with our strategy to build an important gold company in the region”.

Mr Netherway said Gryphon was well resourced with highly competent people and funds to accelerate exploration and the potential development of new mines in Mauritania and elsewhere.

“I’ve visited Gryphon’s Banfora Gold Project in Burkina Faso as part of our due diligence and am impressed with the prospectivity and their approach to exploration”, he said.

“I think the combination makes excellent sense in starting to create a truly West African gold company and I look forward to becoming a non-executive director of a highly successful gold exploration company and help it turn into a gold producer”.

Pre Bid Acceptances and Call Option

Gryphon has entered into pre-bid acceptance agreements with Shield shareholders representing 19.9% of the Shield shares on issue. In summary, these shareholders have contractually committed to accept the Share Offer, subject to no superior competing offer being received by Shield.

Shareholders entering into the pre-bid acceptance agreements have also granted Gryphon a call option to acquire their Shield shares in the event of a competing offer during the stipulated period of time.

Further particulars of the terms of these agreements will be provided by Gryphon in a substantial shareholder notice to be lodged with ASX.

Offer Conditions

Details of the conditions of the Offer (which include a 90% minimum acceptance) and a summary of the key terms of the Implementation Agreement are set out in Annexure A.

The parties have agreed that Shield will not solicit any competing proposal or participate in any discussions or negotiations in relation to a competing proposal (subject to fiduciary duty carve outs). The parties have also agreed to a mutual break fee of \$500,000 in certain circumstances.



Timetable

Gryphon's Bidder's Statement and Shield's Target Statement are both expected to be despatched to Shield shareholders on or about 9 July 2010. The Share Offer is expected to close on or about 9 August 2010, subject to any unforeseen events.

Advisers

Gryphon is being advised by Euroz Securities Limited and Steinepreis Paganin. Shield is being advised by Blakiston & Crabb.

Contact details

For further information, please contact:

Gryphon

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Shield

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Competent Person Statement

Information in this report from data collection to wireframe interpretation, at Nogbele and Fourkoura Prospects and geostatistical modelling calculations is based on work by Mr Sam Brooks which was reviewed by Mr Michael Fox. Mr Brooks is a full time employee of Gryphon and a member of the AIG. Mr Fox is a full time employee of Gryphon and a member of the AIG with sufficient experience relevant to the style of mineralisation and type of deposit to qualify as competent person defined by the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Fox consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Exploration Results is based on information compiled by Mr Stephen Parsons, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Parsons is a full-time employee of the company. Mr Parsons has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Parsons consents to their inclusion in the report of the matters based on his information in the form and context in which it appears.



About Gryphon

Gryphon Minerals Limited (ASX: GRY) is an ASX listed West African focused gold exploration company, with a market capitalisation of approximately \$176 million, focused on developing the +1Moz Banfora Gold Project in Burkina Faso. Gryphon has a substantial landholding of over 1,200km² in one of the world's most prospective gold provinces. Gryphon has a strong balance sheet with \$20 million in cash and no debt.

The Gryphon management team has extensive experience in the resources industry, ranging through project acquisition, exploration, resource definition and financing.

For further information please refer to: www.gryphonminerals.com.au

About Burkina Faso

Burkina Faso in West Africa hosts part of the world class Birimina greenstones belts and is one of the fastest gold growth regions in the world. The country is significantly under explored and has a new modern mining code that has contributed to the rapid expansion of the gold sector. Burkina Faso has gone from zero gold production to being the 5th largest gold producer in West Africa. Burkina Faso has a supportive, pro mining Government and good infrastructure.

About Shield

Shield Mining Limited (ASX: SHX) is an African focused gold and base metals explorer listed on the ASX. Shield is active in Mauritania where it holds four exploration licences covering a total area of 2,429km².

For further information please refer to: www.shieldmining.com

About Mauritania

Mauritania is an emerging gold province in north-west Africa. The country is supportive of mining and exploration with a well developed mining code, transparent licence application process and a favourable taxation regime. The country is sparsely populated, but has moderate infrastructure.

Appendix A - Summary of Key Terms of Implementation Agreement

Gryphon and Shield have entered into an Implementation Agreement dated 29 June 2010 ("IA") that sets out the obligations of both companies in relation to the proposed takeover. A summary of the key terms and conditions of the IA is set out below.

1. Takeover Bid

Gryphon will make an off-market takeover offer to acquire 100% of the Shield Shares and 100% of the Shield Bid Options. The offer will extend to Shield Shares which are issued during the Offer Period due to a conversion of securities which exist as at the date of the Offer, including any of the Shield Bid Options.

2. Shield Support for Takeover Bid

- (a) Subject to paragraph (b), during the Offer Period, Shield will use its best endeavours to procure that all of the Shield Directors maintain (including by statements in the Target's Statement):
 - (i) their unanimous recommendation that Shield Shareholders and Shield Optionholders accept the Offer, in the absence of a Superior Proposal; and
 - (ii) their stated intention to accept the Offer in respect of Shield Shares and Shield Bid Options that they own or control, in the absence of a Superior Proposal.



- (b) During the Offer Period, the Shield Directors may withdraw their recommendation and their statement of intention to accept the Offer in respect of Shield Shares and Shield Bid Options which they control if:
 - (i) a Superior Proposal is received and is not matched or exceeded by an increase in the consideration offered by Gryphon under the Offer within 3 business days; or
 - (ii) there is a Gryphon Material Adverse Change.

3. Exclusivity

During the term of the IA, Shield must not:

- (a) negotiate or enter into negotiations with any other person regarding a Competing Proposal (even where that person's Competing Proposal was not directly or indirectly solicited, initiated, or encouraged by Shield or that person has publicly announced their Competing Proposal); or
- (b) without Gryphon's prior written consent, make available to any person (other than to Gryphon) or permit any such person to receive any non-public information relating to Shield.

Further, pursuant to a confidentiality agreement between Gryphon and Shield dated 17 June 2010, Shield has agreed not to directly or indirectly solicit or initiate negotiations or encourage any other person with a view to obtaining a Competing Proposal.

Shield must immediately inform Gryphon if it is approached by any person to engage in any activity that would breach the above restrictions.

The above restrictions do not apply to the extent that they:

- (a) restrict Shield or the Shield Board from taking any action in respect of a bona fide Competing Proposal which was not encouraged, solicited, invited, facilitated or initiated by Shield in contravention of the above; or
- (b) require Shield to provide the notification referred to above,

provided in each case that the Shield Board has determined in good faith and acting reasonably, that failing to respond to that Competing Proposal or providing the notification would be likely to constitute a breach of the Shield Directors' fiduciary or statutory obligations.

4. Shield Break Fee

Shield has agreed to pay Gryphon a break fee of \$500,000 if:

- (a) the following occur:
 - (i) before the end of the Offer Period, a Competing Proposal is announced or open for acceptance; and
 - (ii) a person acquires an interest in all or a substantial part of the assets of Shield or its subsidiaries or a relevant interest in more than 50% of the Shield Shares under that Competing Proposal; and
 - (iii) in the case of a Competing Proposal that is a takeover bid made under Chapter 6 of the Corporations Act, the Competing Proposal becomes free from all defeating conditions either before or after the end of the offer period under the Competing Proposal; or



- (b) all of the Shield Directors do not recommend the Offers or any one or more Shield Directors withdraws an earlier recommendation or recommends a Competing Proposal, or announces an intention to do any of the foregoing (other than where there is a Superior Proposal that is not matched by Gryphon within three Business Days or there is a Gryphon Material Adverse Change); or
- (c) Shield or any of its Directors knowingly does anything (whether or not it may be permitted by the terms of the IA) which results in any of the conditions of the Offers being breached and Gryphon does not declare the Offers free of the breached condition; or
- (d) Shield breaches the exclusivity provisions of the IA.

5. **Gryphon Break Fee**

Gryphon has agreed to pay Shield a break fee of \$500,000 if Gryphon breaches certain material obligations under the IA (including the obligation to dispatch the Bidder's Statement), except where there has been a prior breach of one of the defeating conditions of the Offers.

6. **Offer Price**

Subject to the terms of the Offer, Gryphon will offer:

- (a) one Gryphon Share for every three Shield Shares; and
- (b) one Gryphon Share for every eleven Shield Bid Options.

7. **Offer Period**

The Offer will remain open for a period of one month, unless withdrawn or extended in accordance with the Corporations Act.

8. **Share Offer Conditions**

The Share Offer and any contracts resulting from acceptance of the Share Offer are subject to fulfilment of the following conditions:

(a) **Minimum acceptance**

At or before the end of the Offer Period, Gryphon has a relevant interest in such number of Shield Shares which represents at least 90% of all Shield Shares on issue at the end of the Offer Period.

(b) **No prescribed occurrences**

During the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Shield converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Shield or a subsidiary of Shield resolves to reduce its share capital in any way;
- (iii) Shield or a subsidiary of Shield enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

- (iv) Shield or a subsidiary of Shield issues shares (other than as a result of the exercise of Shield Bid Options or Shield Non Bid Options and other than the issue of the Placement Shares) or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) Shield or a subsidiary of Shield issues, or agrees to issue, convertible notes;
 - (vi) Shield or a subsidiary of Shield disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Shield or a subsidiary of Shield charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) Shield or a subsidiary of Shield resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of Shield or of a subsidiary of Shield is appointed;
 - (x) a court makes an order for the winding up of Shield or of a subsidiary of Shield;
 - (xi) an administrator of Shield or of a subsidiary of Shield is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) Shield or a subsidiary of Shield executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Shield or a subsidiary of Shield.
- (c) **No Shield Material Adverse Change**
- Between the Announcement Date and the end of the Offer Period (each inclusive), no Shield Material Adverse Change occurs.
- (d) **No Change of Control Rights**
- Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Shield (including Gryphon acquiring shares in Shield) or any of its subsidiaries or assets, to:
- (i) terminate or alter any contractual relations between any person and Shield or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
 - (ii) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
 - (iii) accelerate or adversely modify the performance of any obligations of Shield or any of its subsidiaries under any agreements, contracts or other legal arrangements.



(e) **No Regulatory Actions**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (iii) no application is made to any Government Agency (other than by Gryphon or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Shield Shares and Shield Bid Options under the Offer or the completion of any transaction contemplated by the Bidder's Statement, or seeks to require the divestiture by Gryphon of any Shield Shares or Shield Bid Options, or the divestiture of any material assets of the Shield Group or Gryphon Group.

(f) **No Material Acquisitions, Disposals or New Commitments**

Except for any proposed transaction publicly announced by Shield before the Announcement Date or consented to by Gryphon, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) Shield or any subsidiary of Shield acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$500,000, or makes an announcement in relation to such an acquisition, offer or agreement;
- (ii) Shield or any subsidiary of Shield disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Shield's consolidated balance sheet as at 31 December 2009) is, in aggregate, greater than \$500,000, or makes an announcement in relation to such a disposition, offer or agreement; or
- (iii) Shield or any subsidiary of Shield enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the Shield Group of an amount which is, in aggregate, more than \$500,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.



9. Option Offer Conditions

The Option Offer and any contracts resulting from acceptance of the Option Offer are subject to fulfilment of the following conditions:

- (a) that during, or at the end of, the Offer Period, Gryphon has a relevant interest in such number of Shield Shares which represents at least 90 per cent of the aggregate of all Shield Shares on issue at the end of the Offer Period; and
- (b) before the end of the Offer Period, the Share Offer is, or has been declared, unconditional in all respects.

10. Definitions

The following definitions apply in this annexure:

"Announcement Date" means the date this announcement is released to the ASX.

"ASIC" means the Australian Securities & Investments Commission.

"ASX" means the Australian Securities Exchange.

"Bidder's Statement" means the bidder's statement and acceptance form under sections 636 and 637 of the Corporations Act, and which includes the Offer.

"Business Day" means a day on which the banks are open for business in Perth, Australia, excluding a Saturday, Sunday or public holiday.

"Competing Proposal" means a proposal pursuant to which a person (other than Gryphon or another entity in the Gryphon Group) would, if the proposal were implemented:

- (a) directly or indirectly, acquire an interest, a relevant interest in or become the holder of:
 - (i) more than 50% of the Shield Shares; or
 - (ii) an economic interest in 25% or more of the Tijirit Project or a substantial part or a material part of the business or property of Shield; or
- (b) acquire control of Shield, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge with Shield (including by way of a scheme of arrangement, reverse takeover bid or dual listed companies structure).

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Deed" means this takeover bid implementation deed.

"Execution Date" means the date this Deed is signed by the parties.

"Gryphon Group" means Gryphon and its Related Bodies Corporate.



"Gryphon Material Adverse Change" means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the Gryphon Group, taken as a whole, since 31 May 2010 by an amount of \$500,000 or more; or
- (b) the status or terms of any of the exploration or mining tenements owned by Gryphon or its subsidiaries,

except for events, and conditions publicly announced by Gryphon or otherwise disclosed in public filings in Australia by Gryphon or any of its subsidiaries prior to the Announcement Date provided that the relevant announcement or disclosure is not, and is not likely to be, incomplete, incorrect untrue or misleading.

"Gryphon Share" means a fully paid ordinary share issued in the capital of Gryphon.

"Government Agency" means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets. It includes ASIC and ASX (and any other stock exchange).

"Offer" means the Share Offer and the Option Offer.

"Offer Period" means the period during which the Offer is open for acceptance.

"Option Offer" means each offer to acquire Shield Bid Options to be made by Gryphon to Shield Optionholders in connection with the Takeover Bid.

"Placement Shares" means 11,582,045 Shield Shares to be issued on the terms set out in Shield's notice of meeting and explanatory statement for the general meeting of Shield to be held 6 July 2010.

"Related Body Corporate" has the meaning given in the Corporations Act.

"Shield Bid Option" means an option to subscribe for a Shield Share exercisable at \$0.20 on or before 31 August 2011.

"Shield Board" means the board of directors of Shield.

"Shield Director" means a director of Shield.

"Shield Group" means Shield and its Related Bodies Corporate.

"Shield Material Adverse Change" means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (a) the business, assets, liabilities, financial or trading position, profitability or prospects of the Shield Group, taken as a whole, since 31 May 2010 by an amount of \$500,000 or more; or
- (b) the status or terms of any of the exploration or mining tenements owned by Shield or its subsidiaries,



except for events, and conditions publicly announced by Shield or otherwise disclosed in public filings in Australia by Shield or any of its subsidiaries prior to the Announcement Date provided that the relevant announcement or disclosure is not, and is not likely to be, incomplete, incorrect untrue or misleading.

"Shield Non Bid Option" means an option to subscribe for a Shield Share that is not a Shield Bid Option.

"Shield Optionholder" means a person who is recorded in Shield's register of optionholders as the holder of one or more Shield Bid Options.

"Shield Share" means a fully paid ordinary share issued in the capital of Shield.

"Shield Shareholder" means a person who is recorded in Shield's register of members as the holder of one or more Shield Shares.

"Share Offer" means each offer to acquire Shield Shares to be made by Gryphon in connection with the Takeover Bid.

"Superior Proposal" means a bona fide Competing Proposal which the Shield Directors have determined, in good faith, is:

- (a) reasonably capable of being valued, taking into account all aspects of the Competing Proposal and the person making it;
- (b) reasonably capable of being completed on a timely basis; and
- (c) is more favourable to Shield Shareholders than the Offer, taking into account all the terms and conditions of the Competing Proposal.

"Takeover Bid" means a takeover bid for Shield by Gryphon that satisfies the requirements in the IA.

"Target's Statement" means the target's statement under section 638 of the Corporations Act in relation to the Offer.