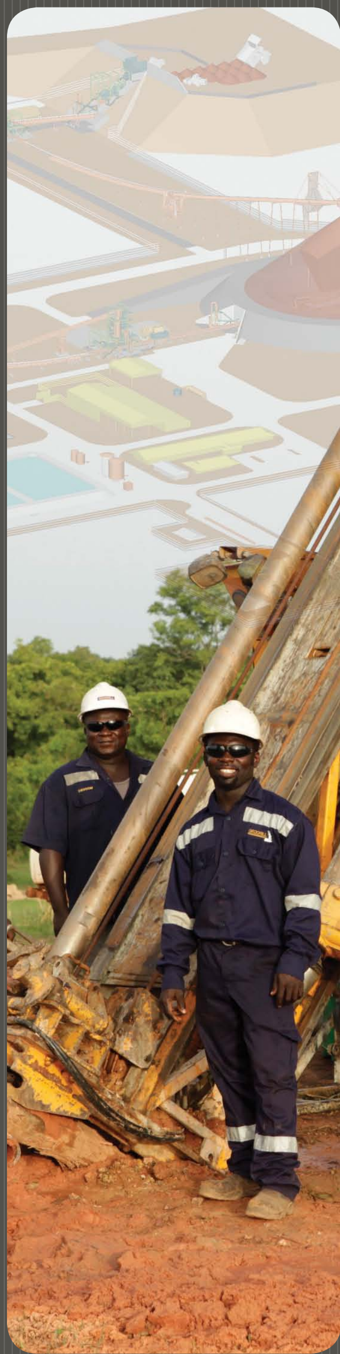
GRYPHON
MINERALS LIMITED

2012
ANNUAL REPORT



ABN: 31 107 690 657

Expanding our West African Footprint

Gryphon is a West African focussed, exploration and project evaluation stage Company with a primary focus on developing the Banfora Gold Project in Burkina Faso. The Company is also focussed on exploration projects in Mauritania and Côte d'Ivoire, and via a strategic equity interest in Tawana Resources NL, is also exposed to gold properties in Liberia.

Burkina Faso

Capital: Ouagadougou
Population: 17,275,115 (July 2012 estimate)
Land Area: 274,200 km^2
Official Language: French
Government: Parliamentary Republic
Currency: West African CFA franc (XOF)
GDP: $22.32 billion (2011 estimate)

Mauritania

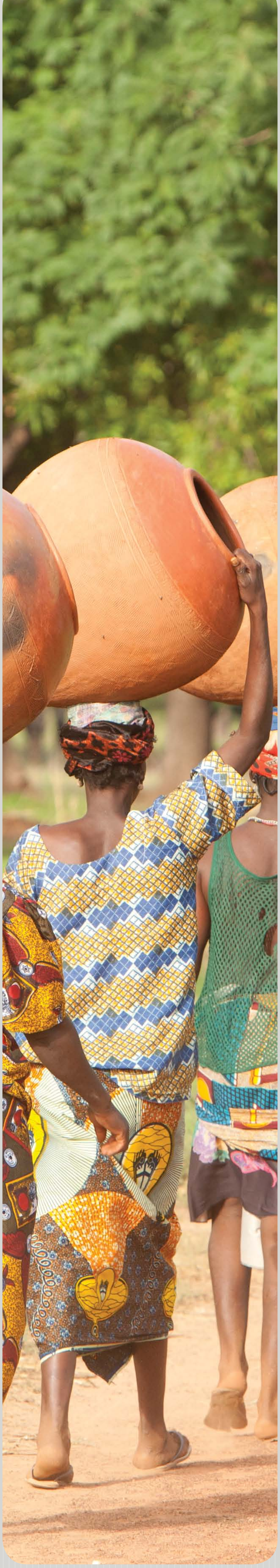
Capital: Nouakchott
Population: 3,359,185 (July 2012 estimate)
Land Area: 1,030,700 km^2
Official Language: Arabic
Government: Islamic Republic
Currency: Mauritanian Ouguiya (MRO)
GDP: $7.184 billion (2011 estimate)

Liberia

Capital: Monrovia
Population: 3,887,886 (July 2012 estimate)
Land Area: 111,369 km^2
Official Language: English
Government: Unitary Presidential Constitutional Republic
Currency: Liberian dollar
GDP: $1.792 billion (2011 estimate)

Côte d'Ivoire

Capital: Yamoussoukro
Population: 21,952,093 (July 2012 estimate)
Land Area: 322,463 km^2
Official Language: French
Government: Presidential Republic
Currency: West African CFA franc (XOF)
GDP: $36.53 billion (2011 estimate)



Contents

AGGRESSIVELY FOCUSSED ON ADVANCING THE BANFORA GOLD PROJECT

Burkina Faso and Côte d'Ivoire power authorities meet at Banfora.

HIGHLIGHTS OF 2012

$67m

Cash & listed investments at 30 June 2012

Gryphon Minerals is focussed on development of its world class Banfora Gold Project in West Africa - as well as exploration and expansion of mineral resources at its pipeline of new and exciting projects in West Africa.

473,170

Metres drilled

During the financial year over 470 kilometres of drilling was conducted on the Company's highly prospective project areas.

<150m

Shallow resource

90% of the resource estimate at the Banfora Gold Project is from surface to less than 150 metres vertical depth.

ADVANCING BANFORA

20
Highly prospective targets

Banfora Gold Project hosts over 120 kilometres of highly prospective shear zones, of which less than 10% have been drill tested.

91%
Average gold recoveries

Master composite metallurgical testwork confirms the outstanding metallurgical characteristics and gold recoveries at the Banfora Gold Project.

4.5Moz
Independent resource

An aggressive exploration program delivered a 125% increase in the global resource estimate at the Banfora Gold Project including 2.2Moz of measured and indicated category (31.4Mt @ 2.2g/t using a 0.9g/t cut-off).

Chairman's Letter

> “Our commitment to West Africa is underpinned not only by the geological fundamentals of the region but also by the opportunities that exploration and mining development provides to traditionally impoverished communities.”

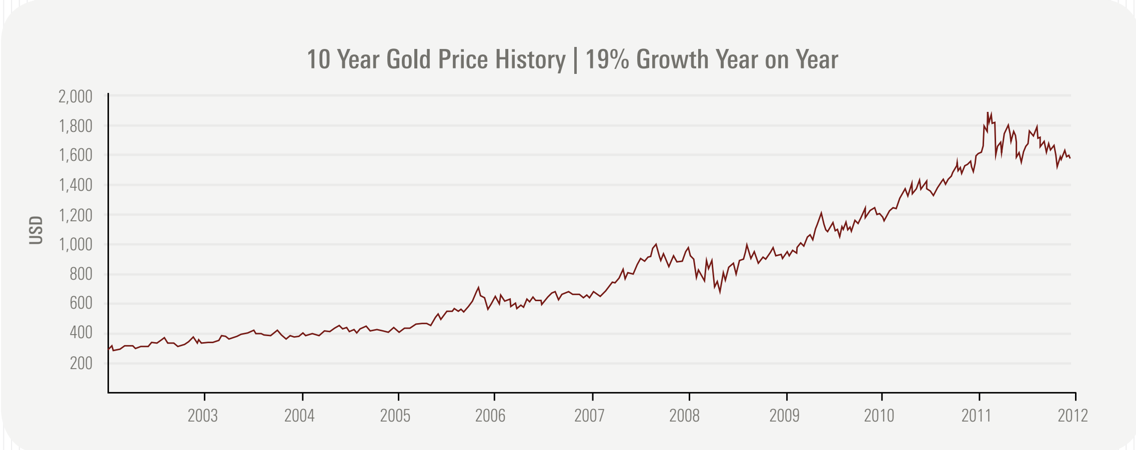
Gryphon has had an exceptional year in which we took huge steps towards achieving our goal of becoming a near-term West African gold producer. We now look forward to the next 12 months where we will build on this success through our substantial development and growth plans in the region.

We entered the financial year with the world in financial distress, fuelled by sovereign debt crises in Europe and the United States. The US regained traction in its economy later in the year, which provided some stability, but the threat of a slowdown in the growth rate of China put severe pressure on the outlook for the resources industry and the global economy at large. However, the turmoil pushed the price of gold to record highs. Gold continued to show its strength as a safeguard and sound investment in uncertain economic times. In September 2011, gold traded at $US1,884 per ounce before settling at around $US1,600 per ounce in recent months. Gold’s fundamental appeal as an investment remains buoyant and is a strong endorsement of Gryphon’s strategy and development plans.

In November 2011, Gryphon took measures to strengthen its cash position through a share placement and share purchase plan to raise $62.5 million. This enabled us to push ahead with our strategy of defining a major gold resource at our flagship Banfora Gold Project in Burkina Faso, and we acknowledge the support of our valued shareholders and other contributors that have made this possible.

Outlook

The world’s major developed economies have gradually stabilised as a result of government fiscal and monetary stimulus. Although we anticipate further volatility in the markets, we need to look beyond this and focus on the long-term fundamentals for growth,



which are due to macroeconomic conditions likely to support a continued strong gold price.

With a world-class gold project, extensive technical expertise and a pipeline of organic growth opportunities, we believe Gryphon is well placed to deliver shareholders long-term value creation.

Governance and Risk

As we look to achieve our vision of being an independent West African gold producer, we recognise the importance of maintaining good corporate governance, Executive remuneration practices and risk management. The appointments of Ms Andrea Hall to the Board as Non-Executive Director and Mr Alex Eastwood as General Counsel and Company Secretary further strengthen our depth of experience in these areas. Ms Hall is a Chartered Accountant and formerly a partner within KPMG's Advisory Services division and has more than 20 years' experience in internal and external audit, corporate governance and risk management. Mr Eastwood is a commercial lawyer, who started his career with Clayton Utz before subsequently becoming a partner at international law firm, Deacons. He has over 17 years' experience in advising companies in the resources sector on a range of corporate, transactional and operational matters.

The application of best practice is essential for the Company, its stakeholders and for providing value to our shareholders, which is reflected in the more conventional design and transparent structure of this year's Remuneration Report.

Corporate Social Responsibility

Gryphon's ongoing commitment to West Africa is underpinned not only by the geological fundamentals of the region but also by the opportunities that exploration and mining development provides to traditionally impoverished communities. Where possible, Gryphon provides support to a wide range of community initiatives in the region and these endeavours are supported by one of our major shareholders, the International Finance Corporation (IFC), part of the World Bank Group, which supports private sector investment in developing countries. As we move closer to production at Banfora, the employment, economic and social opportunities which Gryphon can offer will be of great benefit to those in the communities in which we operate.

Our People

It is inspiring to see our team of people located in different countries working together toward a common goal. Their commitment, talent and integrity have led to the delivery of outstanding results. The Company strives to maintain a safe work environment for all staff and a continual awareness of health and safety is an important factor in reducing the risks for our staff and contractors.

On behalf of the Board, I would like to thank our people for their hard work during the year and also our shareholders for their continued support of Gryphon.

M. Ashton

Mel Ashton,
Non-Executive Chairman

Managing Director's Letter

"Defining a 4.5 million ounce gold resource at the Banfora Gold Project is a major milestone in our journey toward becoming a West African Gold producer."

2012 has been an incredibly exciting and successful year for Gryphon, as we move closer to our ambition of becoming a major West African gold producer.

We have continued to have significant exploration success at the Banfora Gold Project and a highlight for all of us was reaching a considerable milestone of 4.5 million ounces of gold in July this year. Banfora is now one of the largest undeveloped gold projects in West Africa, which is a testament to the hard work from everybody in the Gryphon team.

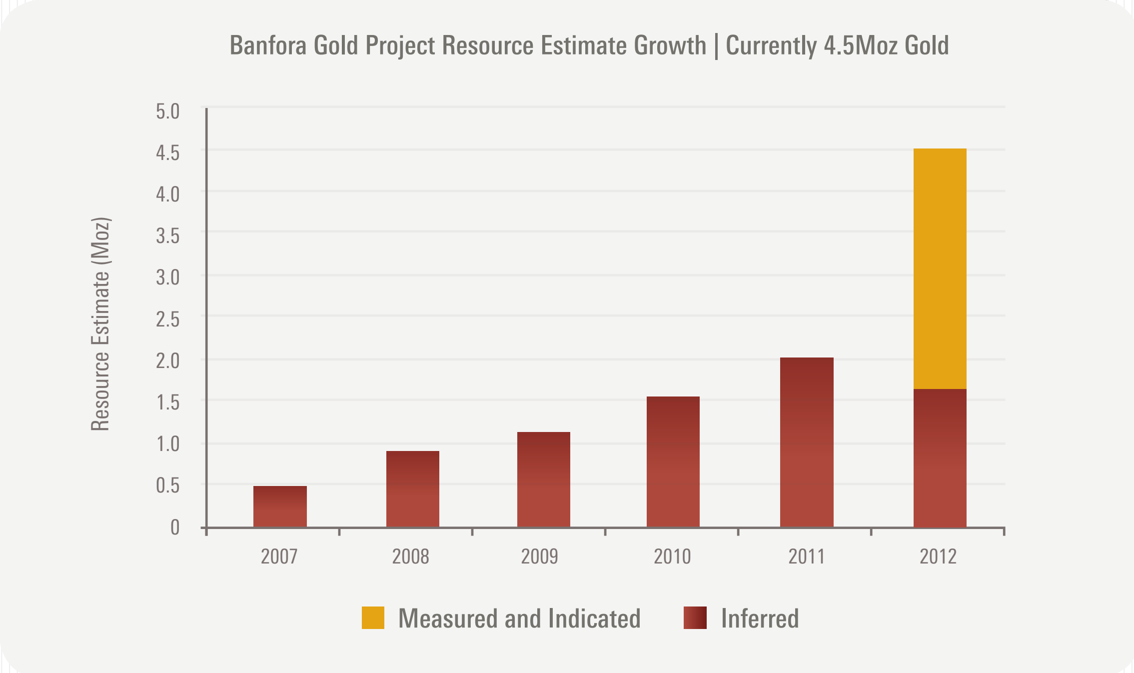
Defining a World Class Gold Region

The resource upgrade was the result of our continued aggressive exploration strategy, with over 440,000 metres of drilling completed, and illustrates the high prospectivity at Banfora which remains greatly under explored.

The resource now comprises the Nogbele, Fourkoura, Samavogo and Stinger deposits which stand at 56.4Mt @ 2.0 g/t for 3.6 million ounces of gold at a 0.9 g/t cut-off, and includes Measured and Indicated category of 31.4Mt @ 2.2 g/t for 2.2 million ounces of gold at a 0.9g/t cut-off.

Nogbele includes an additional resource estimate of 49.2 Mt @ 0.6g/t for 930,000 ounces, which is potentially amenable to heap-leaching and could provide Gryphon with a lower-cost early-stage processing option.

The resource upgrade reaffirmed our confidence in the exploration potential at Banfora, as it included a maiden 560,000 ounce inferred resource at Stinger, which was delineated within 12 months of discovery.



A further 20 high priority regional targets will be tested over the next 12 months, including the new Ouahiri discovery located only 10 kilometres to the west of Nogbele.

Achieving Our Vision

Building on this exploration success, Gryphon is pushing ahead with its development plans in anticipation of the release of a Definitive Feasibility Study for Banfora in the second half of this calendar year, which will outline the parameters for the development of Banfora.

In May, Mr Steven Zaninovich was appointed as Chief Operating Officer (COO). Mr Zaninovich was previously a Non-Executive Director of the Board and his move to COO reflects his capability to lead the development of Banfora as an important step in Gryphon's transition from gold explorer to producer. From his previous role as an Executive Director of Lycopodium Minerals Pty Ltd, Mr Zaninovich brings a wealth of experience to the senior management team of Gryphon, particularly in project development in West Africa.

A Dedicated Team of People

Gryphon has had a lot of success in what has been a challenging environment for mining companies and the global economy in general with heightened levels of uncertainty in equity markets and increased tightening in debt markets.

I would like to thank our shareholders, my leadership team and all of our employees for the hard work and dedication they have demonstrated throughout the year, without which, many of our achievements could not have been made.

I look forward to sharing this journey with you and celebrating more achievements as we build on our success in the coming year.

Stephen Parsons,
Managing Director

Board & Senior Management

Mel Ashton

Non-Executive Chairman
B.Com, FCA, FAICD

Mel Ashton holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. Mr Ashton also currently holds Non-Executive Board appointments, including being a National Director of the Institute of Chartered Accountants. He is also currently the Chairman for Empired Ltd and Venture Minerals Limited.

David Netherway

Non-Executive Director
B.E Mining Engineer, CDipAF, AusIMM (CP)

Mr Netherway is a mining engineer with over 35 years of experience in the mining industry. He is currently a Non-Executive Director of ASX listed Crusader Resources Ltd. He was until the recent takeover by Gryphon Minerals Ltd, the CEO of Shield Mining Ltd. Prior to this, Mr Netherway served as the CEO of Toronto listed Afcan Mining Corporation, a China focussed gold mining Company which was successfully taken over by Eldorado Gold. He was also a former Director of Orezone Resources Inc., Kazakhgold Ltd and Equigold NL.

Didier Murcia

Non-Executive Director
LLB, BJuris

Mr Murcia holds a Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia, and has over 20 years' experience in corporate, commercial and resource law. Mr Murcia is Chairman of Centaurus Metals Ltd and Rift Valley Resources Ltd listed on the Australian Securities Exchange (ASX). He is also Chairman of Perth law firm Murcia Pestell Hillard and the Honorary Consul for the United Republic of Tanzania.

Andrea Hall

Non-Executive Director
B.Com, FCA

Andrea Hall is a Chartered Accountant and formerly a Perth-based partner within KPMG's Advisory Services division. She has more than 20 years of experience in internal and external audit, corporate governance, risk management and advisory services. During her tenure at KPMG, she worked closely with many large organisations in mining and other sectors, including iron ore, nickel and gold producers, as well as managing the Perth-based finance team for WMC Resources Ltd. Andrea was the 2011 Chair of the WA Council for the Institute of Chartered Accountants where she was an elected member for 7 years. She is currently a member of the Murdoch University Audit and Risk Committee and sits on the Board of Commissioners for Lotterywest.

Stephen Parsons

Managing Director
BSc (Hons) Geology, MAusIMM

Stephen Parsons is the Managing Director of the Perth based mineral exploration company, Gryphon Minerals. Gryphon successfully listed on the Australian Stock Exchange in April 2004. Mr Parsons graduated from the University of Canterbury in New Zealand with an Honours degree in Geology. He has held technical positions for a number of junior resource companies and major mining houses including CRA Exploration and Placer Dome, exploring for a wide variety of commodities throughout Australia.

Matthew Bowles

Head of Corporate Development
B.Com, CPA, DipAppFin

Matthew Bowles has more than 16 years' commercial and corporate finance experience within the resource sector and brings to Gryphon a wealth of experience in strategy development and domestic and cross border transactions, including mergers and acquisitions. Mr Bowles was previously an Executive Director within Ernst & Young's Mergers and Acquisitions team and spent the first eight years of his career with Rio Tinto.

Alex Eastwood

General Counsel & Company Secretary
LLB (Hons), B.Ec, GAICD

Mr Eastwood has held legal and corporate finance roles in his 17 year career. Mr Eastwood began his career as a corporate and commercial lawyer with Clayton Utz and subsequently became a partner of international law firm, Deacons. Mr Eastwood has worked in London, Sydney and Perth as a corporate and commercial lawyer. He has extensive experience in private practice and in house advising clients in the resources sector on a range of corporate governance, transactional and operational matters. Prior to joining Gryphon, Mr Eastwood held the position of General Counsel at Imdex Limited.

Steven Zaninovich

Chief Operating Officer
B.E Civil

Steven Zaninovich brings extensive African mine development experience to the Gryphon Minerals team, including his most recent role as Project Director, leading the development and construction of Newmont's $1B Akyem Gold Project in Ghana (7Moz). Mr Zaninovich's specific experience in developing major gold projects in West Africa spans the Tarkwa Phase IV Project (Gold Fields), Bibiani Gold Mine (Ashanti Goldfields), Chirano Gold Mine (Redback, now owned by Kinross), Damang Mine Expansion (Ranger Minerals, now owned by Gold Fields) and the Obatan Gold Mine (Resolute).

Corporate Social Responsibility

Sustainable Business Practices

At Gryphon we conduct our operations in a safe and responsible manner to enhance benefits for all stakeholders. We are committed to a process of continual improvement in order to meet or exceed our sustainability obligations, thereby making a positive contribution to the West African environment and communities in which we operate.

Working Safely and Responsibly

Gryphon has adopted an integrated Health, Safety, Environment and Community (HSEC) Management Framework. The Framework ensures the consistent and responsible application of HSEC policies and governs our risk management, mitigation and identification of opportunities.

The key objectives of the HSEC Management Framework ensure that we:

- identify, assess and manage risks to employees, contractors, the environment and the communities in which we operate;
- adopt ethical business practices and meet or exceed applicable legal and other requirements;
- engage regularly, openly and honestly with people affected by our operations;
- consider the views and concerns of all stakeholders in decision making processes; and
- regularly review and continuously seek to improve our performance.

HSEC training programmes were carried out during FY12 in order to enhance employee safety, operational knowledge and awareness. These programmes included:

- drill-section interpretations training;
- familiarisation with computer software for local employees; and
- driver safety training.

As the Company moves from the exploration and feasibility stage towards development and production, the HSEC Management Framework will be amended accordingly.

Environmental Awareness

The Company recognises that conditions in open spaces of Burkina Faso and other locations in West Africa in which it operates are unique and is committed to following sound and sustainable practices .

The Company conducts its activities in accordance with local regulations regarding environmental matters. In addition, the Company continuously strives to conduct its exploration and project development activities in an environmentally responsible manner based on internationally recognised standards, and to this end the Company has established environmental policies.

These policies are designed to minimise the impact of our operations on the environment and local communities and maintain a safe and healthy environment for the communities and natural resources, including water usage and wildlife, within the areas in which we operate.

Engaging with Communities

To ensure continual improvement and mutually rewarding outcomes for all stakeholders we have established a Community Approach, based on the following five objectives:

- Strategic – well thought out in advance.
- Aligned – with business as well as community interests and priorities.
- Multi-stakeholder driven – community, local Government as well as business involvement.
- Sustainable – encouraging self-reliance rather than dependency through to mine closure.
- Measurable – assessing outcomes and impact, including return on our investment.

In FY12, we engaged a full-time site based Community Manager to oversee the Community Approach outlined above. Our Burkina Faso team regularly engages with members, leaders and authorities from local communities to:

- explain our Company's business and projects in the region;
- outline project progress and future plans;
- understand the needs and address any concerns raised by the local communities; and
- discuss initiatives to benefit the local communities.

All proposed community initiatives undergo an approval process by senior management and where appropriate the Company's Board of Directors.
A summary of the key initiatives in Burkina Faso and Mauritania for FY12 is set out over the page.

Corporate Social Responsibility (Continued)

Burkina Faso

At our Banfora Gold Project, we have established monthly meetings with community leaders to provide an update of our operations. We are also creating an information centre to enhance engagement with the wider local community during the project's development and construction stages.

This consultation has proven to be extremely beneficial, resulting in a number of environmental and social initiatives including: support for cultural events, official functions, local health and educational services, and development of local infrastructure.

Initiative	World Environment Day reforestation project
Location	Niankorodougou Camp, Banfora Gold Project
Key Benefits	Environmenal awareness and reforestation

In June 2012, our team at Niankorodougou recognised World Environment Day by planting trees around Gryphon's Banfora Gold Project camp-site.

The Regional Director from Banfora and the District Officer from Niankorodougou (representing the Ministry of Environment) joined Gryphon employees at the tree planting ceremony while they learnt about the importance of environmental responsibility and the impact of artisanal mining on local communities.

Burkina Faso's natural environment has been significantly impacted by a growing population placing additional pressure on timber resources, for building materials and firewood, together with increasing artisanal mining activity on our project area. Forests have diminished and in some cases desertification has occurred.

To reinforce the importance of environmental awareness and responsible operations we will also be supporting the Department of Environment to carry out reforestation projects in the Loumana and Niankorodougou districts. These projects will include the planting of some 4,000 trees and additional community awareness and training programmes to enhance future sustainability.

Initiative	Plastic recycling, Bobo Women's Association
Location	Bobo-Dioulasso, Burkina Faso
Key Benefits	Enhanced recycling and additional income for the Bobo community

To enhance our recent plastic bag disposal programme, we formed a relationship with a local women's association in Bobo-Dioulasso that manufactures and sells goods from recycled plastic bags to generate income.

In February 2012, we visited the Association's storage and workshop facilities to discuss possible uses for plastics used within our operations. The association expressed an interest in our exploration bags, water bottles and other recyclable plastics.

Following the visit we entered into an agreement to provide all of our recyclable waste plastic from exploration activities in the region to the Association. The agreement will facilitate our responsible use and disposal of plastics and assist the Bobo-Dioulasso community to generate additional income.

Initiative	Donations to schools and health clinics
Location	Niankorodougou and Zegnedougou districts
Key Benefits	Improved standard of living and community relations

Following poor harvests and the subsequent food shortages in Burkina Faso, we made a number of donations to support the local communities including:

- furniture, equipment and books for a disadvantaged children's school in Niankorodougou;
- rice for all primary schools in the region;
- maternity delivery beds and equipment for the Zegnedougou Health Clinic;
- spare parts, repair and servicing of ambulances in Zegnedougou and Niankorodougou districts; and
- advanced driver training courses for regular ambulance drivers.

Initiative	Road and bridge repairs
Location	Banfora Region, Burkina Faso
Key Benefits	Project access, enhanced safety, employment and training opportunities and community relations

Throughout FY12, we contributed funding and supported local contractors to repair roads and a key bridge linking a vital transport route to the township of Banfora.

The bridge and road network, which facilitate access to the project area, are fundamental to the local rural economy. The bridge directly links farming communities to commercial markets in the township of Banfora where they purchase seed and fertilizer and sell their cotton and grains.

Rural roads in Burkina Faso are largely unsealed and become muddy during the wet season. Over time their condition deteriorates and they often become hazardous and difficult to pass.

Repair works were carried out by local contractors with the support and advice of our engineering and maintenance teams to ensure safe work practices and to provide further training.

Mauritania

In conjunction with our local drilling partner at the Tijirit Project Area, Gryphon engaged a local doctor for both the workers on the project and the general population in the surrounding area. In addition to training provided to the doctor in respect of emergency intervention and evacuations, a local store of medications was established.

Corporate Social Responsibility (Continued)

Ongoing Benefits, Key Objectives for FY13

In the next financial year, we will continue to undertake initiatives which have been discussed with local communities and aligned with our Community Approach. Initiatives under consideration include:

- continuing to enhance safety standards and environmental practices.
- continuing to facilitate employment and training opportunities.
- damming of water for irrigation and agriculture in surrounding regional areas to our projects.
- improving local access to power supplies, medical and banking facilities.
- improving accommodation.

At Gryphon we recognise that we are in a unique position to positively impact the lives of the people in and around our project areas. In addition to short-term initiatives we are developing a long-term Community Investment Strategy.

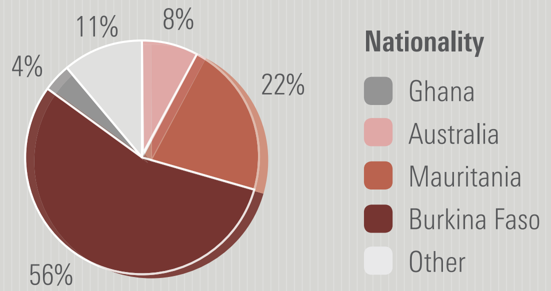
The Long-term Community Investment Strategy is underpinned by development of our Banfora Gold Project. This strategy will consider all activities that complement both the needs of our development and mine operations and the surrounding communities. Initiatives currently under consideration include: the establishment of market gardens; orchards; fish-farms; and improved meat production. All of these initiatives will sustain our mine employees and contractors during the life of the mine and provide ongoing benefits to the local communities. In addition, we are considering the establishment of a vocational training school to enhance the education and skills of the local youth and their ability to compete for employment opportunities at our mine.

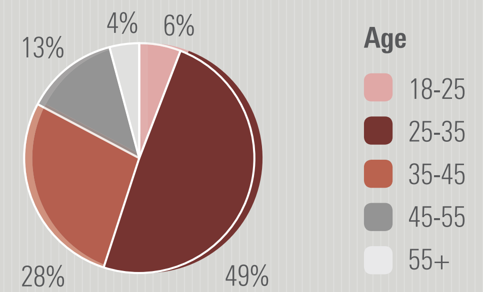
Diversity and Equity

At Gryphon we are committed to workplace diversity including gender, age, ethnicity and cultural background. We recognise the benefits to our operations that can be gained by the use of all available talent with different perspectives and ideas.

Our Company consciously seeks to enhance its workforce with talented employees who have the appropriate and required skills to add value. We recently welcomed our first female Board member, Ms Andrea Hall, who joined the Board on 1 September 2012 and in FY12 we continued to increase the diversity of our employees. Further information regarding employee diversity can be found in the Corporate Governance Statement of this annual report. A copy of our Diversity Policy is available on our Company website.

Set out below is a snapshot of the Company's diverse workforce as at 30 June 2012.





Directors' Report

Your Directors present their report on the consolidated entity consisting of Gryphon Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

1. Directors

The following persons were Directors of Gryphon Minerals Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

Mr Mel Ashton	Non-Executive Chairman
Mr Stephen Parsons	Managing Director
Mr Didier Murcia	Non-Executive Director
Mr David Netherway	Non-Executive Director
Ms Andrea Hall	Non-Executive Director

Mr Steven Zaninovich was a Non-Executive Director from the beginning of the financial year up until his resignation on 22 May 2012 when he assumed the role of Chief Operating Officer. Ms Andrea Hall was appointed Non-Executive Director on 1 September 2012.

2. Principal Activities

The principal activity of Gryphon Minerals during the financial year was the exploration and 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 Mauritania and Côte d'Ivoire for gold and copper.

There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

3. Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

4. Review of Operations

Corporate

During the financial year, the Company made several senior appointments to further increase the breadth and depth of experience of its management team, in preparation for the transition from explorer to developer and ultimately producer.

During May 2012, Mr Steven Zaninovich stepped down as a Non-Executive Director of Gryphon to take on his new role as Chief Operating Officer. Mr Zaninovich is a qualified civil engineer and highly experienced project development manager with more than 20 years' experience in the mining industry having lead the development of Newmont's $1bn Akyem Gold Project in Ghana and holding the position of Executive Director of Lycopodium Minerals Pty Ltd.

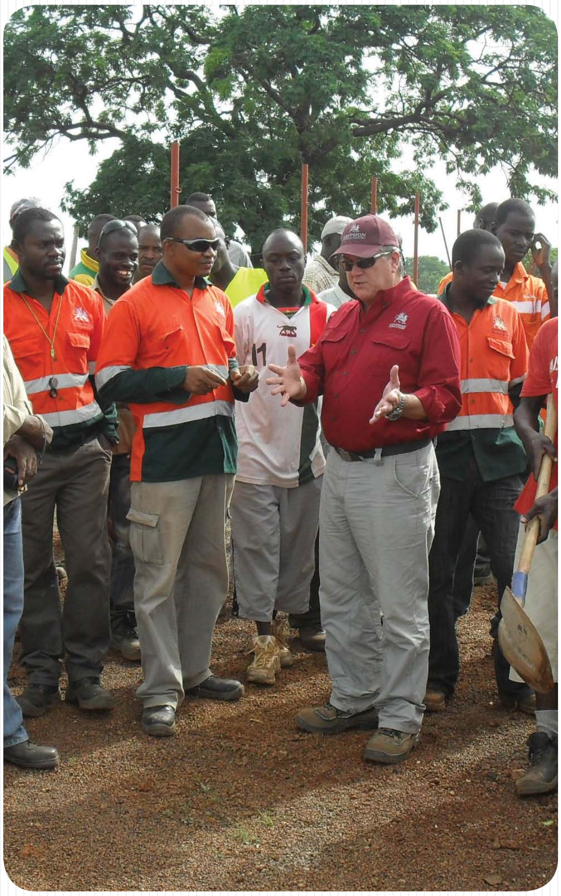
During April 2012, Mr Alex Eastwood was appointed General Counsel and subsequently Company Secretary. Mr Eastwood joins Gryphon having held legal and corporate finance roles over his 17 year career which he started as a commercial lawyer with Clayton Utz before subsequently becoming a partner of international law firm, Deacons. He has extensive experience in private practice and in-house advising clients in the resources sector on a range of corporate governance, transactional and operational matters. Prior to joining Gryphon, Mr Eastwood held the position of General Council at Imdex Limited.

In November 2011 the Company raised $58.5 million via a share placement to existing and new institutional investors to continue aggressive exploration and delineate its resources, as well as advance the Definitive Feasibility Study (DFS) at the Company's Banfora Gold Project in Burkina Faso. Despite ongoing volatile market conditions the placement was fully subscribed. The Company completed a share purchase plan which was open to all eligible shareholders and raised an additional $4.0 million.

During the financial year Gryphon also welcomed Van Eck Associates Corporation and AMP Limited to its register as substantial holders.

In February 2012 Gryphon announced the acquisition of 16 million shares in ASX-listed Papillon Resources Limited (ASX:PIR) representing an approximate 6.72% stake. This strategic investment provides exposure to Papillon's promising gold projects located in Mali, West Africa.

In April 2012, Gryphon maintained its strategic interest in Renaissance Minerals Limited (ASX: RNS) and participated in a placement of 60m shares to raise $1.2m to fund the aquisition of a 729,000oz gold project in Cambodia from OZ Minerals.



Directors' Report (Continued)

4. Review of Operations (Continued)

4.5Moz Resource Estimate at Banfora Gold Project

Including 56Mt @ 2.0 g/t for 3.6Moz gold (at the 0.9g/t gold cut off)

with an additional

49Mt @ 0.6g/t for 0.9Moz gold of potential heap leach material at the Nogbele gold deposit (Between the 0.4g/t and 0.9g/t gold cut offs)

Independent JORC & NI43-101 resource estimate for Nogbele, Fourkoura, Samavogo and Stinger gold deposits & potential heap leach material at Nogbele gold deposit at the Banfora Gold Project

Measured & Indicated Resource (0.9g/t gold cut-off)	31.4Mt @ 2.2g/t for 2.2 million ounces gold
Inferred Resource (0.9g/t gold cut-off)	25.0Mt @ 1.8g/t for 1.4 million ounces gold
Total (0.9g/t gold cut-off)	56.4Mt @ 2.0g/t for 3.6 million ounces gold

Plus

Additional heap leach potential material at the Nogbele gold deposit (between the 0.4 & 0.9g/t gold cut-off)

Measured & Indicated Resource	28.9Mt @ 0.6g/t for 0.55 million ounces gold
Inferred Resource	20.3Mt @ 0.6g/t for 0.38 million ounces gold
Total (between the 0.4 & 0.9g/t gold cut-off)	49.2Mt @ 0.6g/t for 0.93 million ounces gold

Refer to full details of the resource estimates on page 20, including rounding details and cut off grades.

Banfora Gold Project | Resource Estimate

Burkina Faso

Banfora Gold Project (Gryphon 90%, Burkina Government 10% on conversion to a mining licence)

Burkina Faso is a geologically rich nation located on some of the world's most prolific greenstone belts accounting for 22% of West Africa's greenstone belt exposure. It is also host to a number of producing mines and an abundance of gold exploration projects, predominantly in the central and eastern provinces of the country. Burkina Faso is now one of the largest gold producers in Africa thanks to its modern Mining Code and strong Government support for continuous development of the mining industry.

The Banfora Gold Project, located in south-west Burkina Faso, contains a project area covering 1,200 square kilometres within six exploration licences and encapsulates the entire 'Loumana' Birimian greenstone belt within Burkina Faso. The project lies close to the town of Banfora which is connected by a sealed road to the city of Bobo-Dioulasso (100 kilometres). Grid power is located approximately 30 kilometres from the western boundary.

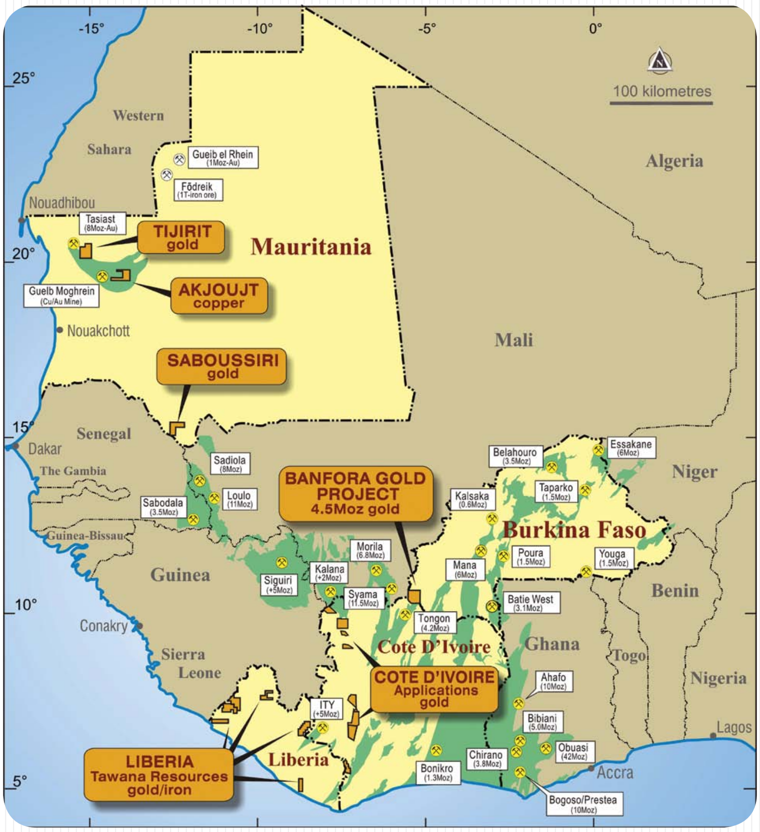
Nearby producing mines include Randgold's Tongon Mine hosting 4.2 million oz gold (30 kilometres to the south), Resolute's Syama Mine hosting 11.5 million oz gold (50 kilometres west) and Randgold/Anglo Gold Ashanti's Morila Mine hosting 6.5 millon oz gold (75 kilometres to the north-west).

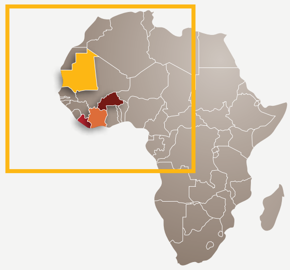
Gryphon's independent JORC and NI 43-101 compliant resource estimate at the Banfora Gold Project is 56.4Mt @ 2.0g/t for 3,620,000 oz gold (at a 0.9g/t cut off), including a measured & indicated resource estimate of 31.2Mt @ 2.2g/t for 2,200,000 oz gold and an inferred resource estimate of 25Mt @ 1.8g/t for 1,400,000 oz gold (at a 0.9g/t cut-off).

An additional resource estimate of 49.2Mt @ 0.6g/t for 930,000 oz gold (at a 0.6g/t cut-off) of potential heap leach material exists at the Nogbele gold deposit.

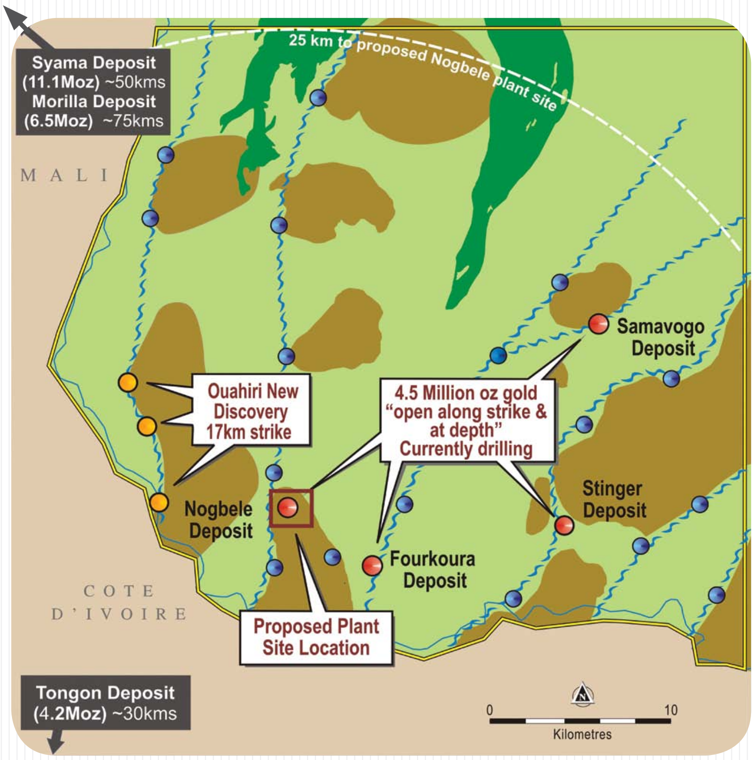
The majority of the resource estimate is from surface to 150 metres vertical depth.

Gryphon believes this resource underpins the robustness of the Banfora Gold Project with significant potential to define further ounces and grow its multi-million ounce gold district in West Africa.





West Africa | Gold Districts



- Project area + 1,200km^2
- Over 120km of highly prospective regional shear zones
- So far less than 10% have been drill tested
- 4.5Moz gold resource estimate at the Nogbele, Fourkoura, Samavogo & Stinger deposits
- Engineering studies propose plant location at the Nogbele gold deposit

Resource growth

High Priority walk up drill targets

Aiming for next resource growth

Banfora Gold Project | Gold deposits and high priority targets

Directors' Report (Continued)

4. Review of Operations (Continued)

Banfora Gold Project Resource Estimate Tables*

Resource Estimate (at 0.9g/t cut off)

Deposit	Category	Tonnage (Mt)	Grade (g/t)	Contained Metal (Moz)
Nogbele	Measured	3.7	2.1	0.26
	Indicated	14.7	2.2	1.06
	Total M & I	18.4	2.2	1.32
	Inferred	8.6	1.8	0.48
	Total	27.0	2.1	1.80
Samavogo	Measured	-	-	-
	Indicated	8.7	2.2	0.63
	Inferred	5.3	1.7	0.29
	Total	14	2.0	0.92
Fourkoura	Measured	-	-	-
	Indicated	4.2	1.8	0.25
	Inferred	1.7	1.7	0.09
	Total	5.9	1.8	0.34
Stinger	Inferred	9.5	1.8	0.56
Total Banfora Gold Project	Measured	3.7	2.1	0.26
	Indicated	27.6	2.2	1.93
	Total M & I	31.4	2.2	2.19
	Inferred	25.0	1.8	1.43
	Total	56.4	2.0	3.62

Refer to ASX announcement made on 9/7/12

Resource Estimate on Potential Heap Leach Material at Nogbele Gold Deposit*

Between 0.4 and 0.9 Lower Cut-offs

Deposit	Category	Tonnage (Mt)	Grade (g/t)	Contained Metal (Moz)
Nogbele (0.4-0.9g/t cut off)	Measured	3.7	0.6	0.07
	Indicated	25.2	0.6	0.48
	Total M & I	28.9	0.6	0.55
	Inferred	20.3	0.6	0.38
Project	Total	49.2	0.6	0.93

Refer to ASX announcement made on 9/7/12

* Reported totals above may not sum to the parts of the total due to rounding to an appropriate reporting figure.

Exploration and infill drilling has focussed on four of the major project targets known as Nogbele (Nog-bee-lee), Fourkoura (Four-core-a), Samavogo (Sam-a-vo-go) and the recently discovered Stinger gold deposit. Stinger, which hosts a maiden inferred resource estimate of 9.5Mt @ 1.8g/t for 560,000oz of gold (at a 0.9g/t cut off), was delineated within one year from initial discovery and is located approximately 10 kilometres from the proposed gold processing plant at Nogbele. Mineralisation at Stinger occurs as multiple parallel zones within the major regional north-east trending 'Stinger mineralised corridor' and recent drill results including 11m @ 3.23 g/t from 134m indicate that mineralisation continues below the current resource wireframes. The exploration success at Stinger further illustrates the potential for the Banfora Gold Project to continue to grow on the world stage.

Banfora Gold Project | Landsat image over Nogbele gold deposit and plant layout

Banfora Feasibility Studies

Definitive Feasibility Studies (DFS)

Studies progressed during the year around a conventional open pit, contract mining, 3.5Mtpa operation, based on a single stage Semi-Autogenous Grinding (SAG) mill grinding circuit and carbon in leach (CIL) extraction, delivering approximately 200,000oz gold per annum from the Banfora Gold Project. On the basis of successful completion of the studies, the Company will then be moving into permitting, project financing and construction, targeting production at the end of the 2014 calendar year.

The study proposes a central mill and processing plant located adjacent to the Nogbele gold deposit with material from satellite deposits trucked to the Nogbele plant. The plant is designed on a modular basis to accommodate future expansion.

Metallurgical Test Work

Master composite metallurgical test work, completed by ALS Ammtec and supervised by Lycopodium, confirms outstanding metallurgical characteristics and gold recoveries at the Banfora Gold Project.

Test work has confirmed successful gold extraction from simple conventional CIL using coarse grind (106 microns) averaging gold recoveries of 91%. The master composite was composed from 119 individual samples representative of the Banfora Gold Project's mineralisation types and geographical distribution using a composite blend of 30% oxide and 70% primary material representing the average life of mine blend to be fed to the process plant.

The Banfora Gold Project gold mineralisation responds well to conventional CIL extraction methods with excellent recoveries and moderate reagent

Directors' Report (Continued)

4. Review of Operations (Continued)

consumption. These results indicate the Banfora Gold Project to have gold recoveries at the upper end of the spectrum compared to many other West African gold deposits.

Plant Design-Conventional 3.5Mtpa CIL operation

The plant design completed by Lycopodium is based on a single stage SAG mill grinding circuit.

The results of the master composite test work supports the suitability of the selected CIL plant design. The design concept targets a 3.5Mtpa throughput, at a target grind size of 106 microns and comprises a comminution circuit with primary crushing followed by a single stage SAG mill with a recycle pebble crusher. Gold extraction is then achieved through a standard CIL circuit followed by elution, electrowinning and smelting.

This plant design is based on simple and proven industry standard technology.

The modular design of the plant will allow future up scaling through the inclusion of a ball mill, with an area already allocated within the plant design layout.

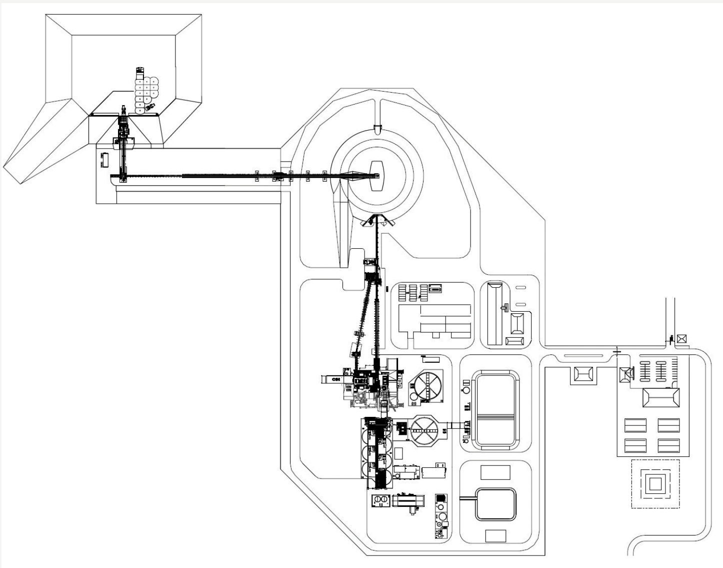
Mining Studies

During the year studies relating to the mining component of the project commenced. A typical, open pit mining operation is envisaged as the mineral resources are shallow, outcropping from surface and defined to depths of predominantly less than 150 metres. Mining contractors with relevant experience and an established history in West Africa have been approached to provide quotations for the project mining costs. Geotechnical investigations and groundwater studies are nearing completion and indicate suitable conditions for open pit wall stability. Open pit optimisations and strategic mine planning has commenced.

Additional Studies – Preliminary Heap Leach Test Work

Preliminary results from column leach test work on bulk trench samples across three portions of the maiden inferred resource of the lower gold grade 'halo' mineralisation (40Mt @ 0.6g/t for 0.93 million oz Au) at the Nogbele gold deposit indicate a real potential for successful heap leach gold recovery.

The heap leach amenability test work was carried out by ALS Ammtec laboratories, under the supervision of Paul Elms Metallurgical Services Ltd.



Plant Design | Conventional 3.5Mtpa CIL operation

The column test work results are extremely encouraging with column cyanidation leach test work showing excellent extractions with average recoveries of 93% after only 45 days in the columns.

Social, Community and Environmental Studies

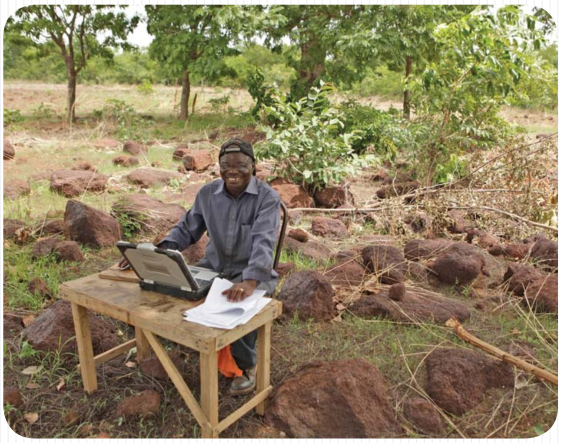
As part of the DFS, an Environmental and Social Impact Assessment commenced during the period. Various site visits were undertaken with experienced consultants to assess Socio-Economic, Physical and Biological aspects within the project area; including but not limited to: stakeholder engagement, environmental impact assessments, present land use patterns, livelihood, health and welfare characteristics, population and demographic characteristics, analysis of political and institutional environment and social and other community services and facilities. These studies have been undertaken in accordance with international best practice and International Finance Corporation (a member of the World Bank Group) standards.

Nogbele Gold Deposit

The Nogbele Deposit has continued to grow during the period to a resource estimate of 27.0Mt @ 2.1g/t for 1.80Moz gold, including a Measured and Indicated (M&I) resource estimate of 18.4Mt @ 2.2g/t for 1.32Moz (at a 0.9g/t cut).

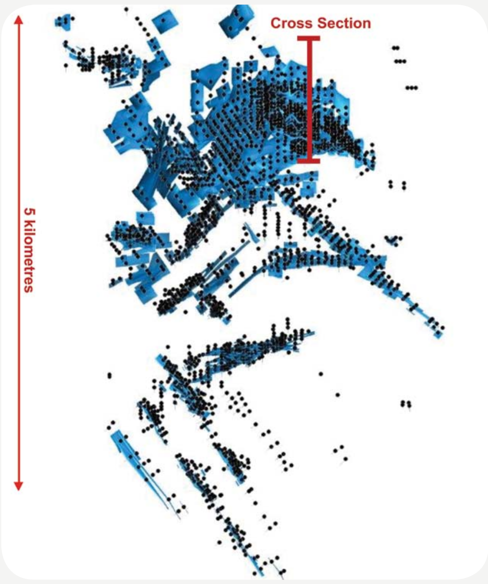
Mineralisation has been delineated on a 2.5 kilometre radius around the Nogbele granodiorite and remains open past the radius as well as at depth below the current resource. The majority of the resource has been drilled on 25m x 25m spacings and 50m x 25m spacings and is now being entirely in-filled to 25m x 25m spacings for M&I categories.

Nogbele mineralisation consists of multiple parallel and sub-parallel zones of broad hematite and/or magnetite silica and pyritic alteration, sericite schist's and lode quartz veins that dip between 'flat' and 60 degrees to the north, 'wrapping' around the 'nose' of the Nogbele granodiorite into the surrounding sediments and mafic units.

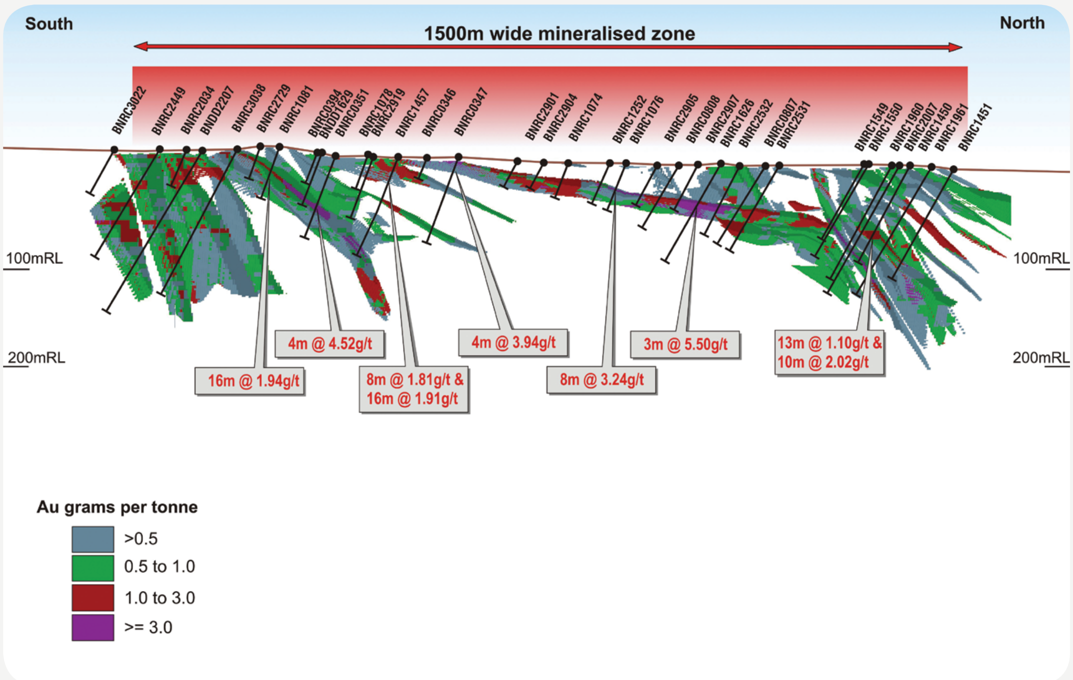


Directors' Report (Continued)

4. Review of Operations (Continued)



Nogbele gold deposit | Wireframes and RC/DD holes



Nogbele Gold Deposit | Cross Section

The DFS proposes the process plant be located in the vicinity of the Nogbele gold deposit.

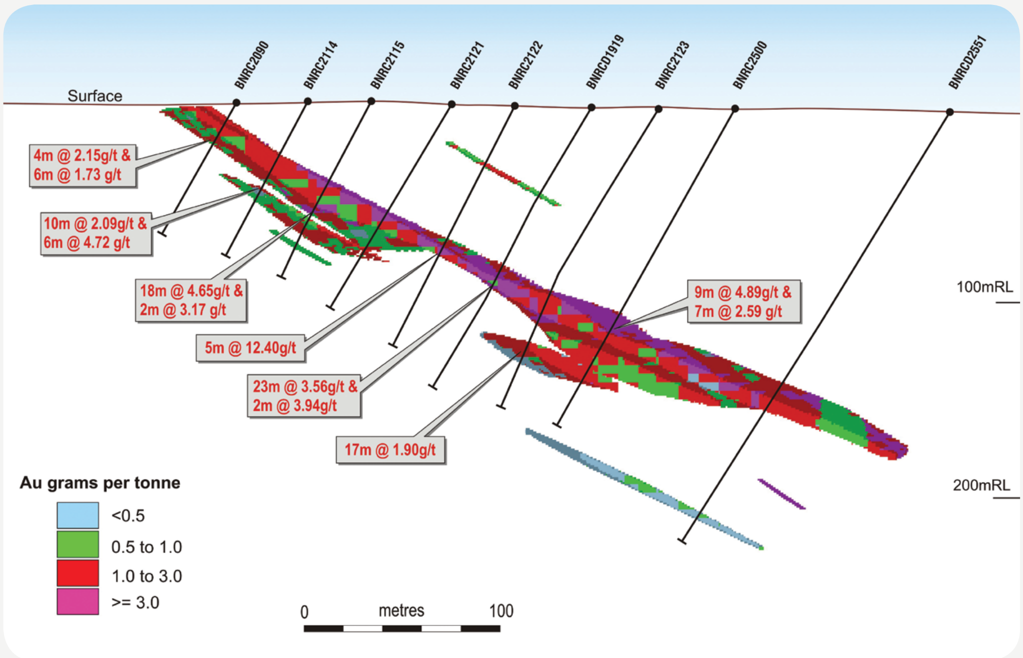
An additional resource estimate of 49.2Mt @ 0.6g/t for 0.93Moz gold of potential heap leach material has been delineated at the Nogbele Deposit. Further metallurgical testwork and studies to unlock the heap leachable lower grade gold are underway. These studies are separate to the current DFS.

Fourkoura Gold Deposit

The Fourkoura Gold Deposit, located seven kilometres from the Nogbele Gold Deposit and proposed process plant, is now host to a resource estimate of 5.9Mt @ 1.8g/t for 0.34Moz gold (at 0.9g/t cut off). Mineralisation remains open along strike and at depth with a large, high tenor geochemical anomaly along strike to the north identified for immediate exploration. The dolerite unit extends for approximately five kilometres of which only 50% has been drilled to date. Fourkoura in-fill drilling to bring its current resource into M&I categories is essentially completed.

Samavogo Gold Deposit

The Samavogo Deposit, located 18 kilometres to the north-east of the Nogbele Deposit, has a current resource estimate of 14Mt @ 2.0g/t for 0.92Moz gold (at a 0.9g/t cut off). Mineralisation is over 4 kilometres of a major 12 kilometre shear zone and remains open along strike and at depth with reconnaissance step out drilling five kilometres to the south-west intersecting 4m @ 6.1g/t from 4m. The bulk of the resource has been drilled on 40m x 40m spacings and is typically shallow with the majority less than 100 metres vertical depth due to the shallow angle of mineralisation (approximately 30 degrees). Broad step out drilling will be undertaken to test the remainder of the 12 kilometre shear zone in the next financial year.



Samavogo Gold Deposit | Cross Section

Directors' Report (Continued)

4. Review of Operations (Continued)

Stinger Gold Deposit

Stinger was converted to a maiden inferred resource of 9.5Mt @ 1.8g/t for 0.56Moz gold within 12 months of its initial discovery. Mineralisation occurs as multiple parallel zones within the major regional north-east trending 'Stinger mineralised corridor' located approximately 10 kilometres east of the Nogbele Deposit. Mineralisation remains open along strike and at depth.

The Stinger Gold Deposit is currently being in-fill drilled on 40m x 20m spacings to bring it into the M&I resource category as well as step out and deeper drilling from 100m to 150m vertical depth to increase the overall size of the resource. Drill results announced in July 2012 indicate that mineralisation continues below the current resource wireframes, including:

- BNRC2991 - 11m @ 2.0g/t Au from 104m and 17m @ 4.26g/t Au from 261m
- BNDD2992 – 8m @ 1.84g/t Au from 92m and 11m @ 3.23g/t Au from 134m

At least two more highly prospective parallel mineralised zones to the west of the 'Stinger mineralised corridor' are yet to be tested.

Banfora Regional

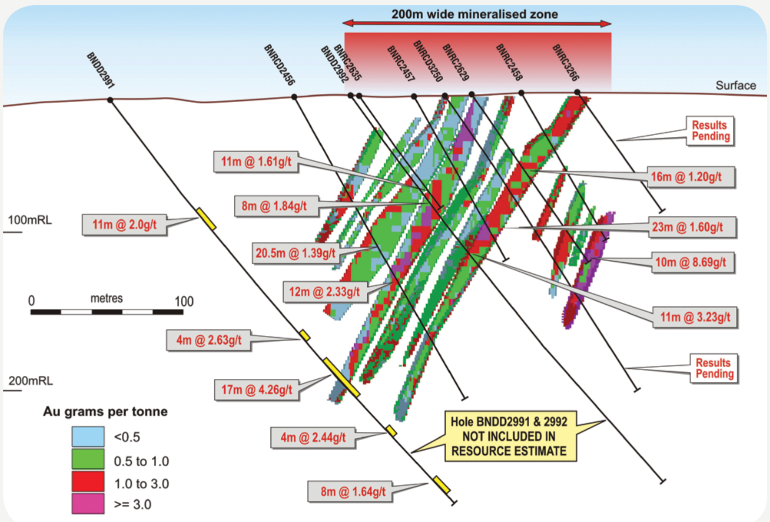
Within the 1,200 square kilometre project area Banfora boasts approximately another 20 high priority drill targets that will be tested during 2012/13. These targets include the new Ouahiri discovery located 10 kilometres to the west of the Nogbele Deposit. Initial reconnaissance drill intercepts within Ouahiri include:

- 15m @ 5.09g/t from surface
- 17m @ 2.55g/t from 16m
- 4m @ 11.54g/t from 98m
- 6m @ 5.40g/t from 43m

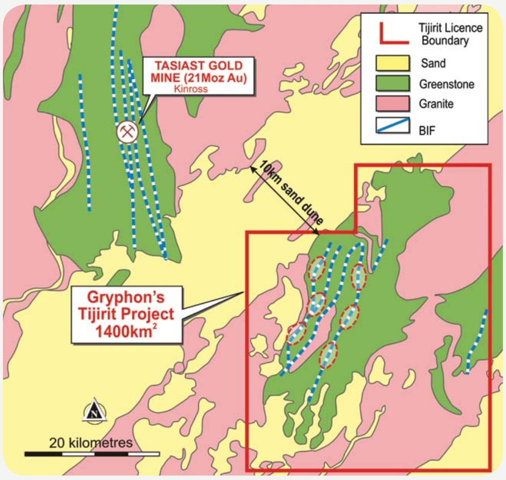
Phase 2 Reverse Circulation (RC)/ Diamond Drilling (DD) and Rotary Air Blast (RAB) drilling is currently underway and the Company antipates a maiden resource estimate at Ouahiri during 2013 calendar year.

Mauritanian Projects

Mauritania is a major province for gold, copper and iron ore with a number of significant operating mines including the world-class Tasiast Gold Mine.



Stinger Gold Deposit | Cross Section



Initial drill targets | Tijirit gold project

Tijirit Gold Project (Gryphon 100%)

The Tijirit Gold Project, located in north-west Mauritania and covering approximately 1,400 square kilometres of contiguous exploration licences, is located 10 kilometres from the 21 million oz gold Tasiast Gold Mine owned by Kinross Mining.

Mineralisation within the Tijirit Gold Project is focussed on banded iron formation (BIF) hosted mineralisation, however broad 50 to +100 metre wide zones of alteration 'halo' mineralisation show similarities to mineralised greenschist at the adjacent Tasiast Gold Mine that develop peripheral and along strike to the main ore body at Tasiast.

Results of historical first pass drill results conducted by Shield Mining included:

- 6m @ 17.63g/t Au from 10m
- 6m @ 10.47g/t Au from 16m
- 2m @ 24.90g/t Au from 56m

The Company's maiden 28,000 metre RC/DD drill program is nearing completion and is awaiting drill results from first targets.

Akjoujt Copper/Gold Project (Gryphon 100%)

Preparations for a diamond drill campaign commenced during the period. Soil geochemical sampling and geological mapping continued on the property.

The 100% owned Akjoujt Copper/Gold Project is located 30 kilometres to the west of the Guelb Moghrein Copper/Gold Mine operated by First Quantum Minerals Ltd. The Guelb Moghrein mineralisation is iron oxide copper gold (IOCG) style and has a characteristic carbonate and magnetite alternation signature. The Akjoujt project area covers approximately 750 square kilometres of contiguous exploration licence area.

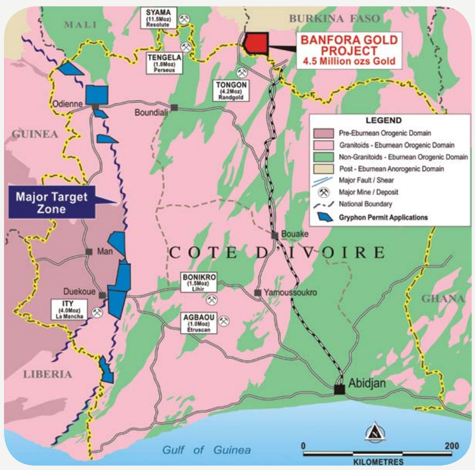
Saboussiri Copper/Gold Project (Gryphon 60%)

The Saboussiri Copper/Gold Project is located in Southern Mauritania and covers approximately 1,000 square kilometres of continuous exploration licences. Geological reviews of the project were undertaken during the period.

Côte d'Ivoire

Côte d'Ivoire is a major gold province which hosts over 35% of the Greenstone Belt in West Africa, yet remains massively under explored and represents less than 6% of the +1 million oz gold discoveries in the region.

Gryphon has commenced initial geological studies and field programs over 4,000 square kilometres of prospective ground in Côte d'Ivoire in the west and north-west of the country.



Côte d'Ivore | Land holdings

Directors' Report (Continued)

4. Review of Operations (Continued)

Strategic Holdings

Tawana Resources NL (~13%), Liberia

The Company formed a strategic alliance with Tawana Resources NL (ASX:TAW) in December 2010 to explore for gold and other minerals in Liberia. Tawana is currently exploring the Sino Gold Project which has extensive artisanal workings and is along strike from: Hummingbird's (AIM:HUM) 3.8Moz Dugbe Gold Project; the Nimba/Lofa Gold Project located on a known gold hosting structure along strike from the 5Moz Ity Gold Mine and the Mofe Creek Iron Ore Project located 10 kilometres from the historic Bomi Hills Mine (+50Mt high grade DSO magnetite), only 25km from the coast, 65km from a deep water port and adjacent to a heavy haul railway.

Liberia is located in West Africa dominantly within the Archean aged Kenema Man Domain and lesser Birimian sediments to the east. There are a large number of world class mineral deposits located in the Archean and Birimian rock types throughout West Africa including Obuasi (40Moz+) and Tasiast (21Moz+). West Africa is one of the fastest growing mineral provinces in the world and Liberia currently hosts several world class iron ore deposits and is massively underexplored for gold.

Papillon Resources Limited (~6%), Mali

During the period Gryphon acquired a strategic interest in Papillon Resources Limited (ASX:PIR) which has joint venture interests over a number of gold projects totalling 1,500 square kilometres in western and southern Mali. Papillon's flagship asset is the Fekola Gold Project located in western Mali which released a maiden resource estimate in July 2012 of 40.1Mt @ 2.4g/t for 3.14Moz. The Company has commenced scoping studies on the project examining geology, mining and mineral processing.

Renaissance Minerals Limited (~14%), Cambodia and Australia

Gryphon holds a strategic interest in Renaissance Minerals Limited (ASX:RNS) which announced in February this financial year the acquisition of the Okvau Gold Project in Cambodia from Oz Minerals Limited. The project has a resource estimate of 12.6Mt @ 1.8g/t for 729,000oz gold and is located within a substantial land holding of approximately 1,100 square kilometres which is prospective for large, intrusive related gold deposits. Renaissance Minerals also has a dominant holding in the Eastern Goldfields, Western Australia of over 3,000 square kilometres. The tenements are positioned on two regional scale gold corridors: Keith-Kilkenny & Laverton Tectonic Zones and Renaissance Minerals is targeting multi-million ounce gold systems.

Directors' Report (Continued)

5. Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

A preliminary independent engineering study undertaken by Lycopodium for the Banfora Gold Project was finalised in August 2011. The preliminary study which was based on a 2.5Mtpa operation demonstrated forecast production of +180,000oz per annum, at +2.6g/t gold and less than US$430/oz cash costs in the first two years (based on a US$1,100/oz gold price).

Based on the outstanding results of the preliminary study, a Definitive Feasibility Study (DFS) was commissioned based on a 3.5Mtpa carbon in leach (CIL) operation. This study is also being undertaken by Lycopodium, under the supervision of Gryphon's Principal Mining Engineer, Mr Stuart Cruickshanks. The DFS is expected to be completed in the second half of 2012.

In May 2012 master composite metallurgical test work completed for the Banfora Gold Project DFS confirmed excellent metallurgical recoveries averaging 91% gold on a 30% oxide 70% primary/sulphide split, using a coarse grind of 106 microns for Life of Mine (LOM) average blend. In addition to the confirmed CIL metallurgy, preliminary heap leach test work on lower grade gold 'halo mineralisation' delineated at the Nogbele Gold Deposit confirmed excellent gold recoveries of +90%, and as such further work on the heap leach potential of the Banfora Gold Project has commenced.

Contributed equity increased in excess of $62,500,000 following the completion of a $58,500,000 capital raising in November 2011 and a $3,956,000 Share Purchase Plan in December 2011. $165,000 was also received from the exercise of unlisted share options.

There was also a number of significant management additions during the year including Mr Alex Eastwood as General Counsel & Company Secretary and Mr Steven Zaninovich as Chief Operating Officer.

6. Matters Subsequent to the End of the Financial Year

Subsequent to year end the Company announced an upgrade in the independent global resource estimate at the Banfora Gold Project from 2.0Moz to 4.5Moz gold which included a Measured and Indicated resource of 31.4Mt @ 2.2g/t for 2.2Moz gold and a maiden Inferred resource estimate of 49.2Mt @ 0.6g/t for 0.93Moz gold for the potential heap leach material at the Nogbele gold deposit.

There have been no other events subsequent to the end of the financial year.

7. Likely Developments and Expected Results of Operations

The Company intends to continue the development of the Banfora Gold Project during future financial years with a view to commencing production in 2014. The expected results of those operations will not be known with some certainty until optimisation and finalisation of the DFS which is expected before the conclusion of the 2012 calendar year. It is also the intention of the Company to continue exploration activities throughout West Africa and to continue to assess value enhancing opportunities for shareholders.

Additional comments on expected results of certain operations of the Group are included in this Annual Report under section four of the Directors' Report.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in the Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

8. Environmental Regulation

The consolidated entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out exploration work on all project areas throughout the world. The Directors have considered the National Greenhouse and Energy Reporting Act 2007 ('the NGER Act'). At the current stage of development and based on the locations of the Company's operations, the Directors have determined that the NGER Act will have no effect on the consolidated entity for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

9. Information on Directors

Mel Ashton

Non-Executive Chairman, appointed 18 May 2004

Chairman of the Nomination Committee & member of the Audit and Risk Management and Remuneration Committees

Qualifications

B.Com, FCA, FAICD

Experience

Mr Ashton holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants and a fellow of the Australian Institute of Company Directors. Mr Ashton also currently holds a number of Board appointments, including National Director of the Institute of Chartered Accountants and Director of The Hawaiian Group of Companies. He is also currently the Chairman for Empired Limited and Venture Minerals Limited and is a Non-Executive Director of Renaissance Minerals Limited.

Interest in Securities

Fully Paid Ordinary Shares	1,000,000
180 cent Options expiring 24 November 2013	1,500,000

Listed Directorships

Empired Limited (since 21 December 2005)
Venture Minerals Limited (since 12 May 2006)
Renaissance Minerals Limited (since 16 February 2010)
Barra Resources Limited (since 13 January 2011)
Resource Development Group Limited (since 9 February 2011)

Directors' Report (Continued)

9. Information on Directors (Continued)

Stephen Parsons

Managing Director, appointed 20 January 2004
Member of the Nomination Committee

Qualifications
BSc (Hons) Geology, MAusIMM

Experience
Mr Parsons graduated from the University of Canterbury in New Zealand with an Honours degree in Geology. He has held technical positions for a number of junior resource companies and major mining houses including CRA Exploration and Placer Dome, exploring for a wide variety of commodities throughout Australia before listing Gryphon in April 2004.

Interest in Securities

Fully Paid Ordinary Shares	6,990,601
180 cent Options expiring 24 November 2013	4,000,000

Listed Directorships
Avonlea Minerals Limited (Alternate Non-Executive Director since 22 May 2009)

Didier Murcia

Non-Executive Director, appointed 28 July 2006
Chairman of the Remuneration Committee & member of the Audit and Risk Management and Nomination Committees

Qualifications
LLB, BJuris

Experience
Mr Murcia holds a Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia, and has over twenty years' experience in corporate, commercial and resource law. Mr Murcia is Chairman of Centaurus Metals Ltd and Rift Valley Resources Ltd listed on the Australian Securities Exchange. He is also Chairman of Perth law firm Murcia Pestell Hillard and the Honorary Consul for the United Republic of Tanzania. Mr Murcia is a former Director of Aminex PLC.

Interest in Securities

Fully Paid Ordinary Shares	402,173
180 cent Options expiring 24 November 2013	1,000,000

Listed Directorships
Rift Valley Resources Limited (since 22 November 2010)
Centaurus Metals Limited (since 16 April 2009)
Gindalbie Metals Limited (from 2 February 1998 to 31 January 2010)
Target Energy Limited (from 1 February 2006 to 31 December 2009)
Alicanto Minerals Limited (Since 30 May 2012)

David Netherway

Non-Executive Director, appointed 1 October 2010

Member of the Remuneration Committee

Qualifications

B.E Mining Engineer, CDipAF, FAusIMM(CP)

Experience

David Netherway received a B.E in Mining Engineering from the University of Melbourne in 1975 and a Certified Diploma in Accounting and Finance from the Chartered Association of Certified Accountants in the United Kingdom in 1985. Mr Netherway is a mining engineer with over 35 years of experience in the mining industry. He was until the recent takeover by Gryphon Minerals Ltd, the CEO of Shield Mining Ltd. Prior to this, Mr Netherway served as the CEO of Toronto listed Afcan Mining Corporation, a China focussed gold mining company which was successfully taken over by Eldorado Gold. He is also a former Director of Orezone Resources Inc., GMA Resources Ltd, Kazakhgold Ltd. and Equigold NL.

Interest in Securities

Fully Paid Ordinary Shares	1,847,374
180 cent Options expiring 24 November 2013	1,000,000

Listed Directorships

Crusader Resources Limited (since 1 July 2011)

Andrea Hall

Non-Executive Director, appointed 1 September 2012

Chairperson of the Audit and Risk Management Committee

Qualifications

B.Com, FCA

Experience

Ms Hall is a Chartered Accountant and formerly a Perth-based partner within KPMG's Advisory Services division. She has more than 20 years of experience in internal and external audit, corporate governance, risk management and advisory services. Ms Hall was the 2011 Chair of the WA Council for the Institute of Chartered Accountants where she was an elected member for seven years. She is currently a member of the Murdoch University Audit and Risk Committee and sits on the Board of Commissioners for Lotterywest.

Interest in Securities

None

Listed Directorships

None

Directors' Report (Continued)

10. Company Secretaries

The following persons held the position of Company Secretary during the financial year:

Alex Eastwood

Mr Eastwood has held legal and corporate finance roles in his 17 year career. He began his career as a corporate and commercial lawyer with Clayton Utz and subsequently became a partner of international law firm, Deacons. Mr Eastwood has worked in London, Sydney and Perth as a corporate and commercial lawyer. He has extensive experience in private practice and in-house advising clients in the resources sector on a range of corporate governance, transactional and operational matters. Prior to joining Gryphon, Mr Eastwood held the position of General Counsel at Imdex Limited. Mr Eastwood was appointed Company Secretary on 1 May 2012.

Tim Holt

Mr Holt has more than 10 years' senior operational finance experience with both Xstrata and BHP Billiton and was previously the Director of Finance and Business Development for Xstrata Nickel's Sudbury Ontario operations. Prior to that Mr Holt spent seven years with BHP Billiton in progressive corporate and operational finance roles. Mr Holt was appointed Company Secretary on 5 October 2011 and resigned as Company Secretary on 1 May 2012.

Brett Dunnachie

Mr Dunnachie is a Chartered Accountant and holds a Bachelor of Commerce degree. Mr Dunnachie was the acting Chief Financial Officer of the Company until 8 August 2011 and was appointed Company Secretary in February 2007. Prior to joining Gryphon Minerals he was an audit manager at PricewaterhouseCoopers. He is also the Company Secretary for Venture Minerals Limited, Renaissance Minerals Limited, Avonlea Minerals Limited and Alicanto Minerals Limited. Mr Dunnachie was appointed Company Secretary on 19 February 2007 and resigned as Company Secretary on 1 May 2012.

11. Meeting of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

Director	Directors' Meetings		Nomination Committee		Remuneration Committee		Audit & Risk Management Committee	
	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended
Mr M Ashton	5	4	1	1	2	2	3	3
Mr S Parsons	5	5	1	1	-	-	-	-
Mr D Murcia	5	5	1	1	2	2	3	3
Mr S Zaninovich	5	4	-	-	2	1	3	3
Mr D Netherway	5	4	-	-	-	-	-	-

12. Audited Remuneration Report

A. Message From The Remuneration Committee

Dear Shareholders,

The 2012 financial year was a busy year for the Company and its management team with significant preparations being made on advancing the Banfora Gold Project towards development and production. The year brought many challenges and one of those was delivering a revised remuneration policy and framework following voting results at the 2011 Annual General Meeting (AGM). The voting results sent a clear message that our Company must ensure our approach to Executive remuneration is consistent with the expectations of our shareholders and linked to the performance and strategy of the Group.

As such, since the last AGM, the Company spent considerable time focusing on its remuneration policy and framework, reflecting on past feedback and the current strategic direction of the Company. This included visiting a number of shareholders and shareholder representatives in 2012 and working closely with PricewaterhouseCoopers (PWC) as remuneration advisers to provide advice on how the overall design of the Company's revised remuneration policy and framework compared with market practice.

The remuneration review has resulted in significant improvements to the Company's approach towards executive remuneration which will take effect for FY13, including the adoption of a new executive remuneration policy. The main objective of the policy is to ensure that all executive remuneration is directly and transparently linked with strategy and performance. This includes aligning short-term incentives (STIs) and long-term incentives (LTIs) with achievement of the Company's short-term and long-term strategic objectives and longer-term shareholder return.

Key actions undertaken by your Company in response to the voting results at the last AGM include:

1. A remuneration freeze on Executive salaries, Directors' fees and long-term incentives, for existing Executives and Non-Executives of the Company for FY12.

2. Adopting a new remuneration policy and framework for FY13, designed to attract and retain key Executives at a vital stage in the Company's development. This is achieved by rewarding them progressively on an annual basis for successfully delivering the critical short-term and long-term objectives of the Company. Such objectives include total shareholder return and goals focused on successful project delivery, as well as risk management, corporate social responsibility and sustainability.

3. Seeking external advice on market practices to enable effective benchmarking of total annual remuneration for Executives within an appropriately defined peer group of similar companies, to ensure remuneration is fair and competitive, including fixed remuneration as well as STIs and LTIs.

4. Ensuring STI and LTI awards are demonstrably linked to performance conditions, vesting periods and are capped as a fixed percentage of Executive fixed remuneration.

5. Design and implementation of a new equity based LTI plan to be approved by shareholders which enables the Company to offer a mix of LTI instruments, including performance rights and share appreciation rights. The Board believes these instruments will be more effective in linking reward with performance, while taking into account challenges and market forces to ensure individuals remain motivated and not adversely affected by tax consequences.

6. The discontinuence in the grant of options or other LTI instruments to Non-Executive Directors. No further grants to Non-Executive Directors have been made since November 2010.

7. New appointments to the Board and senior management to improve diversity.

Directors' Report (Continued)

12. Audited Remuneration Report (continued)

The new remuneration policy and framework was approved by the Board and became effective in July 2012. A summary of "Your Board's Response – A New Approach to Executive and Non-Executive Remuneration for FY13" follows which reflects the actions we have taken as a Board since the last AGM in November 2011.

The Remuneration Committee recognises that the remuneration practices reflected within this years' Remuneration Report for FY12 do not reflect the new remuneration policy and framework. For this reason, during the time that the remuneration review was underway, fixed remuneration for the Managing Director and all existing key management personnel (KMP) was frozen, and no further options or other LTIs were issued to Executives other than options to align new members of the senior management team. There were no increases to Non-Executive Director remuneration during the period, nor were any options or other LTI instruments granted to Non-Executive Directors.

The Remuneration Committee has listened and worked hard to respond to the feedback of our shareholders and is confident that the new remuneration policy and framework for FY13 is now directly aligned with the Company's strategy of becoming an imminent gold producer and will meet shareholder expectations year on year. The Company looks forward to discussing any aspect of the new remuneration policy with shareholders at the upcoming AGM.

Yours faithfully,

Didier Murcia
Chairman, Remuneration Committee

B. Your Board's Response - A New Approach To Executive and Non-Executive Remuneration for FY13

In accordance with section 300A(1)(g) of the Corporations Act 2001, set out below is an explanation of your Board's proposed actions taken in response to the voting results at the last AGM of the Company in November 2011.

> ***"All decisions about remuneration should be made with consideration of shareholder expectations and fairness and what is right for the Company to achieve its objectives"***

A New Remuneration Framework - Key Objectives

The Board and the Remuneration Committee recognise that the Company's performance and ultimate success in project delivery depends very much on its ability to attract and retain highly skilled, qualified and motivated people in an increasingly competitive remuneration market. At the same time, remuneration practices must be transparent to shareholders and be fair and competitive taking into account the nature and size of the organisation and its current stage of development.

In consultation with PWC, the Company has structured a new approach to Executive remuneration which aims to reward internal and external performance in a way that is consistent with its exploration and mining peers and general market practices.

Its new approach to Executive remuneration for FY13 and beyond has been structured with the following objectives:

- to listen and respond to our shareholders who vote at the Company's AGM;
- to attract and retain a highly skilled KMP team at a critical stage in the Company's development of its projects;
- to link remuneration directly with performance, based on long-term objectives and shareholder return, and critical short-term objectives consistent with the Company's business strategy;
- to reward performance for project development in a way which is sustainable, including in respect of health & safety, environment and community based objectives;
- to be fair and competitive against the market and an appropriate defined industry peer group;
- to preserve cash where necessary for exploration and project development, by having the flexibility to attract and remunerate Executives with an appropriate mix of equity based incentives;
- to reward individual and group goals - thus promoting a balance of individual performance and teamwork across the executive management team;
- to be flexible in the mix of remuneration, including offering a balance of conservative LTI instruments such as performance rights and more highly leveraged instruments such as share appreciation rights, thus ensuring Executives are rewarded for their efforts, but also share in the upside of the Company's growth and are not adversely affected by tax consequences; and
- to recognise Executives are taking on significant personal risk, hardships and challenges faced in pursuing Gryphon's business objectives in often remote offshore locations and in uncertain economic conditions.

The objective of Non-Executive remuneration is to promote independent and impartial decision making. As such, Non-Executives will not participate in the Company's STI or LTI plans, and will no longer be issued with options or other equity based instruments as recommended by the ASX Corporate Governance Recommendations.

Overview of New Remuneration Framework For FY13

The new remuneration framework adopted in FY13 provides a mix of fixed and variable "at risk" remuneration and a blend of short and long-term incentives.

The remuneration for KMP has three components:

- fixed remuneration, inclusive of superannuation and allowances;
- STIs under a performance based cash bonus incentive plan; and
- LTIs through participation in the Company's shareholder approved equity incentive plans.

These three components will comprise each KMP's total annual remuneration. The Company sought an independent review from PWC on how its new remuneration framework conformed to general market practice and against a comparative group of similar companies. This information was used by the Company to review and fine tune its new remuneration framework for FY13.

As part of the new remuneration framework, the Company proposes to adopt a new long-term incentive scheme in FY13 subject to shareholder approval later in the year. The new LTI Plan will enable the Company to offer Executives each year a mix of performance rights and/or share appreciation rights, subject to achievement of internal performance and total shareholder return outcomes achieved progressively over a three year vesting period.

12. Audited Remuneration Report (continued)

Fixed Remuneration for Executives

"Fixed remuneration should reflect the job the person 'is' doing, rather than what they 'can' do"

Fixed remuneration continues to comprise base salary, superannuation and other allowances.

Fixed remuneration of Executives will be set by the Remuneration Committee each year and is based on market relativity and individual performance. Market relativity is benchmarked against a defined "Remuneration Peer Group" of listed comparable companies to ensure that fixed remuneration is fair and competitive with the market in which the Company operates. The Remuneration Peer Group adopted for FY13 is stated in section J of this report and is fundamentally based on companies in the exploration and mining sector with similar issues in respect of organisational size, geography, life cycle and complexity.

In setting fixed remuneration for Executives, individual performance, skills, expertise and experience are also taken into account to determine where the Executive's remuneration should sit within the market range. Where appropriate, external remuneration consultants will be engaged to assist the Remuneration Committee to ensure that fixed remuneration is consistent with market practices for similar roles.

Fixed remuneration for Executives will be reviewed annually to ensure each Executive's remuneration remains fair and competitive. However, there is no guarantee that fixed remuneration will be increased in any service contracts for Executives.

New STI Plan

"STI measures and targets should provide reward for 'stretch' performance based on short-term critical goals"

Under the new remuneration policy for FY13, the Company has adopted a new STI Plan which was approved by the Board in July 2012. In doing so, the Company is moving away from discretionary bonuses towards a more structured and balanced score card approach to Executive remuneration.

The objective of the STI Plan is to provide the opportunity to earn a cash bonus by rewarding those Executives who successfully achieve in the opinion of the Board the critical short-term objectives of the Company over a 12 month period. Those short-term objectives for each Executive are pre-determined and recommended by the Remuneration Committee each year and approved by the Board as being aligned with the Company's stated strategy to derive shareholder return.

STI's will generally consist of annual cash bonuses paid on the following basis:

- performance will be measured over a 12 month period each year;
- a maximum threshold will apply for each Executive expressed as a percentage of their fixed remuneration as recommended by the Remuneration Committee and depending on their role and seniority in the executive management team – this will be benchmarked against market data from comparable companies in the "Remuneration Peer Group";
- STIs will be paid at the discretion of the Board, but must be demonstrably linked to performance against critical pre-determined short-term goals of the Company;
- a combination of group and individual goals may apply for each Executive with weightings for each goal recommended by the Remuneration Committee and approved by the Board - the number of short-term goals per participant will be determined by the Remuneration Committee taking into account the Executive's role, responsibility and seniority - greater weighting is placed on more important goals; and
- performance will be measured on a "balance score card" approach at the end of the 12 month performance review period. This will involve a performance score being allocated to the Executive and the Remuneration Committee making a determination of the amount of the STI to be paid out.

Details of STI Grants for FY13

The Board has resolved that for FY13 the maximum STI dollar value that Executives will be entitled to receive under the STI Plan is 25% of fixed remuneration for direct reports to the Managing Director. This is in line with current market practice as advised to the Company by PWC. In relation to the Managing Director, the Company is legally obliged to honour certain pre-existing contractual obligations to pay performance bonuses in the Managing Director's service contract (refer to section I for further detail). Mr Parsons has agreed to release the Company from these contractual obligations which will come to an end on 31 December 2012 and thereafter the Managing Director will transition to the new Executive remuneration framework as stated in this report.

Performance goals for each Executive will change from year to year with the needs of the Company. The major performance goals for FY13 that have been set by the Remuneration Committee for KMP are aligned with the following objectives to achieve company growth and shareholder return (although performance goals are not universal for all KMP and vary depending on which KMP are charged with the responsibility of achieving those goals):

- deliver a positive DFS for the Banfora Gold Project;
- material resource and reserve growth;
- achievement of major milestones towards successful project development for the Banfora Gold Project, including power, material improvements in design and engineering of plant and infrastructure, reduction in CAPEX and OPEX, grant of mining licence and other permitting and approvals;
- project funding for the Banfora Gold Project, including debt and equity;
- implementation of internal financial controls, in-country compliance and financial management;
- corporate governance;
- execution of appropriate and targeted M&A transactions complementary to company growth; and
- maintaining investor relations and the introduction of new institutional investors.

Due to the commercially sensitive nature of the performance goals, the precise metrics and weightings used for each Executive have not been disclosed. Such details will however be disclosed in future remuneration reports should the performance goals be achieved and STI bonuses awarded.

New LTI Plan

> *"LTIs should focus on alignment with the Company's longer-term strategies, performance, shareholder returns and the attraction and retention of staff"*

LTI awards are generally limited to KMP, senior in-country managers and other key employees approved by the Board who influence or drive the strategic direction of the Company.

In the past, the Company had made use of a standard employee option plan with grants under this plan being more typically made on an ad hoc basis. As part of the remuneration review since the AGM in November 2011, it was recognised by the Board that the existing option plan as a standalone LTI scheme was no longer suitable and was not providing an effective tool to reward, retain and motivate senior Executives or staff of the Company. This was particularly apparent for all Executives who last received a grant of options under the existing option plan in November 2010. Those options were priced at $1.80 per share and to date due to prevailing market conditions have had little meaningful value to those Executives. The Board recognises that to preserve shareholder value it must therefore have in place a fit for purpose long-term remuneration structure which ensures Executives are attracted, motived and retained by the Company during a critical time in the Company's development. A variety of different equity incentive

12. Audited Remuneration Report (continued)

vehicles where explored, with the Remuneration Committee and Board taking advice from PWC and deciding that the most appropriate LTI Plan for the Company going forward should be a performance right and share appreciation right plan.

Under the new LTI Plan, each performance right represents a right for the employee to be issued one share in the Company at a future point in time subject to satisfaction of pre-determined performance hurdles over a vesting period. No exercise price is payable and eligibility to receive performance rights under the LTI Plan will be at the Board's discretion.

Each share appreciation right is similarly subject to satisfaction of pre-determined performance hurdles over a vesting period. However, the share appreciation right represents a right to receive payment equal to the positive difference between the share price of the Company at the time of grant and the share price at the vesting date. The total value of all share appreciation rights on vesting is then settled via the issue of shares in the Company of an equivalent value. Economically, share appreciation rights are similar to options as they only reward for share price growth. However, as the payment to the employee is settled in shares valued at the share price at the date of vesting they will always deliver significantly less shares than an equivalent number of options and are therefore significantly less dilutive to shareholders.

The new LTI Plan is yet to be approved by shareholders, but will be presented for approval at a shareholders' meeting later in the year and it is envisaged that it will form part of the new remuneration policy and framework for the Company in FY13 and future years.

As part of the new remuneration policy and framework, the Board has approved the following principles which will apply for grants of LTIs issued under any of its shareholder approved LTI plans:

- grants of LTIs will be made annually, and subject to a maximum percentage threshold amount of fixed remuneration;
- larger ad hoc grants of LTIs are to be discouraged, however given the Company's current stage of development, they may be granted where considered appropriate by the Board as necessary to attract senior Executives who have no significant exposure to equity; and
- LTIs will only vest subject to performance measured against longer-term internal and external performance measures (i.e. vesting conditions) measured over a three year vesting period;

Details of LTI Grants for FY13

The Board has currently approved the grant of performance rights and share appreciation rights to the Managing Director and KMP, subject to shareholder approval of the new LTI plan and specific performance based vesting conditions staggered over a three year vesting period being met. The Board believes a staggered approach to awarding LTIs over three years is more appropriate for project development and is reflective of where the Company is currently positioned. In coming to this decision the Board considered the following:

- retention of the senior management team is critical at this stage in the development of the Company's Banfora Gold Project. As the Company transitions from feasibility studies to project development and ultimately production over the next three years, continuity of the senior management team is imperative to avoid the Company facing a major setback;
- a staggered approach better recognises the substantial amount of work required from a small executive team to develop the Banfora Gold Project and ensures those Executives are rewarded "along the way" as the project progresses towards production;
- such approach is better aligned to that of the Company's peers in the same sector who are similarly competing for scarce availability of skills in a tight labour market; and
- no LTI awards were issued in FY12 other than to new members of the executive management team;

This approach is considered the right approach for the Company right now. As the Company moves into production the Board will reconsider this approach and look at moving to a more conventional remuneration model where all LTI awards vest at the end of the three year period.

The key terms for LTI instruments granted to KMP for FY13 are as follows, subject to shareholders approval of the new LIT plan:

- A maximum LTI dollar value of 50% of fixed remuneration for direct reports to the Managing Director and 75% of fixed remuneration for the Managing Director. This is in line with current market practice as advised to the Company by PWC.
- 50% of the LTI awards will be granted as share appreciation rights, and 50% as performance rights under the new LTI Plan to be approved by shareholders.
- The number of performance rights and share appreciation rights is determined by dividing the LTI dollar value of the awards by the fair value of the performance right or share appreciation (whichever is applicable).
- The share appreciation rights have been set at a notional starting price equal to 125% of the 20 day volume - weighted average price of the Company's shares as at the date the Board resolved to grant the instruments.
- 50% of the LTI instruments may vest in equal tranches at the end of the 1st and 2nd year from the date granted by the Board and subject to satisfaction of internal performance based vesting conditions focused on:
  - enhanced risk management frameworks as the Company moves from pure exploration into development and production;
  - securing project funding for the Banfora Gold Project; and
  - grant of a mining licence for the Banfora Gold Project.
- 25% of the LTI instruments will vest at the end of the 3rd year from the date granted by the Board and subject to the Company achieving specified absolute TSR targets measured over a three year measurement period as follows:

Absolute TSR Performance Over Measurement Period	% to Vest
Less than 10% TSR	0%
10% to 20% TSR	Pro rata between 50% to 100% of Weighted LTI (12.5% to 25% of Total LTI)
TSR greater than 20%	100% of Weighted LTI (25% of Total LTI)

- 25% of the LTI instruments will vest at the end of the 3rd year from the date granted by the Board and subject to the Company achieving specified relative total shareholder return (TSR) targets measured over a three year measurement period as follows:

Absolute TSR Performance Over Measurement Period	% to Vest
Less than 50th percentile of Performance Peer Group	0%
At 50th percentile of peer group	50% of Weighted LTI (12.5% of Total LTI)
Between 50th and 75th percentile of Performance Peer Group	Pro rata between 50% to 100% of Weighed LTI (12.5% to 25% of Total LTI)
> 75th percentile of Performance Peer Group	100% of Weighted LTI (25% of Total LTI)

- The Performance Peer Group is stated in section J of this report and is based on companies in the exploration and mining sector with similar issues in respect of organisational size, geography, life cycle and complexity.
- TSR testing will be three years after award. There will be no re-testing.

Reflecting on current market practices, for FY13, the Board adopted an approach which requires vesting conditions for LTIs to focus on a combination of both external measures based on absolute and relative shareholder return (TSR) and longer term internal project based metrics. In determining the absolute TSR range of 10% to 20%, the Board took into account a number of factors, including the weighted average cost of capital for investors and an appropriate investment return based on the risk profile of the Company. The method of using combined absolute and relative TSR metrics was considered to be a balanced and fair measure of external performance and shareholder return. As the Company migrates to production, use of absolute TSR may be reconsidered as well as use of other internal financial metrics related to production.

Directors' Report (Continued)

12. Audited Remuneration Report (continued)

Non-Executive Remuneration

Under the new remuneration policy adopted by the Board, Non-Executive Directors are not eligible to participate in the STI or LTI plans of the Company and will longer be issued with options or other forms of equity based LTIs.

In addition, from FY13 the Company has established a "Remuneration Peer Group" (refer to section J of this report) to benchmark Non-Executive Director remuneration. These reviews will be performed annually to confirm that Non-Executive Director remuneration remains in line with market practice and is reasonable in the context of Australian executive reward practices.

C. Remuneration for FY12

This Remuneration Report sets out the remuneration information for Directors and KMP of the Company for FY12.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The information provided within this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001. The individuals included in this report are:

Non-Executive Directors*	
Mr M Ashton	Non-Executive Chairman
Mr D Murcia	Non-Executive Director
Mr D Netherway	Non-Executive Director
Executive Directors	
Mr S Parsons	Managing Director
Key Management Personnel	
Mr S Zaninovich	Chief Operating Officer
Mr T Holt	Chief Financial Officer
Mr M Bowles	Head of Corporate Development
Mr A Eastwood	General Counsel & Company Secretary

* Ms A Hall was appointed as a Non-Executive Director post 30 June 2012 and accordingly is not included in this section of the Remuneration Report.

All Directors and KMP held their positions for the entire financial year and up to the date of this report unless otherwise stated. Mr S Zaninovich resigned as Non-Executive Director on 22 May 2012 to take up the full time position of Chief Operating Officer (COO). Mr Holt was appointed Chief Financial Officer (CFO) on 1 August 2011, Company Secretary on 5 October 2011 and resigned from the Company on 29 August 2012. Mr A Eastwood was appointed General Counsel on 16 April 2012 and Company Secretary on 1 May 2012. Mr B Dunnachie and Mr T Holt both resigned as Company Secretary on 1 May 2012.

D. Remuneration Governance

The Company has established a Remuneration Committee under a formal charter which is comprised of a majority of independent Directors.

The Remuneration Committee is responsible for reviewing and recommending the remuneration arrangements for the Executive and Non-Executive Directors and KMP each year in accordance with the Company's remuneration policy approved by the Board. This includes an annual remuneration review and performance appraisal for the Managing Director and other KMP, including their base salary, short-term and long-term incentives, bonuses, superannuation, termination payments and service contracts.

Further information relating to the role of the Remuneration Committee can be found within the Corporate Governance Report included within this Annual Report and in the formal Remuneration Committee Charter on the Company's website.

E. Non-Executive Director Remuneration

There were no increases in fees for Non-Executive Directors for FY12, nor were any options or other equity based instruments granted to Non-Executive Directors in the relevant period.

The policy of the Board is to remunerate Non-Executive Directors in the form of Directors' fees at market rates for comparable companies based on their time, commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Company to maintain independence and impartiality. In determining competitive remuneration rates, the Remuneration Committee and Board have historically reviewed local and international trends among comparative companies and industry generally.

No additional fees are currently paid to any Non-Executive Directors for membership of a committee, although this may change in the future as the Company evolves from pure exploration into development and a producer and as the responsibilities and commitments required of Non-Executive Directors increase.

Non-Executive Director fees are also determined within an aggregate fee pool which is subject to approval by shareholders. The aggregate fee pool is currently set at $500,000 per annum which was last approved at the Annual General Meeting in November 2009. The level of total Non-Executive Director remuneration actually paid remains below the maximum amount payable.

	Director Fees	Committee Fees
Chairman	$120,000	Nil
Other Non Executive Director	$75,000	Nil

No superannuation was paid to Non-Executive Directors during FY12. The Company does not pay retirement allowances to Non-Executive Directors in line with ASX Corporate Governance Recommendations.

F. Managing Director and KMP Remuneration For FY12

Remuneration Policy

From FY13, the remuneration of the Managing Director and KMP will be based on the new remuneration policy and framework adopted by the Board on 5 July 2012 and described in the "New Approach to Executive and Non-Executive Remuneration for FY13" section of this report.

In relation to FY12, as with previous years, the Company's remuneration policy for all Executives has always been designed to promote superior performance and long-term commitment to the Company. Remuneration packages were set at levels that were intended to attract and retain the right Executives capable of managing the Company's operations. Executives received a fixed remuneration package which was market related, together with a discretionary performance based cash bonus and a component of long-term incentives in the form of options under the Company's Employee Incentive Option Plan. Discretionary cash bonuses were an appropriate means of reducing fixed costs and were rewarded for achievement of key performance outcomes.

Long-term equity based incentives were, and continue to be, considered a desirable means of remunerating Executives given their retention benefits, alignment to shareholder return and their ability to allow the Company to preserve more cash for exploration and development activities.

In recognition of the voting outcome at the Company's AGM in November 2011, and as the Company transitions from explorer to developer, the Board recognised the need to update its remuneration policy and framework and undertook a

Directors' Report (Continued)

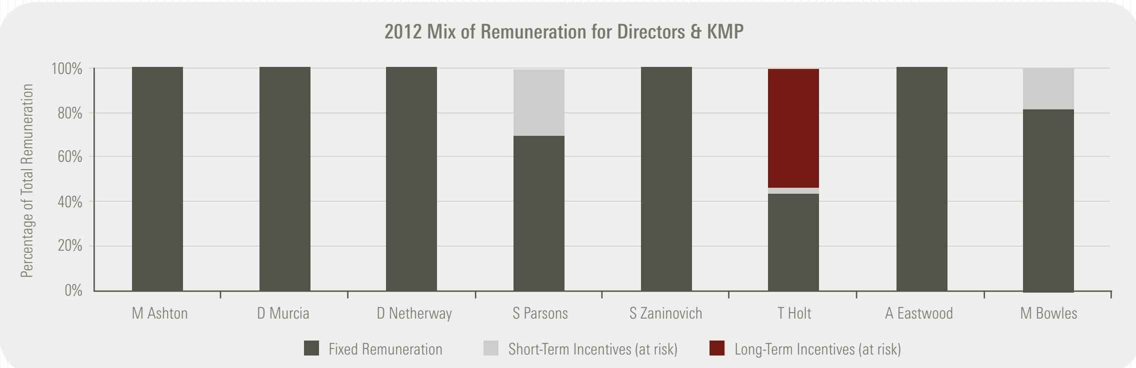
12. Audited Remuneration Report (continued)

comprehensive remuneration review in FY12. During that review period, the remuneration policy of the Company was, where appropriate, to place a freeze on fixed remuneration and the grant of LTI instruments for all Executives while a remuneration review was underway. This remuneration review was completed and approved by the Board on 5 July 2012.

Policy for new Executives who joined the Company in FY12

The main exception to the remuneration freeze was in relation to the appointment of new Executives in FY12 as part of the Company's strategy to build the executive management team for the next stage in the Company's growth, those being Mr Tim Holt as Chief Financial Officer, Mr Alex Eastwood as Company Secretary and General Counsel and Mr Steven Zaninovich as Chief Operating Officer. Their remuneration included fixed remuneration and an award of 500,000 options each issued under the Company's existing Employee Incentive Option Plan. Mr Holt's options where issued in FY12, whereas Mr Eastwood's and Mr Zaninovich's options were issued post year end. To ensure alignment across the senior management team, the options were issued on terms materially consistent with options held by other Executives, including a retention condition and an exercise price set at a substantial premium of $1.80 per share to ensure alignment with total shareholder return. No other performance conditions were imposed on these options as they were issued in recognition of joining the Company and for forgoing LTI incentives at their previous employment. The new Executives' fixed remuneration was set by the Remuneration Committee at market rates designed to attract the right calibre of people with the necessary skills to advance the Company's core objective of moving from a pure exploration company into development and gold production.

To link Executive remuneration with the Company's performance, the Company's policy is to ensure that a significant proportion of each Executive's target remuneration is "at risk". The following table sets out the mix of remuneration for all KMP between fixed, short-term and long-term incentives for the 2012 financial year.



The above table does not include 500,000 options issued to Mr Zaninovich and Mr Eastwood as the options were issued post year end and will be included in the FY13 Remuneration Report.

Fixed Remuneration for FY12

In FY12, all KMPs received a fixed base cash salary and other benefits. KMPs (excluding Non-Executive Directors) also receive a superannuation guarantee contribution required by Australian legislation which is currently nine per cent. No KMPs receive any retirement benefits.

During the remuneration review period in FY12, all fixed remuneration for Executives was frozen except as noted above for new Executives appointed in FY12. From FY13, all fixed remuneration will be benchmarked against the Company's "Remuneration Peer Group" discussed in section J of this report.

Short-Term Incentives for FY12

In FY12, the Managing Director and certain other KMP earned short-term discretionary cash bonuses upon achievement of significant performance outcomes. The amounts paid to each KMP who received a short-term cash incentive payment during the year were in respect of the following:

Key Performance Indicator	Rationale
Successful promotion and completion of a strategically timed capital raising	The completion of a heavily oversubscribed equity raising ($62.5 million at $1.30 per share) has allowed the Company to undertake an aggressive exploration program leading to a significant resource estimate upgrade and fund the completion of the Company's Definitive Feasibility Study.
Successfully recruiting high calibre, experienced individuals to bolster the current management team	Securing the appointment of a Chief Operating Officer and other key senior executives with sufficient depth of experience to complete the Definitive Feasibility Study, develop the Banfora Gold Project and position the Company towards production.
Management of the Company's key strategic holdings	Managing the Company's strategic interests, particularly Tawana Resources NL, and the other strategic investments provides a continual pipeline of high quality underexplored assets to which Gryphon has exposure to, thus enhancing future shareholder value.
Integration and improvement of internal systems and controls	The successful restructure of internal systems and controls and other compliance related aspects for in-country operations has ensured the Group functions at the highest standards and within the laws and regulations of each jurisdiction in which it operates.

As a result of the assessment of each KMP's performance during the financial year, in the context of the above KPI's the following STI payments were paid or payable at 30 June 2012:

Name	Position	STI paid or payable $
Mr S Parsons	Managing Director	250,000
Mr S Zaninovich	Chief Operating Officer	-
Mr T Holt	Chief Financial Officer	12,500
Mr A Eastwood	General Counsel & Company Secretary	-
Mr M Bowles	Head of Corporate Development	75,000

Further information of each KMP who received a short-term cash incentive are detailed in the table in section G of this report.

Long-Term Incentives for FY12

No LTI instruments were awarded or set for the Managing Director for FY12. Only one Executive, Mr Tim Holt, who joined the Company part way through FY12 on 1 August 2012 was awarded options in FY12 under the Employee Incentive Option Plan approved by shareholders in November 2010. As noted above, subsequent to the year end, options were also granted to Mr Eastwood and Mr Zaninovich in recognition of joining the Company and in forgoing long-term incentives at their previous employment.

No performance conditions were attached to the options issued to Messrs Holt, Eastwood and Zaninovich other than retention of employment and an exercise price of $1.80 per share to ensure alignment with total shareholder return. Performance conditions were not considered appropriate in this instance as they were a one off grant of options issued as a means of attracting new Executives to join the Company and to compensate for forgone long-term incentives in their previous employment. They were issued on terms materially consistent with those options held by other KMPs to ensure alignment across the executive management team including an exercise price of $1.80 per share.

Directors' Report (Continued)

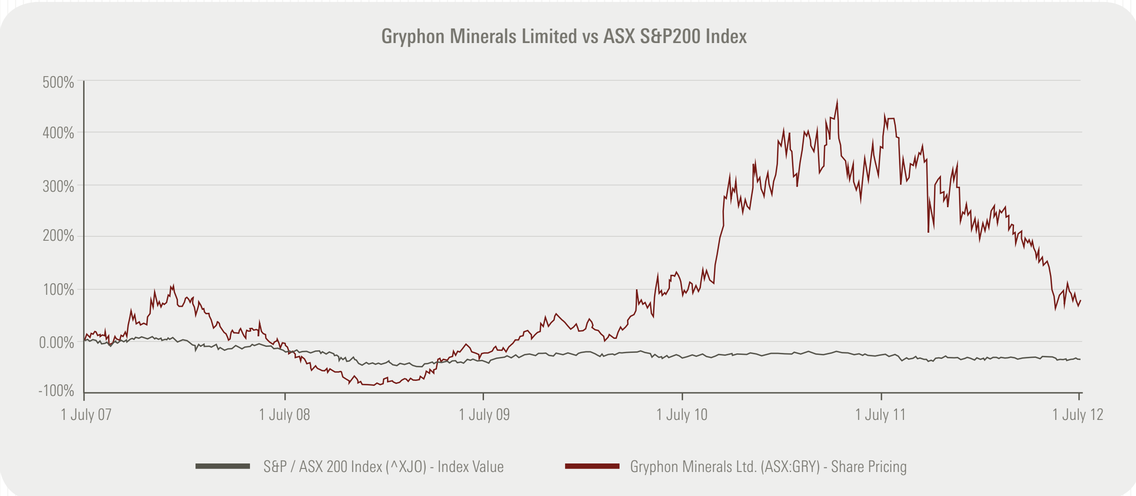
12. Audited Remuneration Report (continued)

For FY13, all LTI grants to Executives will now be under the new remuneration policy and framework as noted above. This will include being capped as a percentage of fixed remuneration and subject to achievement of pre-determined performance and time based vesting conditions with each hurdle having a specific weighting attached.

Company Performance

The remuneration policy has in the past been tailored to increase goal congruence between shareholders and Executives.

As the Company is an exploration company in the feasibility stage and emerging into development and production, it has no producing mines. As such measuring performance requires a pragmatic approach. The most meaningful measure of internal performance is against goals which have a project development focus as well in relation to safety, environment, sustainability and community. The most appropriate measure for external performance is a change in the share price. Set out below is the share price performance of the Company compared to the ASX S&P200 index for the preceding five year period.



	2008	2009	2010	2011	2012
Revenue	363,122	521,747	910,515	2,539,406	3,045,247
Net profit/(loss)	(3,131,136)	(2,326,376)	(3,156,935)	(8,931,774)	(5,876,519)
Share Price	$0.37	$0.28	$0.81	$1.81	$0.68
Dividends	Nil	Nil	Nil	Nil	Nil

Under the new remuneration framework, the policy of linking remuneration with company performance will continue and will be achieved by rewarding Executives with STIs who meet pre-determined "stretch performance" targets based on short-term internal critical goals for the Company achieved over a 12 month timeframe. In addition, Executives will only be vested with LTIs upon achievement of longer-term internal strategic goals and shareholder return measured throughout a three year vesting period.

G. Details of Remuneration

Details of the remuneration of the Director's and KMP of the Company are set out in the following table. There have been no changes to the below named KMP since the end of the reporting period, unless noted.

	Short-term Benefits				Post Employment	Securities Issued	Total
	Cash Salary	Incentives	Consulting Fees	Other Amounts[7]	Superannuation	Options	$
2012							
Non-Executive Directors							
Mr M Ashton	120,000	-	-	10,498	-	-	130,498
Mr D Murcia	75,000	-	-	10,498	-	-	85,498
Mr D Netherway	75,000	-	-	10,498	-	-	85,498
Executive Director							
Mr S Parsons	500,000	250,000	-	10,498	67,500	-	827,998
Key Management Personnel							
Mr S Zaninovich[1]	103,010	-	-	6,776	3,365	-	113,151
Mr T Holt[2]	268,846	12,500	-	4,343	25,321	364,077[8]	675,087
Mr A Eastwood[3]	50,769	-	-	1,247	4,569	-	56,585
Mr M Bowles	300,000[9]	75,000	-	-	33,745	-	408,745
Total Remuneration	1,492,625	337,500	-	54,358	134,500	364,077	2,383,060
2011							
Non-Executive Directors							
Mr M Ashton	125,000	-	27,000	4,421	-	902,247	1,058,668
Mr D Murcia	75,000	-	-	4,421	-	601,498	680,919
Mr S Zaninovich	75,000	-	7,500	4,421	-	601,498	688,419
Mr D Netherway	54,808	-	-	326,909[4]	-	601,498	983,215
Executive Director							
Mr S Parsons	497,445	275,000	-	4,421	69,520	2,405,991	3,252,377
Key Management Personnel							
Mr M Fox[5]	163,000	16,300	-	-	16,137	287,089	482,526
Mr B Dunnachie[6]	75,000	15,000	-	26,873	2,396	143,545	262,814
Mr M Bowles	274,189	43,896	-	-	28,628	1,263,193	1,609,906
Total Remuneration	1,339,442	350,196	34,500	371,466	116,681	6,806,559	9,018,844

1. Mr Zaninovich was appointed Chief Operating Officer on 22 May 2012. On the same date, he tendered his resignation as a Non-Executive Director. Remuneration for the 2012 financial year reflects the total remuneration to Mr Zaninovich as both a Non-Executive Director and Chief Operating Officer.
2. Mr Holt commenced employment as CFO on 1 August 2011 and was appointed a Company Secretary on 5 October 2011. He resigned as Company Secretary on 1 May 2012.
3. Mr Eastwood commenced employment as General Counsel on 16 April 2012 and was appointed Company Secretary on 1 May 2012.
4. Mr Netherway was appointed Non-Executive Director on 1 October 2010. Prior to 1 October 2010, Mr Netherway was CEO of Shield Mining Limited, a company controlled by Gryphon Minerals. Payments reflected within 'Other' include salary and wages and statutory termination payments (accrued annual leave) relating to his position as CEO of Shield for the period 5 August 2010 until his resignation as CEO of Shield on 30 September 2010.
5. Effective 1 July 2011, Mr Fox ceased to be defined as a member of the key management personnel team.
6. Effective 1 August 2011, Mr Dunnachie resigned as Acting CFO of Gryphon upon the appointment of Mr Tim Holt. On 1 May 2012, Mr Dunnachie resigned as Company Secretary. Effective 1 July 2011, Mr Dunnachie ceased to be defined as a member of the key management personnel team.
7. Other amounts relate to fees paid to insure Directors and officers of the Company and its controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officer of entities in the Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings.
8. The amount shown is determined by reference to a Black Scholes valuation at an exercise price of $1.80. The underlying intrinsic value as at 30 June 2012 is in all likelihood significantly lower than the amount calculated, given that the closing share price at 30 June 2012 was 68 cents.
9. Mr Bowles' pay increase to $300,000 became effective in the 2011 financial year.

12. Audited Remuneration Report (continued)

H. Details of Share Based Compensation

The terms and conditions for each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Vesting and Exercise Date	Expiry Date	Exercise Price	Value Per Option at Grant Date	Performance Achieved	% Vested
4 July 2011	4 July 2011	10 Oct 2013	$1.80	$0.728	Vest upon issue	100%

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of Gryphon Minerals Limited.

Details of options over ordinary shares in the Company provided as remuneration to each Director and KMP are set out below. Further information on the options is set out in note 19(d) to the financial statements.

Name	Options Granted During the Year	Value of Options at Grant Date[1]	Options Vested During the Year	Options Lapsed During the Year	Value at Lapse Date[2]
Mr Tim Holt	500,000	364,077	500,000	-	-

1. The value at grant date is calculated in accordance with AASB 2 *Share Based Payments* of options granted during the year as part of remuneration.
2. The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Details of ordinary shares in the Company provided as a result of the exercise or disposal of remuneration options to each Director and member of the key management personnel team during the year are set out below:

Name	Date of Exercise or Disposal	Amount Paid Per Share ($)	Number of Options Exercised or Disposed	Value at Exercise or Disposal Date ($)[1]
Mr M Bowles	30 Sep 11	$0.48	200,000	164,000

1. Refers to the underlying intrinsic value of the options at exercise/disposal date.

I. Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement in the form of a letter of appointment. The letter sets out the Company's policies and terms including compensation relevant to the Director.

Remuneration and other key terms of employment for the Managing Director, Chief Operating Officer and other KMP are formalised in service agreements for each Executive. The agreements provide for payment of fixed remuneration, performance related cash bonuses where applicable, other allowances and participation in the Company's performance based STI and LTI plans.

As part of the remuneration review, the Managing Director agreed to variations to his service contract to ensure alignment with market practice. This included Mr Parson's agreeing to release the Company from certain existing contractual obligations of the Company in the service contract to pay performance bonuses related to resource and reserve growth which the parties have agreed will come to an end at 31 December 2012. Thereafter those obligations will cease and Mr Parsons will move onto the new remuneration framework for Executives as stated in this report. This approach sought to address shareholder concerns about remuneration, but at the same time recognised that the Company is legally required to honour its contractual commitments to the Managing Director.

In accordance with section 300A of the Corporations Act, details of the agreements for each KMP are summarized below:

Executive	Term of Agreement	Base Salary $	Notice Period by Employee	Termination Benefit
S Parsons	No fixed term	$500,000	3 Months	12 Months
S Zaninovich	No fixed term	$360,000	3 Months	12 Months
T Holt	No fixed term	$300,000	3 Months	3 Months
A Eastwood	No fixed term	$300,000	3 Months	12 Months
M Bowles	No fixed term	$300,000	3 Months	3 Months

Details quoted are for the year ended 30 June 2012; base salaries and contractual entitlements are reviewed annually by the Remuneration Committee.

All service agreements for KMP provide for immediate termination for circumstances involving gross misconduct, willful neglect, serious or persistent breach of the agreement.

Termination payments are payable on early termination by the Company other than for cause such as gross misconduct, willful neglect, serious or persistent breach of the agreement and unless otherwise indicated are equal to the base salary for the notice period.

J. Peer Groups

The Company has adopted two peer groups, one being for benchmarking Executive remuneration ("Remuneration Peer Group") and the other for benchmarking TSR performance ("Performance Peer Group").

Selection of the Performance Peer Group was based on the size, nature and stage of development for each peer company. Considerations for inclusion within the Performance Peer Group were given to:

- Companies who are primarily focussed on gold exploration or gold project development;
- Companies with a similar geographic location of project areas and/or similar sovereign or country risk profiles;
- Companies who are listed on both ASX and the Toronto Stock Exchanges (TSX);
- Companies who are currently, or expected to be at a development stage in the future who meet the above criteria; or
- Companies currently in production which are of a similar size to Gryphon's forecast production profile.

Companies within the Performance Peer Group are currently set at:

Regis Resources Ltd	Discovery Metals Ltd	Azumah Resources Ltd
Perseus Mining Ltd	Beadell Resources Ltd	Endeavour Mining Corporation
Medusa Mining Ltd	Saracen Mineral Holdings Ltd	Keegan Resources Inc.
Resolute Mining Ltd	Integra Mining Ltd	Orezone Gold Corporation
Kingsgate Consolidated Ltd	Intrepid Mines Ltd	PMI Gold Corporation
Silverlake Resources Ltd	Noble Mineral Resources Ltd	Volta Resources Inc.
CGA Mining Ltd	Ampella Mining Ltd	

There are five reserve companies in the Performance Peer Group that will take the place of any company that departs the primary group.

12. Audited Remuneration Report (continued)

The Remuneration Peer Group was selected based on the size, nature and stage of development for each peer company. Considerations for inclusion within the Remuneration Peer Group were given to:

- Companies who are primarily focussed on gold exploration or gold project development;
- Companies with a similar geographic location of project areas and/or similar sovereign risk profiles;
- Companies who are listed on ASX only;
- Companies who are currently or expected to be at a development stage in the future who meet the above criteria; or
- Companies currently in production which are of a similar size to Gryphon's forecast production profile.

TSX companies were not included in the Remuneration Peer Group due to remuneration structures in the North American markets being materially different to ASX companies.

Companies within the Remuneration Peer Group are currently:

Regis Resources Ltd	Silver Lake Resources Ltd	Integra Mining Ltd
Perseus Mining Ltd	CGA Mining Ltd	Intrepid Mines Ltd
Medusa Mining Ltd	Discovery Metals Ltd	Noble Mineral Resources Ltd
Resolute Mining Ltd	Beadell Resources Ltd	Ampella Mining Ltd
Kingsgate Consolidated Ltd	Saracen Mineral Holdings Ltd	Azumah Resources Ltd

There are five reserve peer companies that will take the place of any company that departs the primary group.

K. Remuneration Consultants

During the year ended 30 June 2012 the Company's Remuneration Committee engaged the services of PricewaterhouseCoopers (PwC) to review the revised remuneration policy and framework for FY13 and provide advice on how it compared to market practice. No remuneration recommendations, as defined in the Corporations Act, were made by PwC as part of their engagement.

This is the end of the audited Remuneration Report.

13. Shares Under Option

Unissued ordinary shares of Gryphon Minerals Ltd under option at the date of this report are as follows:

Expiry date	Issue price of shares	Number under option
10 October 2013	$1.80	5,700,000
24 November 2013	$1.80	8,500,000
18 January 2014	$2.20	300,000
23 May 2014	$1.90	500,000
3 August 2014	$1.96	150,000
4 July 2015	$1.80	1,000,000

14. Shares Issued on the Exercise of Options

The following ordinary shares of Gryphon Minerals Ltd were issued during the year ended 30 June 2012 on the exercise of options granted under the Gryphon Employee Incentive Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options issued	Issue price of shares	Number of shares issued
16 October 2009	$0.48	200,000
1 April 2010	$0.69	100,000

15. Insurance of Officers

During the financial year, Gryphon Minerals Limited paid a premium of $60,698 (2011: $25,238) to insure the Directors and officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

16. Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Report (Continued)

17. Auditor, Auditor's Independence & Non-Assurance Services

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 53. In 2012 $7,700 was paid or payable to the auditors for non-assurance services performed during the year ended (2011: nil).

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Refer to note 20 of the financial statements for fees paid to the auditors for both assurance and non-assurance services.

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

18. Rounding of Amounts

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

This report of the Directors incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.

Stephen Parsons
Managing Director

Perth, Western Australia, 26 September 2012

Competent Person's Statement
The information in this report that relates to Exploration Results is based on information compiled by Mr Sam Brooks who is a member of the Australian Institute of Geoscientists. Mr Brooks is a full time employee of the Company. Mr Brooks has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brooks consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Dmitry Pertel, who is a member of the Australian Institute of Geoscientists. Mr. Pertel is an employee of CSA Global Pty. Ltd. Mr. Pertel has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Pertel consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to mining engineering has been compiled by Mr Stuart Cruickshanks, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Cruickshanks is a full time employee of the C`ompany. Mr Cruickshanks 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 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.
Mr Cruickshanks consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's Independence Declaration

for the year ended 30 June 2012

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

26 September 2012

The Directors
Gryphon Minerals Limited
Freemasons Hall
181 Roberts Road
Subiaco WA 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF GRYPHON MINERALS LIMITED

As lead auditor of Gryphon Minerals Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

BRAD MCVEIGH
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Financial Statements
for the year ended 30 June 2012

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Gryphon Minerals Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

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

Gryphon Minerals Limited
Freemasons Hall
181 Roberts Road
Subiaco WA 6008

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 26 September 2012. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.gryphonminerals.com.au.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

		Consolidated	
	Notes	30 June 2012 $'000	30 June 2011 $'000
Revenue from continuing operations			
Revenue	5	3,043	2,539
Other income	6	2	4,841
		3,045	**7,380**
Expenditure			
Administration expense	7	(3,408)	(2,382)
Consultancy expense		(473)	(1,109)
Employee benefits expense		(2,697)	(2,427)
Share based payment expense		(722)	(8,653)
Occupancy expense		(258)	(213)
Compliance and regulatory expense		(190)	(103)
Insurance expense		(197)	(137)
Depreciation expense	7	(159)	(159)
Exploration written off	13	(818)	(1,129)
		(8,922)	**(16,312)**
Loss before income tax		**(5,877)**	**(8,932)**
Income tax expense	8	-	-
Loss for the year attributable to owners		**(5,877)**	**(8,932)**
Other comprehensive income			
Changes in the fair value of financial assets		(751)	(2,189)
Exchange differences on translation of foreign operations		56	546
Total comprehensive loss for the year		**(695)**	**(1,643)**
Total comprehensive loss for the year attributable to owners		**(6,572)**	**(10,575)**
Basic loss per share (cents per share)		(1.8)	(3.2)
Diluted loss per share (cents per share)		N/A	N/A

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2012

		Consolidated	
	Notes	30 June 2012 $'000	30 June 2011 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	46,219	50,431
Trade and other receivables	10	1,214	1,190
Financial assets	11	187	185
Total Current Assets		**47,620**	**51,806**
Non-Current Assets			
Trade and other receivables	10	153	235
Financial assets	11	21,075	6,735
Property, plant and equipment	12	2,112	955
Exploration and evaluation expenditure	13	124,145	73,295
Total Non-Current Assets		**147,485**	**81,220**
Total Assets		**195,105**	**133,026**
LIABILITIES			
Current Liabilities			
Trade payables	14	8,579	3,046
Other payables	14	3,918	1,131
Total Current Liabilities		**12,497**	**4,177**
Non-Current Liabilities			
Provisions	15	416	82
Total Non-Current Liabilities		**416**	**82**
Total Liabilities		**12,913**	**4,259**
Net Assets		**182,192**	**128,767**
EQUITY			
Contributed equity	16	199,348	140,021
Reserves	18	8,371	8,396
Accumulated losses		(25,527)	(19,650)
Total Equity		**182,192**	**128,767**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Consolidated			
	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2010	57,434	2,049	(11,631)	47,852
Loss for the year	-	-	(8,932)	(8,932)
Fair value adjustment of financial assets	-	(2,189)	-	(2,189)
Exchange differences on foreign operations	-	546	-	546
Total comprehensive loss for the year	-	(1,643)	(8,932)	(10,575)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	81,714	-	-	81,714
Exercise of employee options	873	(873)	-	-
Acquisition of non-controlling interest	-	-	913	913
Share based payment transactions	-	8,863	-	8,863
	82,587	7,990	913	91,490
Balance at 30 June 2011	**140,021**	**8,396**	**(19,650)**	**128,767**
Balance at 1 July 2011	140,021	8,396	(19,650)	128,767
Loss for the year	-	-	(5,877)	(5,877)
Fair value adjustment of financial assets	-	(751)	-	(751)
Exchange differences on foreign operations	-	56	-	56
Total comprehensive loss for the year	-	(695)	(5,877)	(6,572)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	59,275	-	-	59,275
Exercise of employee options	52	(52)	-	-
Share based payment transactions	-	722	-	722
	59,327	670	-	59,997
Balance at 30 June 2012	**199,348**	**8,371**	**(25,527)**	**182,192**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Notes	Consolidated 30 June 2012 $'000	Consolidated 30 June 2011 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(6,160)	(5,840)
Interest received		3,078	2,365
Net cash used in operating activities	25	**(3,082)**	**(3,475)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,343)	(320)
Net cash acquired on acquisition of subsidiary		-	4,333
Payments for the acquisition of financial assets		(15,091)	(1,924)
Exploration and evaluation expenditure		(43,970)	(19,230)
Net cash used in investing activities		**(60,404)**	**(17,141)**
Cash flows from financing activities			
Proceeds from the issue of shares		62,621	54,452
Payments for the cost of issuing shares		(3,347)	(2,744)
Net cash provided by financing activities		**59,274**	**51,708**
Net increase (decrease) in cash and cash equivalents		**(4,212)**	**31,092**
Cash and cash equivalents at the beginning of the period		50,431	19,339
Cash and cash equivalents at the end of the period	9	**46,219**	**50,431**

Amounts shown above relating to payments to suppliers and employees and receipts from management fees include goods and services tax. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements cover Gryphon Minerals as a consolidated entity consisting of Gryphon Minerals Limited and the entities it controlled from time to time during the year ("Gryphon", "Company", "Group" or "Consolidated Entity").

(a) Basis of reparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Gryphon Minerals Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Gryphon Minerals Ltd also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

AASB 9 specifies the basis for classifying and measuring financial assets. AASB 9 replaces the classification and measurement requirements relating to financial assets in AASB 139 Financial Instruments: Recognition and measurement. The Group has early adopted AASB 9 effective 1 July 2011, a summary of the accounting policies in relation to AASB 9 are set out below.

The Company recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified as either held for trading or at fair value through equity. This classification is based on the objective of the Company's business model for managing the financial assets and the characteristics of the contractual cash flows. Fair value movements during the period for financial assets designated as held for trading are realised through profit and loss. Fair value movements during the period on assets designated as fair value through equity are realised through other comprehensive income.

Dividends from financial assets are included in profit or loss regardless of whether the election has been made to recognise movements in fair value in other comprehensive income.

On disposal, in contrast to AASB 139, the cumulative gains or losses recognised on investments held through equity over the period the Company held the financial asset are transferred directly to retained earnings/ accumulated losses and are not permitted to be recognised in profit or loss. Financial assets held as fair value through equity are no longer required to be assessed for impairment.

The Company has reclassified amounts relating to financial assets previously accounted for as held for

1. Summary of Significant Accounting Policies (Continued)

(a) Basis of reparation (Continued)

trading or at fair value through equity. This change in classification has been applied retrospectively and has had no impact on the carrying values of any financial assets currently or previously held, and no impact on the fair value movements of financial assets in profit and loss or other comprehensive income in the current or previous periods. This reclassification of amounts previously disclosed has been applied for both periods presented.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss or comprehensive income, certain classes of property, plant and equipment and investment property.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gryphon Minerals Ltd as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated upon consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. Summary of Significant Accounting Policies (Continued)

(b) Principles of consolidation (Continued)

(i) Subsidiaries (Continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Joint ventures

Joint venture entities

A joint venture entity is an entity in which the Group holds a long-term interest and which is jointly controlled by the consolidated entity and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

Jointly controlled assets

The Group may have certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that the policies are those of the participants and not a separate entity carrying on a trade or a business of its own.

The financial statements of the Group include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Group's interest in the joint venture operations.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Gryphon Minerals Ltd.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

1. Summary of Significant Accounting Policies (Continued)

(b) Principles of consolidation (Continued)

(iii) Changes in ownership interests (Continued)

If the ownership interest in a jointly-controlled entity is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Gryphon Minerals Ltd's functional and presentation currency.

(ii) Transactions and balances

The foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of changes in comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of changes in comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets held at fair value through equity are recognised in other comprehensive income.

1. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- income and expenses for each income statement and the consolidated statement of comprehensive income presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1. Summary of Significant Accounting Policies (Continued)

(e) Revenue recognition (Continued)

(ii) Management revenue

Management revenue is recognised in the accounting period in which the services are rendered.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(h).

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1. Summary of Significant Accounting Policies (Continued)

(f) Income tax (Continued)

Gryphon Minerals Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2011. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements or notes to the financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1. Summary of Significant Accounting Policies (Continued)

(h) Impairment of assets

The goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1. Summary of Significant Accounting Policies (Continued)

(k) Investments and other financial assets

The Group classifies its financial assets as held for trading, financial assets held at fair value through equity, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets held for trading

A financial asset is classified as held for trading if it was acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Financial Assets held at fair value through equity

Financial Assets held at fair value through equity, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as fair value through equity if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iv) Financial assets - reclassification

The Group may choose to reclassify a non-derivative financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

1. Summary of Significant Accounting Policies (Continued)

(k) Investments and other financial assets (Continued)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Further increases in estimates of cash flows adjust effective interest rates prospectively. Effective interest rates for financial assets reclassified to the loans and receivables category are determined at the reclassification date.

(v) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On disposal the cumulative gains or losses recognised on investments held at fair value through equity over the period the Company held the financial assets are transferred directly to retained earnings/accumulated losses and are not permitted to be recognised in profit and loss.

(vi) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets held for trading and financial assets held at fair value through equity are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets held for trading are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets held for trading is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Details on how the fair value of financial instruments is determined are disclosed in note 2.

1. Summary of Significant Accounting Policies (Continued)

(k) Investments and other financial assets (Continued)

(vii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(l) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

• Plant and equipment - office	40.0%
• Plant and equipment - field	22.5%
• Motor vehicles	22.5%
• Furniture and equipment - office	20.0%
• Leasehold improvements	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When re-valued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

1. Summary of Significant Accounting Policies (Continued)

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits (Continued)

(ii) Other long-term employee benefit obligations (Continued)

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share based payments

The Company provides benefits to employees (including Directors) of the Company in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently an Employee Incentive Option Plan, which provides benefits to Directors and senior Executives. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model (or other acceptable valuation technique) that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of Gryphon Minerals Limited ('market conditions').

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Dividends

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

1. Summary of Significant Accounting Policies (Continued)

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Goods and Services Tax (GST)

Ordinary Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Rounding of amounts

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

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

1. Summary of Significant Accounting Policies (Continued)

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

AASB In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have an impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group does not have a Joint Arrangement and therefore this standard will have no impact.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

1. Summary of Significant Accounting Policies (Continued)

(u) New accounting standards and interpretations (Continued)

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iii) Interpretation 20 Stripping Costs in the Production Phase of a Production Mine

When this interpretation is adopted for the year ended 30 June 2014, stripping assets will be classified as part of the ore body to which the stripping activity relates. This asset will be depreciated over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

(v) Parent entity financial information

The financial information for the parent entity, Gryphon Minerals Ltd, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Gryphon Minerals Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Gryphon Minerals Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2011.

The head entity, Gryphon Minerals Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Gryphon Minerals Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

1. Summary of Significant Accounting Policies (Continued)

(v) Parent entity financial information (Continued)

(ii) Tax consolidation legislation (Continued)

The entities have also entered into a tax funding agreement from 1 July 2011 under which the wholly-owned entities fully compensate Gryphon Minerals Ltd for any current tax payable assumed and are compensated by Gryphon Minerals Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Gryphon Minerals Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Share based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Financial Instruments, Risk Management Objectives and Policies

Gryphon's principal financial instruments comprise cash and short-term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The consolidated entity also has other financial instruments such as trade debtors and trade creditors which arise directly from its operations.

The main risks arising from the consolidated entity's financial instruments are interest rate, foreign currency, price and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Market risk

(i) Foreign Exchange Risk

The Group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than the Group's measurement currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US Dollar (USD), British Pound (GBP), Euro (EUR), Mauritanian Ouguiya (MRO), Burkina Faso Cefa (XOF) and South African Rand (ZAR). The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

2. Financial Instruments, Risk Management Objectives and Policies (Continued)

The Group's material exposures to foreign currency risk at the end of the reporting period, expressed in Australian dollars, were as follows:

	30 June 2012					
	USD A$'000	EUR A$'000	GBP A$'000	XOF $'000	ZAR A$'000	MRO A$'000
Cash & cash equivalents	54	-	-	699	-	105
Trade payables	(5,266)	(994)	(140)	(692)	(23)	(84)
	(5,212)	(994)	(140)	7	(23)	21

	30 June 2011					
	USD A$'000	EUR A$'000	GBP A$'000	XOF $'000	ZAR A$'000	MRO A$'000
Cash & cash equivalents	-	-	-	59	-	3
Trade payables	(2,025)	(54)	(12)	(96)	(110)	(59)
	(2,025)	(54)	(12)	(37)	(110)	(56)

Sensitivity

The Group's main foreign exchange risk arises from cash and cash equivalents held in foreign currency denominated bank accounts, and trade and other payable amounts denominated in currencies other than the Group's functional currency. At 30 June 2012, and 30 June 2011 the Group's exposure to foreign currency risk is not considered material.

(b) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the consolidated statement of financial position either as held for trading or at fair value through equity. The Group is not exposed to commodity price risk. The majority of the Group's equity investments are publicly traded on the Australian Securities Exchange (ASX).

The table below summarises the impact of increases (decreases) of the ASX on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/(decreased) by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Impact on post-tax profit		Impact on other components of equity	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial assets (Held for trading) increase	66	19	66	19
Financial assets (Held for trading) decrease	(60)	(17)	(60)	(17)
Financial assets (Fair-valued through equity) increase	-	-	2,100	673
Financial assets (Fair-valued through equity) decrease	-	-	(1,909)	(612)

Post-tax profit for the year would increase (decrease) as a result of gains/losses on equity securities classified as held for trading. Other components of equity would increase (decrease) as a result of gains/losses on equity securities classified as fair-valued through equity. The price risk for unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

2. Financial Instruments, Risk Management Objectives and Policies (Continued)

(c) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of primarily only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. All cash equivalents are held with financial institutions with a credit rating of A1+ or above, with the exception of $357,916 (2011: $278,326) held with financial institutions with a credit rating of A, $698,919 (2011: $59,362) held with financial institutions with a credit rating of BBB+, and $18,691 (2011: $15,080) which is not rated. All trade and other receivables amounts are not rated.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

(d) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and financial assets are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration and development, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Consolidated Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of balance date.

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

2. Financial Instruments, Risk Management Objectives and Policies (Continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2012				
Financial assets (Held for trading)	187	-	-	187
Financial assets (Fair-valued through equity)	21,075	-	-	21,075
Total fair value assets	21,262	-	-	21,262
2011				
Financial assets (Held for trading)	185	-	-	185
Financial assets (Fair-valued through equity)	6,735	-	-	6,735
Total fair value assets	6,920	-	-	6,920

The fair value of financial instruments traded in active markets (such as publicly traded equities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the closing bid price as at the date of the consolidated statement of financial position. These instruments are classified as level 1 financial assets. The Group has no other financial instruments for which fair value is derived without reference to unadjusted quoted prices in an active market for identical assets. There have been no changes or transfers of financial assets or liabilities between levels 1, 2 or 3 by the Group during the current financial year.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Deferred exploration and evaluation expenditure

Deferred exploration and evaluation expenditure is carried forward where right of tenure of the area of interest is current. This expenditure is carried forward in respect of an area that, at reporting date, has not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The ultimate recoupment of expenditure carried forward for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas. Refer to note 13 for further details.

(b) Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 27.

3. Critical Accounting Estimates and Judgements (Continued)

(c) Environmental issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors' understanding thereof. At the current stage of the Group's development and its current environmental impact the Directors believe such treatment is reasonable and appropriate.

(d) Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of Directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that Directors' best estimate, pending an assessment by the Australian, Burkina Faso and Mauritanian Taxation Offices.

4. Segment Information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the Board of Directors.

Based upon the current operations of Gryphon, the Board has identified four operating segments; being exploration for mineral resources within Burkina Faso, Mauritania, Regional and the Corporate/Head Office function.

The amounts provided to the Board of Directors with respect to total assets and profit and loss are measured in a manner consistent with that of the financial statements. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

4. Segment Information (Continued)

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments is as follows:

			Exploration		
	Burkina Faso $'000	Mauritania $'000	Regional $'000	Corporate $'000	Total $'000
Year ended 2012					
Interest revenue	-	-	-	3,043	3,043
Total segment revenue	-	-	-	3,043	3,043
Depreciation and amortisation expense	-	(61)	-	(98)	(159)
Total segment loss before income tax	(789)	(388)	(40)	(4,660)	(5,877)
Year ended 2011					
Interest revenue	-	-	-	2,539	2,539
Total segment revenue	-	-	-	2,539	2,539
Depreciation and amortisation expense	(47)	(45)	-	(67)	(159)
Revaluation of financial assets	-	-	-	(13)	(13)
Total segment profit/(loss) before income tax	(65)	(1,220)	4,739	(12,386)	(8,932)
Total segment assets					
30 June 2012	87,854	39,344	-	67,907	195,105
30 June 2011	44,328	30,192	-	58,506	133,026
Total segment liabilities					
30 June 2012	3,691	179	-	9,043	12,913
30 June 2011	2,692	434	17	1,116	4,259

(c) Measurement of segment information

All information presented in part (b) above is measured in a matter consistent with that in the financial statements.

(d) Segment revenue

No inter-segment sales occurred during the current or previous financial year. The entity is domiciled in Australia. No revenue was derived from external customers in countries other than the country of domicile. Revenues of $3,043,311 (2011: $2,539,406) were derived from two Australian financial institutions during the year. These revenues are attributable to the corporate segment.

(e) Reconciliation of segment information

Total segment revenue, total segment profit/(loss) before income tax, total segment assets and total segment liabilities as presented in part (b) above, equal total entity revenue, total entity profit/(loss) before income tax, total entity assets and total entity liabilities respectively, as reported within the financial statements.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

5. Revenue

	Consolidated	
	2012 $'000	2011 $'000
Revenue from continuing operations		
Interest received	3,043	2,539
Total revenue from continuing operations	3,043	2,539

6. Other Income

	Consolidated	
	2012 $'000	2011 $'000
Other income		
Profit on divestment of project areas	-	4,828
Revaluation of financial assets at fair value through profit and loss	2	13
Total other income	2	4,841

7. Expenses

	Consolidated	
	2012 $'000	2011 $'000
(a) Depreciation of non-current assets		
Plant and equipment – office	77	46
Plant and equipment – field	211	56
Motor vehicles	142	119
Furniture and Equipment - office	29	14
Leasehold improvements	18	17
Total depreciation	477	252
Capitalised depreciation	(318)	(93)
Total depreciation expense	159	159
(b) Other costs		
Superannuation	239	219
Finance charges paid and/or payable	27	18
Total other costs	266	237
(c) Foreign exchange losses		
Foreign exchange losses	725	265
Total foreign exchange losses	725	265

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

8. Income Tax Expense

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Total income tax expense	-	-
Deferred income tax expense included in income tax expense comprises:		
(Decrease)/Increase in deferred tax assets (note 8(d))	(13,401)	5,728
Decrease/(Increase) in deferred tax liabilities (note 8(e))	13,401	(5,728)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(5,877)	(8,932)
Tax at tax rate of 30% (2011: 30%)	(1,763)	(2,680)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	217	2,596
Tax deductions for capital raising costs in equity	(161)	-
Other non-deductible amounts	836	67
Adjustments for current tax of prior periods	-	(55)
Adjustment in respect of global tax rate differences	18	84
Adjustment in respect of forex differences	270	-
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(341)
Deferred tax assets not brought to account	583	329
Income tax expense	-	-
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	16,439	22,671
Potential tax benefit at 30%	4,932	6,801
(d) Deferred tax assets		
Tax losses - Australian	4,122	12,340
Tax losses - non-Australian	863	916
Provisions for loans - capital	355	-
Provisions - employee entitlements	205	132
Accruals	11	22
Depreciable plant & equipment	21	-
Investments and financial assets	928	-
Other timing differences	-	315
	6,505	13,725
Deffered tax assets not recognised	(6,181)	-
Deffered tax assets recognised at 30 June	324	13,725
Offset against deferred tax liability (note 8(e))	(324)	(13,725)
Net deferred tax assets	-	-

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

8. Income Tax Expense (Continued)

	Consolidated	
	2012 $'000	2011 $'000
(e) Deferred tax liabilities		
Depreciable plant & equipment	(54)	-
Exploration, evaluation and development assets	(270)	(13,646)
Other	-	(79)
	(324)	(13,725)
Offset by deferred tax assets (note 8(d))	324	13,725
Net deferred tax liabilities	-	-

The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable non-permanent differences

9. Cash & Cash Equivalents

	Consolidated	
	2012 $'000	2011 $'000
(a) Total cash & cash equivalents		
Cash at bank & in hand	10,170	6,344
Deposits at call	36,049	44,087
Total cash & cash equivalents	46,219	50,431

(b) Cash at bank

Cash in hand is non-interest bearing. Cash at bank bears floating interest rates between 0.00% and 4.00% (2011: between 0.00% and 5.50%)

(c) Deposits at call

Deposits at call bear interest rates between 4.20% and 5.12% (2011: between 5.50% and 6.03%)

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

10. Trade & Other Receivables

	Consolidated	
	2012 $'000	2011 $'000
(a) Current		
Receivables	628	788
Prepayments	586	402
Total current trade and other receivables	1,214	1,190
(b) Non-current		
Deposits	153	235
Total non-current trade and other receivables	153	235

Further information relating to credit risk and interest rate risk can be found at Note 2. Carrying values shown above also constitutes fair value of all receivable amounts. Included within 2011 non-current deposits is $80,000 relating to a financial guarantee for the Group's credit card facility. A total of $68,087 (2011: $87,278) included within current receivables is past due but considered to be recoverable.

11. Financial Assets

	Consolidated	
	2012 $'000	2011 $'000
(a) Current financial assets held for trading		
Opening balance	185	172
Acquisitions	-	-
Revaluation of financial assets held for trading	2	13
Disposals	-	-
Total current financial assets held for trading	187	185
(b) Non-current financial assets fair valued through equity		
Opening balance	6,735	2,000
Acquisitions (consideration for divestment of project areas)	-	5,000
Acquisitions	15,091	1,927
Revaluation of financial assets fair valued through equity	(751)	(2,189)
Disposals	-	(3)
Total non-current financial assets fair valued through equity	21,075	6,735

Changes in fair values of financial assets at fair value through profit and loss are recorded in other income or other expenses in the statement of comprehensive income.

Information about the Group's exposure to price risk associated with the above financial assets is provided in note 2.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

12. Property, Plant & Equipment

	Plant & equipment - office $'000	Plant & equipment - field $'000	Motor vehicles $'000	Furniture and equipment - office $'000	Leasehold im-provements $'000	Assests Under Con-struction $'000	Total $'000
(a) Year ended 30 June 2011							
Opening net book amount	72	17	-	50	117	-	256
Acquisition of subsidiary	35	166	220	24	11	-	456
Additions	57	161	304	4	-	-	526
Disposals/write-offs	(9)	(6)	-	-	-	-	(15)
Depreciation charge	(46)	(56)	(119)	(14)	(17)	-	(252
Effects of exchange rates	(1)	(4)	(9)	(1)	(1)	-	(16)
Closing net book amount	108	278	396	63	110	-	955
At 30 June 2011							
Cost	305	510	885	145	223	-	2,068
Accumulated depreciation	(197)	(232)	(489)	(82)	(113)	-	(1,113)
Net book amount	108	278	396	63	110	-	955
(b) Year ended 30 June 2012							
Opening net book amount	108	278	396	63	110	-	955
Additions	159	775	158	120	86	341	1,639
Disposals/write-offs	-	-	-	-	-	-	-
Depreciation charge	(77)	(211)	(142)	(29)	(18)	-	(477)
Effects of exchange rates	-	(3)	(2)	-	-	-	(5)
Closing net book amount	190	839	410	154	178	341	2,112
At 30 June 2012							
Cost	463	1,282	1,040	265	310	341	3,701
Accumulated depreciation	(273)	(443)	(630)	(111)	(132)	-	(1,589)
Closing net book amount	190	839	410	154	178	341	2,112

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

13. Exploration & Evaluation Expenditure

	Consolidated	
	2012 $'000	2011 $'000
Non-current		
Opening balance	73,295	28,027
Exploration expenditure at cost	51,668	20,414
Exploration expenditure through acquisition	-	26,500
Impairment/provisions	(818)	(1,129)
Effect of exchange rates	-	(345)
Divestment of project areas	-	(172)
Total non-current exploration & evaluation expenditure	124,145	73,295

The ongoing carrying value of the Group's interest in exploration and evaluation expenditure is dependent upon:

- The continuance of the Group's rights to tenure of the areas of interest; and
- The results of future exploration and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) from indigineous peoples, contain sacred sites, or sites of significance to indigenous people. As a result, exploration properties or areas within the license areas may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

14. Trade & Other Payables

	Consolidated	
	2012 $'000	2011 $'000
Current		
Trade payables	8,579	3,046
Accrued employee benefits	282	357
Other payables	3,636	774
Total current trade and other payables	12,497	4,177

Amounts shown as current are expected to be settled within 12 months. Information relating to the Group's exposure to foreign exchange risk is provided in Note 2.

15. Provisions

	Consolidated	
	2012 $'000	2011 $'000
Non-current		
Accrued employee benefits	416	82
Total non-current provisions	416	82

16. Contributed Equity

	Consolidated			
	2012 Shares	2011 Shares	2012 $'000	2011 $'000
(a) Share capital				
Ordinary shares – fully paid	348,264,983	299,922,058	199,348	140,021
Total share capital	348,264,983	299,922,058	199,348	140,021

(b) Ordinary Shares
Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options
Information relating to options including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 17.

(d) Capital Management
The Group's objectives when managing capital are to ensure that the Group can continue as a going concern in order to provide benefits for shareholders and other stakeholders. Due to the nature of the Group's activities being mineral exploration, the primary source of funding to the activities is equity raisings. The focus for the Group's capital risk management is the current working capital position against the Group's requirements to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements with a view to raise capital when required. The working capital position of the Group at 30 June 2012 is as follows:

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents	46,219	50,431
Trade and other receivables	1,214	1,190
Trade and other payables	(12,215)	(3,820)
Working capital position	35,218	47,801

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

16. Contributed Equity (Continued)

			Consolidated	
	Date	Number of shares	Issue price $	$'000
(e) Movements in contributed equity				
Opening Balance 1 July 2010		216,231,598		57,434
Shield Mining Ltd Acquisition	09 Aug 10	16,991,710	0.82	13,848
Shield Mining Ltd Acquisition	12 Aug 10	1,363,349	0.82	1,117
Shield Mining Ltd Acquisition	17 Aug 10	6,562,933	0.86	5,654
Shield Mining Ltd option exercise	17 Aug 10	-	0.20	20
Shield Mining Ltd Acquisition	23 Aug 10	6,843,772	0.87	5,964
Shield Mining Ltd Acquisition	26 Aug 10	98,676	0.84	83
Shield Mining Ltd Acquisition	02 Sep 10	83,332	0.94	78
Option exercise	02 Sep 10	50,000	0.25	12
Placement	01 Oct 10	36,137,000	1.25	45,171
Option exercise	01 Oct 10	25,000	0.30	7
Option exercise	01 Oct 10	125,000	0.35	44
Shield Mining Ltd Acquisition	08 Oct 10	2,047,188	1.50	3,071
Option exercise	18 Oct 10	62,500	0.35	22
Option exercise	18 Oct 10	125,000	0.30	37
Option exercise	21 Oct 10	125,000	0.35	44
Share purchase plan	29 Oct 10	2,400,000	1.25	3,000
Option exercise	29 Nov 10	1,000,000	0.91	910
Placement	13 Dec 10	2,200,000	1.25	2,750
Option exercise	1 Feb 11	225,000	0.30	67
Option exercise	1 Feb 11	125,000	0.35	44
Option exercise	9 Mar 11	3,300,000	0.30	990
Option exercise	9 Mar 11	1,000,000	0.35	350
Option exercise	10 Mar 11	200,000	0.30	60
Option exercise	10 Mar 11	2,250,000	0.35	788
Option exercise	29 Apr 11	250,000	0.35	88
Option exercise	27 May 11	100,000	0.48	48
Option premium				873
Transaction costs for the year				(2,553)
Closing Balance 30 June 2011		299,922,058		140,021
Opening Balance 1 July 2011		299,922,058		140,021
Option exercise	30 Sep 11	200,000	0.48	96
Share placement	23 Nov 11	45,000,000	1.30	58,500
Share purchase plan	23 Nov 11	3,042,925	1.30	3,956
Option exercise	21 Mar 12	100,000	0.69	69
Option premium				52
Transaction costs for the year				(3,346)
Closing Balance 30 June 2012		348,264,983		199,348

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

17. Unlisted Share Options

Expiry date	Exercise price $	Balance at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable
(a) Consolidated 2012							
16 Oct 11	0.48	200,000	-	(200,000)	-	-	-
01 Apr 12	0.69	100,000	-	(100,000)	-	-	-
10 Oct 13	1.80	5,150,000	950,000	-	(250,000)	5,850,000	5,850,000
24 Nov 13	1.80	8,500,000	-	-	-	8,500,000	8,500,000
18 Jan 14	2.20	400,000	-	-	-	400,000	400,000
23 May 14	1.90	500,000	-	-	-	500,000	500,000
03 Aug 14	1.96	-	150,000	-	-	150,000	150,000
		14,850,000	1,100,000	(300,000)	(250,000)	15,400,000	15,400,000
Weighted average exercise price		$1.79	$1.82	$0.55	$1.80	$1.82	$1.82
(b) Consolidated 2011							
31 Aug 10	0.25	50,000	-	(50,000)	-	-	-
11 Jun 11	0.30	3,875,000	-	(3,875,000)	-	-	-
11 Jun 11	0.35	3,937,500	-	(3,937,500)	-	-	-
16 Oct 11	0.48	300,000	-	(100,000)	-	200,000	200,000
01 Apr 12	0.69	100,000	-	-	-	100,000	100,000
16 Aug 12	0.91	-	1,000,000	(1,000,000)	-	-	-
10 Oct 13	1.80	-	5,150,000	-	-	5,150,000	5,150,000
24 Nov 13	1.80	-	8,500,000	-	-	8,500,000	8,500,000
18 Jan 14	2.20	-	400,000	-	-	400,000	400,000
23 May 14	1.90	-	500,000	-	-	500,000	500,000
		8,262,500	15,550,000	(8,962,500)	-	14,850,000	14,850,000
Weighted average exercise price		$0.33	$1.76	$0.39	-	$1.79	$1.79

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.38 years (2011: 2.34 years).

Notes to the Consolidated Financial Statements (Continued)
for the year ended 30 June 2012

18. Reserves

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Option reserve		
Opening balance	10,039	2,049
Exercise of unlisted options	(52)	(873)
Unlisted options issued as remuneration during the year	722	8,863
Closing balance	10,709	10,039

The unlisted option reserve records items recognised on valuation of Director, employee and contractor share options. Information relating to the Gryphon Minerals Limited Employee Incentive Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in notes 17 and 19(d).

	2012 $'000	2011 $'000
(b) Financial asset revaluation reserve		
Opening balance	(2,189)	-
Revaluation of financial assets held at fair value through equity	(751)	(2,189)
Closing balance	(2,940)	(2,189)

Changes in the fair value and exchange differences arising on translation of investments, including financial assets held at fair value through equity are recognised in other comprehensive income as described in note 1(k) and accumulated in a separate reserve in equity. Amounts are reclassified to the statement of comprehensive income when the associated assets are sold or impaired.

	2012 $'000	2011 $'000
(c) Foreign exchange reserve		
Opening balance	546	-
Exchange differences arising on translation of foreign operations	56	546
Closing balance	602	546

The functional currency translation reserve records exchange difference arising on translation of the Company's foreign controlled subsidiaries. Amounts are recorded in other comprehensive income and are accumulated in a separate reserve within equity. Upon disposal of the foreign controlled operation the cumulative amount within the reserve is reclassified to profit and loss.

	2012 $'000	2011 $'000
(d) Total reserves		
Unlisted option reserve	10,709	10,039
Financial asset revaluation reserve	(2,940)	(2,189)
Foreign exchange reserve	602	546
Total reserves	8,371	8,396

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

19. Key Management Personnel Compensation

	Consolidated	
	2012	2011
(a) Summary of key management personnel remuneration		
Short-term employee benefits	1,830,125	1,724,138
Post-employment benefits	134,500	116,681
Other benefits	54,358	371,466
Long-term benefits	-	-
Share based payments	364,077	6,806,559
Total key management personal remuneration	2,383,060	9,018,844

(b) Loans to key management personnel
No loans were made to any Director or other key management personnel of the Group, including their personally related parties during the financial year.

(c) Other transactions with key management personnel
Information relating to other transactions with any Director or other key management personnel can be found at note 22.

Detailed remuneration disclosures are provided within the audited Remuneration Report which can be found in the Directors' Report.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

19. Key Management Personnel Compensation (Continued)

(d) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of Gryphon Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

	Balance at start of year	Granted as remuneration	Exercised	Disposed/Lapsed	Balance at the end of the year	Vested and exercisable
2012						
Directors of Gryphon Minerals Ltd						
Mr M Ashton	1,500,000	-	-	-	1,500,000	1,500,000
Mr S Parsons	4,000,000	-	-	-	4,000,000	4,000,000
Mr D Murcia	1,000,000	-	-	-	1,000,000	1,000,000
Mr D Netherway	1,000,000	-	-	-	1,000,000	1,000,000
Key management personnel						
Mr M Bowles	2,400,000	-	(200,000)	-	2,200,000	2,200,000
Mr T Holt	-	500,000	-	-	500,000	500,000
Mr A Eastwood	-	-	-	-	-	-
Mr S Zaninovich	1,000,000	-	-	-	1,000,000	1,000,000
	10,900,000	500,000	(200,000)	-	11,200,000	11,200,000
2011						
Directors of Gryphon Minerals Ltd						
Mr M Ashton	1,000,000	1,500,000	(700,000)	(300,000)	1,500,000	1,500,000
Mr S Parsons	3,500,000	4,000,000	(1,500,000)	(2,000,000)	4,000,000	4,000,000
Mr D Murcia	500,000	1,000,000	(250,000)	(250,000)	1,000,000	1,000,000
Mr S Zaninovich	-	1,000,000	-	-	1,000,000	1,000,000
Mr D Netherway	-	1,000,000	-	-	1,000,000	1,000,000
Key management personnel						
Mr M Fox[1]	250,000	500,000	(250,000)	-	500,000	500,000
Mr B Dunnachie[2]	62,500	250,000	-	(62,500)	250,000	250,000
Mr M Bowles	300,000	2,200,000	-	(100,000)	2,400,000	2,400,000
	5,612,500	11,450,000	(2,700,000)	(2,712,500)	11,650,000	11,650,000

1. Effective 1 July 2011 Mr Fox ceased to be defined as a member of the key management personnel team but continued to be employed by the Company.
2. Effective 1 August 2011 Mr Dunnachie ceased to be defined as a member of the key management personnel team but continued to be employed by the Company until his resignation on 1 August 2012.

19. Key Management Personnel Compensation (Continued)

(e) Share holdings

The number of shares in the Company held during the financial year by each Director of Gryphon Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the period as compensation.

	Balance at the start of the year	Received on exercise of options	Acquisitions/(disposals)	Balance at the end of the year
2012				
Directors				
Mr M Ashton	1,500,000	-	-	1,500,000
Mr S Parsons	6,990,601	-	-	6,990,601
Mr D Murcia	402,173	-	-	402,173
Mr D Netherway	1,847,374	-	-	1,847,374
Key Management Personnel				
Mr M Bowles	-	200,000	(200,000)	-
Mr T Holt	-	-	4,310	4,310
Mr A Eastwood	-	-	-	-
Mr S Zaninovich	-	-	-	-
	10,740,148	200,000	(195,690)	10,744,458
2011				
Directors				
Mr M Ashton	800,000	700,000	-	1,500,000
Mr S Parsons	5,490,601	1,500,000	-	6,990,601
Mr D Murcia	150,000	250,000	2,173	402,173
Mr S Zaninovich	-	-	-	-
Mr D Netherway	1,845,201[1]	-	2,173	1,847,374
Key Management Personnel				
Mr M Fox[2]	-	250,000	(250,000)	-
Mr B Dunnachie[3]	-	-	-	-
Mr M Bowles	-	-	-	-
	8,285,802	2,700,000	(245,654)	10,740,148

1. Shares held by Mr Netherway upon his appointment as a Director of the Company on 1 October 2010.
2. Effective 1 July 2011 Mr Fox ceased to be defined as a member of the key management personnel team but continued to be employed by the Company.
3. Effective 1 August 2011 Mr Dunnachie ceased to be defined as a member of the key management personnel team but continued to be employed by the Company until his resignation on 1 August 2012.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

20. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2012 $'000	2011 $'000
(a) BDO		
Assurance services	48	47
Non-assurance services	8	-
Total remuneration of BDO	56	47
(b) Network firms of BDO		
Assurance services	23	19
Total remuneration of network firms of BDO	23	19

BDO Audit (WA) Pty Ltd is the appointed auditor of Gryphon Minerals Ltd. A network firm of BDO, BDO Senegal, is also engaged to perform audit and review procedures for various subsidiaries located in West Africa.

21. Contingent Liabilities

Net Smelter Royalty

In 2008 Gryphon finalised the 100% acquisition of the Banfora Gold Project. Pursuant to this agreement Sanembaore Sarl Pty Ltd (the acquiree) retained a one percent net smelter royalty on all Banfora production.

Internal Fiscal Review

The Company is conducting a voluntary internal review of historical taxation and fiscal compliance. The review is not complete nor at a stage to reliably determine the outcome of this internal compliance program. This review may or may not lead to costs being incurred by the Company.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

22. Related Party Transactions

(a) Parent entity

The ultimate parent entity of the Group is Gryphon Minerals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

(d) Transactions with Director related entities

	Consolidated	
	2012 $'000	2011 $'000
Recharges to Director related entities:		
Recharge of costs to Venture Minerals Ltd	198	218
Recharge of costs to Renaissance Minerals Ltd	187	100
Recharge of costs to Avonlea Minerals Ltd	105	194
Recharge of costs to Black Peak Holdings Pty Ltd	18	-
Recharge of costs to Allos Property Group	3	-
Recharge of costs to Alicanto Minerals Ltd	15	238
Purchases from Director relates entities:		
Purchases for rent and variable outgoings from Allos Property Group	268	246
Purchases for legal services from Murcia Pestell Hillard Lawyers	6	19
Purchases for consulting services from Lycopodium Minerals Pty Ltd	1,137	-
Recharge of shared costs from Venture Minerals Ltd	10	5
Recharge of shared costs from Renaissance Minerals Ltd	12	38
Recharge of shared costs from Avonlea Minerals Ltd	-	1
Participation in capital raising for Renaissance Minerals Ltd	2,200	371
Outstanding balances arising from recharges/purchases with Director related parties:		
Current receivables (recharged expenditure)	114	139
Current payables (recharged expenditure)	21	2

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(e) Terms & conditions of related party transactions

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding[1] 2012 (%)	2011 (%)
Gryphon Minerals West Africa Pty Ltd	Australia	Ordinary	100	100
Gryphon Minerals Burkina Faso Pty Ltd	Australia	Ordinary	100	100
Espial Minerals Pty Ltd	Australia	Ordinary	100	100
Gryphon Uranium Pty Ltd	Australia	Ordinary	100	100
Espial Holdings Pty Ltd	Australia	Ordinary	100	100
Gryphon (Shield) Mining Ltd[2]	Australia	Ordinary	100	100
BF Minerals Pty Ltd	Australia	Ordinary	100	100
Gryphon Mauritania Holdings Ltd[3]	Isle of Man	Ordinary	100	100
Gryphon Saboussiri Holdings Ltd[4]	Isle of Man	Ordinary	100	100
Shield Mining Mauritania SA	Mauritania	Ordinary	100	100
Shield Saboussiri Mining Mauritania SA	Mauritania	Ordinary	60	60
Gryphon Minerals Côte d'Ivoire Sarl	Côte d'Ivoire	Ordinary	100	100

1. Ownership interest is directly proportionate to voting interest.
2. Previously Shield Mining Limited pursuant to a name change effected on 11 April 2012
3. Previously Shield Holdings Limited pursuant to a name change effected on 9 November 2012
4. Previously Shield Saboussiri Holdings Limited pursuant to a name change effected on 9 November 2012

24. Events Occurring After the Reporting Period

Subsequent to year end the Company announced an upgrade in the independent global resource estimate at the Banfora Gold Project from 2.0Moz to 4.5Moz gold which included a Measured and Indicated resource of 31.4Mt @ 2.2g/t for 2.2Moz gold and a maiden Inferred resource estimate of 49.2Mt @ 0.6g/t for 0.93Moz gold for the potential heap leach material at the Nogbele gold deposit.

There have been no other events subsequent to the end of the financial year.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

25. Cash Flow Information

	Consolidated	
	2012 $'000	2011 $'000
Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax:		
Loss from ordinary activities after income tax	(5,877)	(8,932)
Depreciation	159	174
Share based payments	722	8,863
Unrealised gain on investment	(2)	(13)
Divestment of tenements	-	(4,828)
Exploration written off	818	1,128
Foreign exchange losses	725	203
(Increase)/decrease in operating receivables & prepayments	57	(571)
Increase/(decrease) in trade and other payables	316	501
Net cash (outflows) from operating activities	(3,082)	(3,475)

26. Earnings Per Share (EPS)

	Consolidated	
	2012	2011
(a) Earnings/(loss)		
Earnings/(loss) used in the calculation of basic EPS	($5,876,519)	($8,931,774)
(b) Weighted average number of ordinary shares (WANOS)		
WANOS used in calculation of basic earnings per share	329,057,246	278,698,238

Diluted earnings per share is not shown or calculated as the Company is in a loss position.

27. Share Based Payments

The Employee Incentive Option Plan was approved by shareholders on 30 November 2010. The purpose of the plan is to give employees, Directors, executive officers and consultants of the Company an opportunity, in the form of options, to subscribe for ordinary shares in the Company.

The weighted average fair value of the options granted during the year was 65.64 cents (2011: 57.82 cents). The price was calculated by using the black scholes valuation technique applying the following inputs:

- Weighted average exercise price (cents) 182.18 (2011: 175.63)
- Weighted average life of the option (years) 2.29 (2011: 2.93)
- Weighted average underlying share price (cents) 169.55 (2011: 142.2)
- Expected share price volatility 65% (2011: 65%)
- Risk free interest rate between 3.13% and 4.50% (2011: between 4.33% and 5.20%)
- The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was $1.24 (2011: $1.64)

Notes to the Consolidated Financial Statements (Continued)

for the year ended 30 June 2012

27. Share Based Payments (Continued)

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate. The life of the options is based on historical exercise patterns, which may not eventuate in the future. Expenses arising from share based payment transactions recognised during the current year totalled $722,025 (2011: $8,862,714). Details of other options movements and balances are set out in Note 17.

28. Parent Entity Information

	Consolidated	
	2012 $'000	2011 $'000
(a) Assets		
Current assets	46,316	50,209
Non-current assets	143,660	82,323
Total assets	189,976	132,532
(b) Liabilities		
Current liabilities	8,641	4,004
Non-current liabilities	402	82
Total liabilities	9,043	4,086
(c) Equity		
Contributed equity	199,328	140,001
Accumulated losses	(24,862)	(19,324)
Reserves	6,467	7,769
Total equity	180,933	128,446
(d) Total comprehensive loss for the year		
Loss for the year	(5,538)	(7,729)
Other comprehensive loss for the year	(1,301)	(2,270)
Total comprehensive loss for the year	(6,839)	(9,999)

(e) Other information

The parent entity has not guaranteed any loans for any entity during the current or previous financial years. The parent entity did not have contingent liabilities at 30 June 2012 or 30 June 2011 other than disclosed at Note 21. The parent entity did not have contractual commitments at 30 June 2012 or 30 June 2011.

Directors' Declaration

for the year ended 30 June 2012

In the Directors' opinion:

(a) The financial statements and notes set out on pages 54 to 98 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

(b) There are reasonable grounds to believe that Gryphon Minerals Limited will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the relevant persons as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Stephen Parsons
Managing Director

Perth, Western Australia, 26 September 2012

Independent Auditor's Report

for the year ended 30 June 2012

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GRYPHON MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Gryphon Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Independent Auditor's Report (Continued)

for the year ended 30 June 2012

Opinion

In our opinion:

(a) the financial report of Gryphon Minerals Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gryphon Minerals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 26th day of September 2012

Additional Shareholder Information

1. Distribution of Equity Securities

The distribution of members and their holdings of equity securities as at 24 September 2011 were as follows:

Holding	Fully paid ordinary shares
1-1,000	631
1,001-5,000	1,239
5,001-10,000	721
10,001-100,000	1,209
100,001 and over	162
	3,962

There were 343 holders of less than a marketable parcel of ordinary shares

2. Equity Security Holders

The names of the twenty largest ordinary fully paid shareholders as at 24 September 2012 were as follows:

	Number held	% of issued shares
HSBC Custody Nominees (Australia) Limited	75,005,010	21.54%
National Nominees Limited	52,994,175	15.22%
J P Morgan Nominees Australia Limited	37,345,653	10.72%
Citicorp Nominees Pty Limited	22,539,019	6.47%
International Finance Corporation	16,642,915	4.78%
JP Morgan Nominees Australia Limited	13,186,316	3.79%
Mr Stacey Radford	10,064,700	2.89%
Amp Life Limited	6,549,347	1.88%
Geared Investments Pty Ltd	5,560,000	1.60%
BNP Paribas Noms Pty Ltd	3,138,891	0.90%
Mr David George Metford	3,100,000	0.89%
Zero Nominees Pty Ltd	2,613,632	0.75%
Mr Stephen Parsons	2,500,001	0.72%
BNP Paribas Noms Pty Ltd	2,190,709	0.63%
Citicorp Nominees Pty Limited	1,586,467	0.46%
Symorgh Investments Pty Ltd	1,500,000	0.43%
Ms Freya Cheffers	1,500,000	0.43%
Balmoral Super Pty Ltd	1,500,000	0.43%
Symorgh Investments Pty Ltd	1,490,600	0.43%
QIC Limited	1,170,481	0.34%
	262,177,916	75.30%

Additional Shareholder Information (Continued)

3. Substantial Holders

Substantial share holders in the Company as notified by substantial shareholder notifications as at 24 September 2011 are set out below:

	Number of issued shares
Van Eck Associates Corporation	38,402,307
Commonwealth Bank of Australia	19,591,128
AMP Limited	17,473,194

4. Voting Rights

In accordance with the Company's consitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present or by proxy or attorney or duly authorised representative has one vote for every fully paid share held. Option holders have no voting rights.

Corporate Governance Statement

for the year ended 30 June 2012

The Board and Management of Gryphon are committed to implementing the highest standards of ethics, integrity, statutory compliance and corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition). A description of the Company's main corporate governance practices is set out below. All practices, unless otherwise stated, were in place for the entire year.

The table below reflects the Company's adherence to each of the disclosure requirements of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition).

Recommendation	Section
1.1 Functions of the Board and Management	1.1
1.2 Evaluation of Board, Directors and Key Executives	1.3.10, 2.2.1 and the Directors' Report
1.3 Reporting on Principle 1	1.1, 1.3.10 and the Directors' Report
2.1 Independent Directors	1.2
2.2 Independent Chairman	1.2
2.3 Role of the Chairman and CEO	1.2
2.4 Establishment of Nomination Committee	2.3
2.5 Evaluation of Board, Committees and Directors	1.3.10 and 2.3.2
2.6 Reporting on Principle 2	1.2, 1.3.6, 1.3.10, 2, 2.3 and the Directors' Report
3.1 Code of Conduct	1.1 and 3.0
3.2 Diversity Policy	4.0
3.3 Measureable Diversity Objectives	4.0
3.4 Proportion of Women (Organisation, Senior Execs and Board)	4.0
3.3 Reporting on Principle 3	1.1, 3.0 and 4.0
4.1 Establishment of Audit and Risk Management Committee	2.1
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8.1 Establishment of Remuneration Committee	2.2
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8.3 Executive and Non-Executive Director Remuneration	2.2.3 and the Directors' Report
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Corporate Governance Statement (Continued)

for the year ended 30 June 2012

1. Board of Directors

1.1 Role & Responsibilities of the Board

The Board's primary role is to govern the Company rather than to manage it. The key roles and responsibilities reserved for the Board and those delegated to senior management are set out in the Board Charter, a copy of which is disclosed on the Company's website.

In governing the Company, the Directors must act in the best interests of shareholders. The Board must also ensure that the Company complies with all of its contractual, statutory and legal obligations, including the requirements of any regulatory body.

In general, the Board is responsible for setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of those goals. It also has the authority to determine all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the strategic objectives of the Company. Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

(a) overseeing the corporate governance of the Company and establishing codes, charters and policies that reflect the values of the Company and guide the conduct of its Directors and employees;

(b) setting and reviewing the overall strategic direction and goals for the Company;

(c) ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;

(d) overseeing the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company;

(e) approving and monitoring capital expenditure, acquisitions, divestitures and financial and other reporting;

(f) appointing, and, where appropriate, removing the Managing Director, Chief Financial Officer and other senior Executives, as well as reviewing their performance in their implementation of the Company's strategy;

(g) approving the remuneration and performance targets for the Managing Director and other senior Executives;

(h) developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the safety and well-being of all employees; and

(i) delegating appropriate powers to the Managing Director and other senior Executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the committees of the Board.

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee and monitor the activities of management in carrying out these delegated duties. The Board ensures that senior management are appropriately qualified and experienced to discharge their responsibilities and, in addition to formal reporting structures, the Board is encouraged to have direct communication with senior management within the Company.

Corporate Governance Statement (Continued)

for the year ended 30 June 2012

1. Board of Directors (Continued)

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, Officers and staff in the performance of their roles. A copy of the Code of Conduct is available for inspection on the Company's website.

1.2 Composition of the Board

The Board is comprised of a majority of independent Directors and an independent Chairman. The Board is also comprised of individuals from four separate professions and includes one female Director. To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills. The table below sets out the tenure and independence status of each Director:

Director	Role of Director	Non-Executive	Independent	Gender
Mr M Ashton	Non-Executive Chairman	Yes	Yes	Male
Mr S Parsons	Managing Director	No	No	Male
Mr D Murcia	Non-Executive Director	Yes	Yes	Male
Mr D Netherway	Non-Executive Director	Yes	No[1]	Male
Ms A Hall[2]	Non-Executive Director	Yes	Yes	Female

1. Mr Netherway is deemed to be not independent as he was CEO of Shield Mining Limited, a company acquired by Gryphon Minerals in September 2010. Following September 2013, it is expected that Mr Netherway will be classified as an independent Director.
2. Ms Hall was appointed on 1 September 2012.

The Company has adopted the following criteria for independence. An Independent Director is a Non-Executive Director who:

(a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(b) within the last three years has not been employed in an executive capacity by the Company or another Group member, or has not been a Director after ceasing to hold any such employment;

(c) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;

(d) is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(e) has no material contractual relationship with the Company or other Group member other than as a Director of the Company;

(f) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

(g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Corporate Governance Statement (Continued)

for the year ended 30 June 2012

1. Board of Directors (Continued)

The assessment of whether a Director is considered independent is contained in the Board Charter and includes a materiality threshold where payments made by the Company to the Director or any of his associated entities for the provision of goods and/or services does not exceed 2% of the annual gross expenditure of the Company.

1.3 Board Policies

1.3.1 Conflicts of Interest

Directors must:

(a) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and

(b) if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act 2001*, absent themselves from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.3.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.3.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key Executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.3.4 Continuous Disclosure

The Board has designated the Managing Director and Company Secretary (in consultation with the Chairman) as the primary person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

(a) concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

(b) that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

To ensure timely and balanced disclosure, the Company has a Continuous Disclosure Policy which is available for inspection on the Company's website.

Corporate Governance Statement (Continued)

for the year ended 30 June 2012

1. Board of Directors (Continued)

1.3.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key Executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors includes:

(a) details of the roles and responsibilities of a Director;

(b) formal policies on Director appointment as well as conduct and contribution expectations;

(c) access to a copy of the Board Charter;

(d) guidelines on how the Board processes function;

(e) details of past, recent and likely future developments relating to the Board;

(f) background information on and contact information for key people in the organisation;

(g) an analysis of the Company;

(h) a synopsis of the current strategic direction of the Company; and

(i) a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.3.6 Independent Professional Advice

The Board collectively and each Director has, subject to prior consultation with the Chairman, the right to seek independent professional advice at the Company's expense to assist them to carry out their responsibilities. A copy of such advice is to be made available to all members of the Board.

1.3.7 Related Party Transactions

Related party transactions include any financial transaction between a Director (and their associates) and the Company. Unless there is an exemption under the Corporations Act 2001 from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.3.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

(a) communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;

(b) giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;

Corporate Governance Statement (Continued)

for the year ended 30 June 2012

1. Board of Directors (Continued)

(c) making it easy for shareholders to participate in general meetings of the Company; and

(d) requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. The Company has a Shareholder Communication Policy which is available for inspection on the Company's website.

1.3.9 Trading in Company Shares

The Company has a formal Share Trading Policy in place and a copy of the policy is available for inspection on the Company's website.

1.3.10 Performance Review & Evaluation

It is the policy of the Board to conduct annual performance evaluations of the Board's effectiveness including committees and that of individual Directors. Each Director's performance is appraised personally by the Chairman and in a meeting led by one other independent Director, the Chairman's performance is also assessed. The evaluation process in the current year was overseen by the Chairman. The evaluation process of the Chairman was led by another independent Director in conjunction with the Managing Director. The objective of this evaluation is to provide best practice corporate governance to the Company.

The performance of the senior Executives is evaluated annually by the Remuneration Committee in accordance with its duties and responsibilities set out in the Remuneration Committee Charter, a copy of which is on the Company's website.

2. Board Committees

As at 30 June 2012 the membership of the Board committees of the Company were:

Director	Audit & Risk Management Committee	Remuneration Committee	Nomination Committee
Chairperson	Mr Murcia	Mr Murcia	Mr Ashton
Member	Mr Ashton	Mr Ashton	Mr Murcia
Member	Mr Netherway[1]	Mr Netherway[1]	Mr Parsons
Number of Independents	2/3	2/3	2/3

1. Mr Netherway was appointed to the Audit and Remuneration Committees on 22 May 2012 following the resignation of Mr Zaninovich from the Board. All other committee members held their positions for the entire financial year.
2. Effective from 1 September 2012, Ms Hall was appointed as Chairperson of the Audit and Risk Management Committee (replacing Mr Netherway as a member of the committee).

2.1 Audit and Risk Management Committee

The Audit and Risk Management Committee is comprised of an independent Chairperson, all Non-Executive Directors and a majority of independent Directors. All are financially literate with appropriate understanding of the industry in which the Company operates. All details of the members' qualifications can be found in the Directors' Report. The Audit and Risk Management Committee Charter which is available for inspection on the Company's website, details the roles and responsibilities of the Audit and Risk Management Committee however a summary is detailed over the page.

2. Board Committees (Continued)

2.1.1 Role

The Audit and Risk Management Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The committee sets aside time to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit and Risk Management Committee reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. Pursuant to procedures detailed in the Audit and Risk Management Committee Charter, each year the committee reviews the appointment of the external auditor, their independence, their time for rotation, the audit fee, and any questions of resignation or dismissal. The Audit and Risk Management Committee is also responsible for establishing policies on risk oversight and management.

The Audit and Risk Management Committee is responsible for ensuring there is a sound system for overseeing and managing risk. A risk management plan has been developed and implemented by Gryphon. The plan provides a framework for systematically understanding and identifying the types of business risks threatening Gryphon as a whole and specific business activities within the Company. A risk register has been developed through the implementation and review of the risk management plan which has identified material business risk of the Company. The risk register provides the controls to mitigate the material business risks and management's assessment of residual risk. The Company's risk management plan was reviewed and reported by management as being appropriate and effective for the Company in its current exploration and feasibility stage. The Company will however revisit the Company's risk management plan later in the year as operations increase in preparation of the Company transitioning from exploration into project development during the course of next year.

The Audit and Risk Management Committee believes that it has a thorough understanding of the Company's key risks and is managing them appropriately. The committee is responsible for reviewing annually its risk management system. This includes reviewing operational, financial, compliance, systems and risk management procedures. A copy of the Company's risk management strategy is available from the corporate governance section of the Company's website.

On 26 September 2012 Mr Stephen Parsons (Managing Director) and Mr Paul Hegarty (Financial Controller) provided the Board with a declaration in accordance with S295A of the Corporations Act that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.2 Remuneration Committee

The Remuneration Committee is comprised of an independent Chairperson, all Non-Executive Directors and a majority of independent Directors. The Remuneration Committee Charter which is available for inspection on the Company's website, details the Roles and Responsibilities of the Remuneration Committee however a summary is detailed below.

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies which are performance based for employees.

2. Board Committees (Continued)

2.2.1 Role and Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior Executives' remuneration, setting the terms and conditions of employment for the Managing Director and KMP, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes. The Remuneration Committee is also responsible for undertaking annual performance reviews and evaluation of the Managing Director's and other KMP's performance, including, setting goals with the Managing Director and other KMP and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Full details regarding the remuneration policy of the Company and of the Directors is included in the Directors' Report which forms part of this Annual Report.

2.3 Nomination Committee

The Nomination Committee is comprised of an independent Chairperson, and a majority of Non-Executive Independent Directors. The Nomination Committee Charter which is available for inspection on the Company's website details the Roles and Responsibilities of the Nomination Committee however a summary is detailed below.

2.3.2 Role and Responsibilities

The responsibilities of a Nomination Committee include devising criteria and diversity for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the Managing Director and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors.

2.3.3 Criteria for selection of Directors

Directors are appointed based on diversity and the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the minerals exploration and mining sector. In addition, Directors should have the relevant blend of personal experience in accounting, legal and financial management and Director-level business experience.

3. Company Code of Conduct

The Company has a formal Code of Conduct which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company. A copy of the Code of Conduct is available for inspection on the Company's website.

4. Diversity

Gryphon's diversity policy is led by the Board and driven by the recognition that an inclusive culture and diverse workforce supports high performance. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

4. Diversity (Continued)

In May 2012 the Board adopted the Company's Diversity Policy, a copy of which is available on the Company's website. The Policy outlines the ways the Company aims to support a diverse workplace, including setting measurable objectives and monitoring the progress of the measurable objectives through monitoring, evaluation and reporting mechanisms. The measurable objectives set by the Board are:

(a) continuing to promote women's leadership initiatives in the West African regions in which the Group operates; and

(b) ensuring selection criteria for Executive and staff recruitment represents a diverse candidate pool in relation to gender, age, race and ethnicity; and

(c) introducing broader gender diversity to the Board and Management.

In FY12, the Company achieved progress in relation to its corporate social responsibility initiative with the local women's association in Bobo, Burkina Faso – refer to the corporate social responsibility section of this annual report for further detail. In addition, the Company was pleased to announce the appointment of Ms Andrea Hall to the Board on 1 September 2012.

The Company's Diversity Policy provides a framework for the Company to achieve the following objectives:

(a) a diverse and highly skilled workforce, leading to continuous improvement in performance and achievement of corporate goals;

(b) a corporate and workplace culture which values diversity and tolerates differences by developing and offering work arrangements that help to meet the needs of a diverse work force and which is characterised by inclusive practices and behaviours for the benefit of all staff;

(c) equal and fair employment and career development opportunities for all staff and a recruitment process which is impartial and benefits from a diverse field of suitably qualified candidates;

(d) a recruitment process that focuses on criteria designed to ensure that the best person is chosen for the right position recognising the importance that diverse experience, perspectives and approaches can bring;

(e) a work environment that values and utilises the contributions of employees with diverse backgrounds, culture, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity;

(f) a work environment which is conducive to diversity by taking action against inappropriate workplace behaviour including discrimination, harassment, victimisation and vilification; and

(g) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

The Company also recognises the importance of diversity in contributing to the local communities in which it operates by creating and providing employment opportunities to those within the local communities. As at 30 June 2012 the Company employed 157 employees within Burkina Faso and Mauritania of differing ages, ethnicities and cultural backgrounds. An overwhelming majority of these employees were local or nationals of the respective countries. The Company's total workforce included 11 females (7%), of which none were in senior management positions or on the Board.

The Board will continue to monitor the ongoing progress of the measurable objectives set out above and report to shareholders each year via the Annual Report.

Schedule of Mineral Tenements

As at 26 September 2012

Project	Tenement	Interest	Status
Banfora	Nogbele	100%	Granted
	Nianka	100%	Granted
	Dierisso	100%	Granted
	Nianka Nord	100%	Granted
	Zeguedougou	100%	Granted
	Nogbele Sud	100%	Subject to renewal
Saboussirri	EL236	60%	Subject to renewal
	EL879	60%	Granted
	EL1074	60%	Granted
Tijirit	EL447	100%	Granted
	EL1117	100%	Granted
Akjoujt	EL448	100%	Granted

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Corporate Directory

Non-Executive Chairman	Mel Ashton
Managing Director	Stephen Parsons
Non-Executive Directors	Didier Murcia David Netherway Andrea Hall
Company Secretary	Alex Eastwood
Principal Place of Business & Registered Office	181 Roberts Road Subiaco WA 6008
Telephone	+61 8 9287 4333
Facsimile	+61 8 9287 4334
Share Registry	Link Market Services Ltd Ground Floor 178 St Georges Tce Perth WA 6000
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Bankers	National Australia Bank 50 St Georges Terrace Perth WA 6000 St George Bank 152 – 158 St Georges Terrace Perth WA 6000
Solicitors	Steinepreis Paganin 16 Milligan Street Perth WA 6000 Murcia Pestell Hillard MPH Building 23 Barrack Street Perth WA 6000
Stock Exchange Listing	Australian Securities Exchange (ASX)
Home Exchange	Perth, Western Australia
Ticker code	GRY
Website	www.gryphonminerals.com.au