

Overview of IFC's scope of review:

The review of this project consisted of appraising environmental, health, safety, and social information submitted by the company, and assessing the company's operations through a field visit conducted by the project team. IFC's environmental and social review included a site visit in April 2008 to the Nogbele and Fourkoura Prospects on the Banfora Gold project ("Banfora" or the "project") area in south-western Burkina Faso by an Environmental Specialist and a Technical Specialist. IFC staff also conducted meetings with management and key technical, environmental and social staff from Gryphon Minerals Limited ("Gryphon" or the "company").

Interviews were also conducted with potentially affected communities in the Banfora district project area. These communities included those who would likely be directly impacted should mining commence.

Project Description:

Gryphon is a mineral exploration company headquartered in Perth, with a listing on the Australian Stock Exchange since April 2004. The company's flagship project is Banfora, an early stage exploration prospect in south western Burkina Faso. The project area contains five exploration licenses covering a total of 1,150 km². The project is located in a gold belt zone across Mali and Burkina Faso that is host to some world class deposits including Tongon and Morila. Gryphon commenced exploration at Banfora in late 2005, and since then has embarked on a detailed exploration program. However, the majority of the project area remains unexplored. The company has in the short time, drill-defined at least seven mineralized gold zones with a combined strike length in excess of five kilometers. Significant gold mineralization has been intersected on all seven mineralized zones. The company recently doubled its maiden resources at Banfora to 10.6 million tonnes with an average grade of 2.4 grams per tonne for 820,000 ounces of gold. Banfora has the potential to host a large scale gold mineralization. The company has deployed a highly experienced team of geologists with good experience in the region to conduct the exploration program.

Gryphon appears to be executing a well planned exploration program within the license areas reviewed. At the time of the appraisal three drilling rigs were in use operated by contractors (Boart Longyear and West African Drilling Services) practicing a mixture of compressed air RAB, Aircore and RC reverse circulation coring.

Gryphon has a market capitalization of approximately \$37 million (as of May 14, 2009). Gryphon has a broad shareholder base and has attracted a reputable investor group to its share register, including Newmont Mining Corporation ("NMC"), Macquarie Bank, RMB Resources, Genesis Fund and Gryphon's management team. NMC has exploration tenements to the south and east of Banfora, and its investment in Gryphon presents an opportunity to consolidate any successful exploration programs in this prospective region.

The proposed investment is to provide equity financing of up to A\$2 million for Gryphon to further exploration work and complete feasibility studies at Banfora.

Gryphon also has other gold, nickel, uranium and diamond properties in Australia namely: Collurabie, Mount Windarra, Mount Rankin, Radio, Duggan, Mulgabbie, Ellendale East and Mount Isa Uranium. These properties are either not currently being actively explored by the company or have been optioned to other exploration companies to conduct the exploration work under joint venture frameworks. IFC's financial support and future funding for Gryphon will only be utilised for continued exploration activities at the Banfora project.

The license area lies in the southern sector of Burkina Faso and is largely tropical with an abundance of savanna with trees or shrubs and sparse forests. This is traditionally a cotton growing area with medium-sized villages located in many parts of the license area.

Identified Applicable Performance Standards:

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following IFC Performance Standards on Social and Environmental Sustainability ("IFC Performance Standards"):

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security

The project is in its early stages and the only activities are further exploration drilling and completion of feasibility studies. Whilst the area is not densely populated, there are a number of communities in close proximity to the company's exploration activities. At this stage, Performance Standard 5: Land Acquisition and Involuntary Resettlement is not triggered as no resettlement is being undertaken. Bio-diversity studies have indicated no endangered species and therefore Performance Standard 6 is not triggered. There are no indigenous people in the area and therefore Performance Standard 7 is not triggered. At this stage of the project Performance Standard 8: Cultural Heritage does not apply (no archaeological investigations have yet been undertaken but it is possible that archaeological artefacts are present in the area, and thus a detailed survey would need to be undertaken as part of the full ESIA if the project transitions to the development / exploitation phase).

Other Performance Standard may become applicable in the future should any of the exploration sites be taken forward to mine development, any IFC investment in such a development would be assessed as a new project.

IFC's Environmental Health & Safety ("EHS") Guidelines that are expected to be applicable to this investment include:

- IFC General EHS Guidelines (April 30th, 2007)
- IFC Mining Guidelines (December 10th 2007)

E & S Categorization Rationale:

This is a category B project according to IFC's procedure for Environmental and Social Review of projects, because it has limited adverse social and environmental impacts that are few in number, are site specific and will be largely reversible and

readily addressed through mitigation measures. The IFC made this categorization based on:

- Site visits to the Nogbele and Fourkoura Prospects on the Banfora Gold project area by Environmental and Technical specialists;
- Meetings with management and key technical, environmental and social staff from Gryphon; and
- Meetings with affected communities in the Banfora District.

The key social and environmental issues in this project currently include:

- Management of exploration activities – control of erosion and rehabilitation of drill roads, drill sites and trenches, safe disposal of oils, waste materials, dust control; water and effluent management; occupational health and safety; public safety; hazardous materials handling and management; emergency preparedness & response;
- Infrastructure and associated facilities – public safety, dust controls, hazards management and mitigation of transportation risks;
- Environmental, Health and Safety Management System and Policy commitments to ensure IFC Performance Standard compliance of any future mining and associated overburden and waste dumps - surface and groundwater protection; drainage; dust control; and
- Community engagement, managing community expectations, influx management, artisanal mining, and community development planning.

Description of key Environmental and Social Issues and Mitigation:

PS 1: Social and Environmental Assessment and Management Systems

Social and Environmental Assessment - Management of risks discussed in this ESRS consists of those associated with exploration. IFC is financing exploration and feasibility study activities, which have minimal impact. Gryphon commits to meet the IFC Policy and Performance Standards on Social and Environmental Sustainability. If the exploration project proceeds to the mining development phase, Gryphon will prepare the environmental and social documentation needed to demonstrate compliance with IFC's Performance Standards [as per action item #6 of the Environmental and Social Action Plan]. Should IFC be involved in financing the exploitation phase of the Banfora Gold Project, it would be treated as a separate investment and its categorization would be determined after the necessary due diligence.

Environmental Policy: Gryphon has committed to a Health, Safety, Environment and Community Policy ("HSEC Policy") document which was developed with IFC assistance. Gryphon has also agreed on an Environmental and Social Action Plan (ESAP) to cover all HSEC aspects related to exploration activities, feasibility work and potential future mine development. IFC has discussed with the company the need to prepare a Stakeholder Engagement Plan to ensure proper stakeholder relationships, monitor community support, and identify needs and priorities for sustainable development.

Management and Organization: As an exploration company, Gryphon has historically relied on consultants to advise on HSEC matters. It is considered that at the current

stage of the project most issues can be managed via the HSEC Policy defined above. Gryphon has engaged a permanent local community liaison officer widely known to the local community from his previous role held for over 6 years as Cotton Producers Advisor based in Niankorodougou to assist with public consultation and community matters.

Gryphon's management team values a relationship with IFC in developing its Banfora project in line with industry best practices for mining sector governance, transparency and sustainability. Gryphon's management team has extensive experience in the resources industry, ranging from project acquisition, exploration, resource definition and financing.

Monitoring: A limited amount of Environmental Baseline Assessment work (mainly covering water) has been done. Given the sensitivities regarding water supply, Gryphon initiated a baseline study to measure water levels in community wells within the exploration area and the distance that water is being carried in an attempt to identify those areas that would most benefit from assistance. The study is not yet complete, but it is planned for this document to be completed during June-August, 2009 coinciding with the wet season. Gryphon will gather water well data in the back end of the 9 month dry season. This is part of the collection of community data into a GIS database format rather than a specific report, defining, community distribution, community leaders, land use boundaries, special land use sites (cemeteries, ceremonial sites, cultivated crop plot boundaries and crop ownership, lesser roads and road infrastructure (bike bridges, spillways). In addition, to date Gryphon has already mapped some 600 wells (however, many are already dry and will not be followed up). Gryphon also has a policy in place by which boreholes are not drilled any closer than 30 metres from water wells. As per action item #4 of the ESAP, Gryphon will carry out regular monitoring of its assets and HSEC Policy implementation as well as compliance with Burkina Faso Law and IFC Performance Standards.

Reporting: Gryphon does not currently publish any report on the environmental and social aspects of their operations. However, the company is engaging with local communities who have requested more information on environmental matters. Gryphon will provide an Annual Monitoring Report ("AMR") to IFC on an annual basis detailing environmental and social progress, incidents and monitoring, as appropriate. The company will also be reporting regularly, at a minimum annually, to the local communities on progress made in implementing the Action Plan.

PS2 Labor & Working Conditions:

Human Resources (HR): Approximately 70 people (however numbers fluctuate significantly over the short term) are employed in the exploration project, of which two are expatriates. Local staff is being employed to assist in the exploration team and drilling activities where possible. The exploration camp is located in the village of Niankoradougou, which is 7 kilometers from the exploration activities. Local people are also employed within the Gryphon office compound for such activities as sample preparation, core cutting, etc.

Gryphon has developed a Human Resources Policy and Procedures in line with IFC standards, which includes equal opportunity principles, a commitment to training and integration of local employees into the management of its local companies and to the professional development of local technical staff. The Policy also includes a formal

grievance mechanism for employees. This Human Resource Policy will be finalized as per action item #1 in the ESAP.

Occupational Health and Safety (OHS): While internationally accepted standards for occupational health and safety are being implemented by Gryphon and their contractors, at the time of appraisal, Gryphon did not keep Occupational Health and Safety (OHS) incident reports or environmental incident reports, but the company will initiate formalized incident reporting going forward [as per action item #5 of the ESAP]. Since appraisal, there have been no significant OHS incidents, but the following has been reported by the company:

- Employees are vaccinated for Meningitis (annual outbreaks occur in February-March)
- Several cases of Malaria have occurred among employees, who are taken to Niankorodougou or Banfora Medical bases for treatment.

PS 3: Pollution Prevention & Abatement:

Air Quality: Dust from the drilling operations (especially when using compressed air) is carefully managed to avoid impacting the local communities and crops in the vicinity.

Solid Waste: Gryphon generates minimal amounts of waste but it is all segregated appropriately. The company responsibly manages their waste streams and the final disposal methods. The main solid waste includes domestic and office waste and sewage. Domestic waste that cannot be recycled is disposed of by burial in a designated waste pit which is compacted and covered by soil when full.

Liquid Waste: Includes mainly sewage effluent at the main exploration camp, storm-water runoff, minimal amounts of used oil, grease, lubricants and drilling fluids from drilling activities. Cleaning of the septic tank is undertaken by a professional contractor. A sealed brick lined pit has been established at Nogbele area which is used for final confinement of the small amounts of contaminated waste generated at the drill sites.

The company avoids spillage of used drilling media and lubricants into water channels via the construction and use of sumps and maintains monitoring of water quality. To prevent siltation of waterways, drilled areas are rehabilitated as soon as they are no longer required by revegetating the area; natural growth is rapid in the area. The company does not deal with hazardous or toxic substances at this stage of its activities.

Energy Use: Power for the camp is supplied from a small generator. Fuel for the Genset is currently stored in an underground fuel tank. The only other emissions are from the small fleet of light vehicles consuming less than 25,000 liters per year.

Water Quality and Use: The groundwater storages are discontinuous and are located in the shattered zones induced by the condensed network of faults affecting the substratum. Both surface water and groundwater are very vulnerable to various pollutants. They are also sensitive to the inter-annual fluctuations of the rainfalls.

Traditional sources of water for local communities are hand-dug wells (as well as ponds used in the rainy season). Today, groundwater is also abstracted by communities from a number of tubewells, typically equipped with hand pumps.

Tubewells generally source groundwater from fractures within the basement complex, while hand-dug wells are largely sourced from the weathered overburden layer. Yields from tubewells and dug wells in the basement areas are generally low and many dry up seasonally.

The vulnerability of groundwater and surface water receptors to the present exploration campaign and future resource development have been identified by Gryphon as the main environmental impact facing the project. Exploration boreholes intersect groundwater resources which are approximately 15 meters to 40 meters averaging 25 meters below the surface. This is potentially a problem where such boreholes are located near local communities which access the same reservoir of underground water. If not sealed, the borehole acts as a potential pathway for contaminants to enter the groundwater both from surface runoff and from other (even lower) horizons. A baseline study of drinking water supplies/wells is being carried out by Gryphon and a barrier distance of 30 meters between boreholes and water wells has been adopted by the company. Boreholes have a temporary PVC casing standpipe projecting 0.5 meters to 1 meter above the surface, with final rehabilitation being installation of a tapered concrete plug just below the surface and the PVC above surface cut off. The sealing of boreholes with an impermeable medium (e.g. bentonite) will be considered through the groundwater bearing horizons. Where artisanal mining operations have penetrated the water table, fluctuations in water levels could add to the instability of any underground excavations. Contamination of soils and groundwater through the spillage of fuels and lubricants from the drilling equipment is avoided through appropriate management and barriers. The proximity of exploration boreholes to drinking water wells is responsibly managed by Gryphon and is no closer than 30 meters.

Emergency Response and Preparedness Plan: As per action item #1 in the ESAP, Gryphon will develop a separate Emergency Response Plan or Procedures (ERP). The key tenants of such a plan are included in the outline HSEC Policy noted above.

PS 4: Community Health, Safety & Security:

As mentioned under Performance Standard 3, dust from drilling operations is carefully managed to avoid impacting the local communities and crops in the vicinity. There is potential for vehicle impact on agricultural land and local vegetation. Non sustainable deforestation is a major concern in the area with land being cleared for agriculture, for use in support of artisanal mine workings, and for firewood.

A visit to the local clinic revealed that malaria is by far the main concern in the area with some 40-50 cases being treated each week. Facilities at the clinic are basic and in a poor condition, particularly in the maternity unit. The clinic does have an ambulance but it is currently not working. Repair of the ambulance and more resources to conduct effective outreach programmes for HIV/AIDS awareness and malaria rollback were reported as the priorities for the clinic. The clinic has a dedicated water well nearby (although the rest of the village also uses it) but has no electricity.

Gryphon will design and conduct training for its Management and Gryphon Security personnel to ensure that the principles and procedures for compliance with the Voluntary Principles on Security and Human Rights are in place and understood [as per action item #7 in the ESAP].

Client's Community Engagement:

The principal ethnic group in Burkina Faso is the Mossi, who make up about 40 percent of the total population. They are mainly farmers and live in the central region of Burkina Faso, around the capital Ouagadougou. They are also present in the southern portions of the country, however, including the Gryphon area. Historically, the main sedentary population group around Banfora are the Senufo people, who extend into Mali, and currently dominate the less active exploration areas in the northern half of Gryphon tenements. Local people mainly live in medium sized villages of around 30 houses constructed out of clay bricks and straw roofs. Until recently, their main income was derived from cotton monoculture. Another group present in and around the concession area are the nomadic Fulani (or Peulh), who have migrated from the north and account for approximately 75 percent of the artisanal miners working in the area.

Given that a large proportion of the license area is presently used for agriculture (mainly cotton and millet), Gryphon has liaised closely with local landowners and agreed to a compensation package for temporary access to agricultural areas for drilling activities prior to drill site preparation and closely monitors the work. Livelihoods are not threatened by project activities at the exploration stage. Gryphon compensates lost crop plants to exploration works in advance of those works and on a season by season basis rather than as a one off payment.

Gryphon will hire a consultant with relevant experience to help the company undertake a rapid socio-economic study and assessment of the impacts resulting from exploration activities, such as the temporary economic displacement of the owners of agricultural land, as well as any impacts on other affected parties. Based on this assessment, the company will develop an impact mitigation strategy targeting those impacted people [as per action item #2 in the ESAP].

Gryphon has taken positive steps to interact with the local communities particularly in the main village of Niankorodougou where the exploration office is based. The consultation currently being undertaken will be formalized into a Stakeholder Engagement Plan (SEP), which will include vulnerable or marginalized groups (e.g. women, youths, etc.), as well as artisanal miners, and any other group identified as being impacted by the company's exploration activities in a different way than the dominant population group. The SEP will also include a formal grievance mechanism for local communities [as per action item #3 in the ESAP].

Gryphon has initiated consultation with local people and is looking at ways of supporting the local community. One line of communication is through support to the local American Peace Corps representation. In a stakeholder engagement and needs assessment study conducted in early 2009, 5 villages have been identified as the project's host communities: Niankorodougou (approximately 3,000 inhabitants), the provincial capital whose mayor also governs the four remaining villages of Fourkoura, Nogbelekah (approximately 1,000 inhabitants), Zegendougou (approximately 3,000 inhabitants), and Ouhirobougou (approximately 600 inhabitants). Water, education, infrastructure, women's issues, health, and employment were identified as the key concerns by these local communities. An initiative to generate small business amongst women is underway as is the construction of a reading room/library. The presence of the American Peace Corps (through the cotton industry) has made notable impacts on the local community.

A visit to the local secondary school revealed a positive outlook (the headmaster was trained in Germany), enthusiasm amongst the pupils but very few resources. The lack of practical tuition (e.g. science experiments) and IT resources were cited as the main problems.

Artisanal gold mining is in evidence on portions of the area of the Nogbele gold deposit. As a safety measure, Gryphon negotiates with the artisanal miners to ensure mining ceases within 100 meters of a drilling rig to avoid ground disturbance through vibration. The artisanal miners excavate ore down to approximately 10 meters depth. This generally coincides with the water table, although in some instances dewatering has taken place to allow the miners to go deeper. Most of the excavations consist of vertical shafts or bell pits but some horizontal workings below ground have also taken place to connect different shafts. Most of the miners are working at a mineral processing "village" established on the edge of the Gryphon concession where ore is broken (by hand) milled and then washed to release gold which is reclaimed by panning. It appears that there has been no historical artisanal mining culture/activity within the Gryphon tenements. The current artisanal activity has mainly built up from early 2008 when the gold price rose to almost \$1,000 per ounce and today artisanal miners are mostly following Gryphon exploration activities.

Local Access of Company Information:

A French version of the ESRS and the Action Plan will be disclosed by the company and made available to the public, including in the following locations:

Burkina Faso Head Office:
Gryphon Minerals,
471 Avenue de la Croix Rouge,
Secteur 13, Zone du Bois,
Ouagadougou

Exploration Camp:
Gryphon Field Camp
Nianka, Orodougou

Community Centre or school in each of
Niankorodougou, Fourkoura, Nogbelekah, Zegendougou and Ouhirobougou
communities.

The information contained in the ESRS and ESAP will also be disseminated orally in a culturally appropriate manner during public meetings held in the local language and including groups of women and youths in order to ensure broad community outreach.

For additional information, please contact:
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