

GRYPHON – SPI

Description of the Project:

Gryphon Minerals Limited (“Gryphon” or the “Company”) has been engaged in exploration of minerals in Burkina Faso since 2005. The Company’s key focus is in the advancement of its early-stage exploration project, the Banfora Gold Project (“Banfora” or the “Project”), located in south-west Burkina Faso. Over the last few years, Gryphon has conducted aggressive exploration at Banfora which has now yielded impressive discoveries. 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. As a result, Gryphon is placing an increasing emphasis on the development of its Burkina Faso assets and this requires access to more capital.

IFC has been invited to provide an equity investment of A\$2 million to finance on-going exploration work at Banfora with the aim of proving up adequate resources that would lead to the development of a mine at Banfora. Funds raised will be applied to undertake further work targeting additional increases in resources at Gryphon’s flagship Banfora project, including:

- Funding an in-fill drilling program within the existing defined resource zone;
- Funding an ongoing reverse circulation/diamond drilling program following up on high grade extensions along strike at the Project;
- Commencing reconnaissance rotary air blast/aircore/auger drilling testing high priority targets ; and
- General working capital purposes.

Project Sponsor and Major Shareholders of the Company:

Gryphon is a growing mineral exploration company established with the express purpose of exploring and developing gold and base metals deposits.

Gryphon is headquartered in Perth, and has been listed on the Australian Stock Exchange since April 2004. Gryphon has a market capitalization of approximately US\$37 million (as of May 14, 2009) 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.

Project Cost and Amount, and Nature of IFC Investment:

The Project’s financial plan reflects the Company’s budget for exploration activities at Banfora over the next 18 months, in addition to pre-feasibility and feasibility study work. The Project cost is estimated at A\$12 million. IFC contribution will be an equity investment of A\$2 million.

Location of Project and Description of Site:

The Project is situated in the Banfora region, south-west of Burkina Faso. The Project area is accessible by road and is in close proximity to the town of Banfora. A 75 kilometres sealed road connects Banfora town to the city of Bobo-Dioulasso and a further 350 kilometres to Burkina Faso’s capital city Ouagadougou.

The Project area contains five exploration licenses covering a total of about 1,150 km². The project is located in a gold belt zone across Mali and Burkina Faso that is host to some world class gold deposits.

Anticipated Development Impact of the Project:

Fit with World Bank Group (“WBG”) Strategy:

The proposed investment is consistent with the WBG’s strategic priorities in Burkina Faso.

The World Bank’s strategy for Burkina Faso emphasizes the need to pursue a vision based on regional economic integration, promoting foreign direct investment and export enhancement. The extractive industries is specifically targeted as one of the sectors that should be developed to make optimal use of the country’s limited natural resource base to expand export earnings. The strategy particularly identifies the mining sectors’ potential to offer a source of long-run, export-led growth. The World Bank and IFC’s country strategy focuses on promoting diversification of the economy and supporting project development in mining, with emphasis on junior miners.

Development Impact:

IFC’s involvement in Burkina Faso’s growing mining sector will have an important demonstration effect in terms of setting environmental and social standards. IFC will assist Gryphon to handle social, environmental, community development and mine closure issues in line with IFC Environmental and Social Performance Standards.

The direct development impacts during the pure exploration and feasibility study stage are expected to be limited. Because the investment predates any feasibility study, it is not yet possible to fully quantify or specify the potential development impacts during production stage. However, expected developmental impacts during production phase include:

Demonstration Effect:

Burkina Faso is an emerging resource-rich country which has attracted a lot of interest from the global mining community. IFC involvement in the sector could assist in establishing some benchmarks on sustainable resource development. Important demonstration effects include setting environmental and social standards. IFC will assist Gryphon to handle social, environmental, community development and mine closure issues in line with IFC Environmental and Social Performance Standards.

Economic Diversification and Community Development:

The Project would support the Burkinabe government’s efforts to diversify the economy from its current dependence on agricultural production. In addition, the project which is located outside the key centers of commercial activity would generate economic activity in what is otherwise an agrarian-based and under-developed part of the country.

Revenues to Government:

The Project, once operational, is expected to generate revenues in the form of taxes, dividends and royalties to the host Government and the Project would also generate positive foreign currency flows.

Creation of Direct and Indirect Employment:

The project could also have a high impact on local economies through the generation of employment opportunities for the local population.

The key development indicators that are to be monitored during the life of IFC's investments are: (i) number of projects that would employ industry best practices on sustainable resource development; (ii) number of non-farm economic activities including community development projects that would develop around the project; (iii) the direct and indirect increase in non-farm jobs that would be created around the project; and (iv) amount of taxes, dividends and royalties paid to government as a result of the project.

IFC's Assessment of the Governance Risks to Development Impacts:

An important benefit of the project is revenue flows to the government in the form of taxes, dividends and royalties. World Bank Mining Policy Division is engaged with the Government of Burkina Faso with respect to mining sector policy reforms and capacity building, and Extractive Industry Transparency Initiative ("EITI") implementation. The Government has shown a strong commitment to developing an internationally competitive mining sector enhanced by good governance and transparency.

Burkina Faso is generally seen, based on available indicators such as Transparency International's Corruption Perception Index and the World Bank Institute's Governance Indicators, as taking the necessary steps to increase its governance and transparency capacity. The Company's is supportive of the efforts to implement good governance and transparency in the sector and has committed to making public disclosure of all revenue payments to the government once commercial production begins. On balance, given the governance context, the current engagement of the World Bank, and the expected development impacts, IFC believes this is a project which it should support.

IFC's Expected Development Contribution:

IFC has an opportunity through this project and other targeted potential strategic clients in Burkina Faso, to be a key player that would positively influence the emerging mining sector in the country. The extractive sector in Burkina Faso offers the World Bank Group an opportunity to demonstrate how a sustainable extractive sector can contribute to poverty reduction.

IFC's key roles will include:

- Mobilizing financing: IFC will be helping Gryphon to complete its financial plans by providing the Company with the equity required to further exploration and subsequently develop its first mining operation, most likely to be the Banfora Gold Project. IFC's investment provides additional needed capital at a critical moment in the Company's project development phase;
- Long-term shareholder: The Company, which is looking to establish partnerships with committed long-term investors, values IFC's role in providing it with a stable and long-term investor base; and
- Environmental and Social Policies and Management Systems: IFC's involvement in the development of the project will help to establish benchmarks on environmental and social sustainability practices throughout the development phases of a mining project. IFC will be actively engaged with this client in developing a sustainable Environmental

Management System (“EMS”) for the project. IFC will provide guidance to the Company to build its internal Environmental and Social (“E&S”) management capacity and ensure the Company’s projects are developed in a sustainable manner.

Additional targeted contributions will include working with other units within the WBG in supporting sector policy reforms, strengthening the overall business climate and supporting the involvement of Small to Medium Sized Enterprises in providing goods and services to the mining sector.

Environmental and Social Issues B-Limited:

This is a Category B project according to IFC’s Procedure for Environmental and Social Review of Projects because the limited number of specific potential environmental and social impacts can be either avoided or mitigated by adhering to generally recognized performance standards and guidelines. The review of the Project consisted of appraising technical, environmental and social information associated with the Project. The following potential environment, health, safety and social impacts of the Project were analyzed:

- Vulnerability of groundwater and surface water receptors to the present exploration campaign and future resource development;
- Possible loss of agriculture activities even at the exploration stage, given that a large proportion of the license area is presently used for agriculture (mainly cotton and millet). Livelihoods are however not significantly threatened by project activities at the exploration stage; and
- Impacts on artisanal mining activities that present along the line of the outcrop of the mineral ore body. At this stage, it is not clear whether this coincides with an economically extractable resource.

IFC has agreed with Gryphon a Health, Safety, Environment and Community Policy (“HSEC Policy”) document containing commitments on future operations. IFC has agreed an ‘Action Plan’ to cover all HSEC aspects related to exploration activities, feasibility work and mine development activities by the Company.

Local Access of Company Information:

Environmental and Social documentation will be made available at the following location:

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.

Further information will also be disseminated orally in a culturally appropriate manner during public meetings in order to ensure broad community outreach.

For additional information, please contact:

Isabelle Guirma,
Gryphon Minerals,
471 Avenue de la Croix Rouge,
Secteur 13, Zone du Bois,
Ouagadougou, Burkina Faso.

Telephone: 226 50 36 24 92

Fax Number: 226 50 48 46 65

Email: gryphonburkina@fasonet.bf