

GRYPHON GOLD CORP  
Form SB-2/A  
December 01, 2005

As filed with the Securities and Exchange Commission on December 1, 2005.  
Registration Statement No. 333-127635

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form SB-2/A  
AMENDMENT NO. 5  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**Gryphon Gold Corporation**  
*(Name of Small Business Issuer in its charter)*

**Nevada**  
*(State or jurisdiction of  
incorporation or organization)*

**1041**  
*(Primary Standard Industrial  
Classification Code Number)*

**92-0185596**  
*(I.R.S. Employee  
Identification No.)*

**390 Union Blvd., Suite 360**  
**Lakewood, CO, 80228**  
*(Address of principal executive offices)*

**303-988-5777**  
*(Registrant's telephone number, including area code)*

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**Phone: (775) 883-0104**  
*(Name, address and telephone number of agent for service)*

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**Approximate date of proposed sale to the public:** From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.**

**(SUBJECT TO COMPLETION) DATED NOVEMBER 30, 2005**

**PRELIMINARY PROSPECTUS**

**GRYPHON GOLD CORPORATION**

**Cdn\$5,100,000**

**(\$4,370,000)**

**6,000,000 Units**

This is the initial public offering of our securities. We are offering 6,000,000 units at a price of Cdn\$0.85 (\$0.7285) per unit. Each unit will consist of one (1) share of our common stock and one (1) Class A Warrant. Each Class A Warrant is exercisable to acquire one share of common stock at a price of Cdn\$1.15 (\$0.9857) until 5:00 p.m. (New York time) on (one year from the Closing Date). Our units are being offered for sale concurrently by Canadian underwriters in the provinces of British Columbia, Alberta, Manitoba and Ontario, Canada under the terms of a prospectus filed with Canadian securities regulatory authorities and in Europe through selling agents in accordance with applicable law. The units will not be sold in the United States.

We have granted the underwriters a 15% over-allotment option, which if fully exercised, would allow them to acquire an additional 900,000 units at Cdn\$0.85 (\$0.7285) to cover over-allotments. The initial public offering price of the units and the terms of the Class A Warrants was determined by negotiation between Gryphon Gold and the underwriters in the context of the market. These prices may not reflect the market price of our common stock after our offering.

No public trading market currently exists for our units, common stock or warrants. We have received conditional listing approval to list our common stock on the Toronto Stock Exchange under the symbol GGN, subject to us fulfilling all of the listing requirements of the Toronto Stock Exchange.

**Investing in our common stock involves risks. See Risk Factors and Uncertainties beginning on page 5.**

	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions<sup>(1)</sup></b>	<b>Net Proceeds to Company<sup>(2)</sup></b>
Per Unit	Cdn\$0.85 (\$0.7285)	Cdn\$0.068 (\$0.058)	Cdn\$0.782 (\$0.067)
Total Offering <sup>(2)</sup>	Cdn\$5,100,000 (\$4,370,000)	Cdn\$408,000 (\$350,000)	Cdn\$4,692,000 (\$4,020,000)

(1) We have agreed to underwriting discounts and commissions equal to 8% of the initial public offering price. Underwriters may pay selling agents selling agent commissions from underwriting discounts and commissions. In addition, we agreed to issue the underwriters compensation options exercisable to acquire a number of shares of common stock equal to 10% of the number of units sold. The compensation options are exercisable to acquire shares of common stock at the initial public offering price until (one year from the Closing Date).

(2) After deducting the underwriting discounts and commission but before deducting the expenses of the offering which are estimated at Cdn\$1,400,000 (\$1,200,000). We have agreed to pay to Desjardins Securities Inc., one of the underwriters, a consulting fee of Cdn\$175,000 as compensation for corporate finance advice provided to us. The expenses of the offering, including the underwriters expenses, will be paid by us.

We have granted the underwriters an over-allotment option, exercisable until the date which is 30 days following the closing of this offering, to purchase on the same terms a number of additional units equal to up to 15% of the number of units sold in the offering. If the underwriters exercises the over-allotment option in full, the total offering will be Cdn\$5,865,000 (\$5,030,000) and proceeds to us (before expenses of the offering) will be approximately

Cdn\$5,396,000 (\$4,625,000). This prospectus covers the shares of common stock issuable upon exercise of the Class A Warrants and the underwriters' compensation options.

The underwriters expect to deliver the shares of common stock and Class A Warrants comprising the units on or before \_\_\_\_\_, 2005.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of when this prospectus is delivered or when any sale of our common stock occurs.

**FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES**

In this prospectus all references to \$ or dollars mean the U.S. dollar, and unless otherwise indicated all currency amounts in this prospectus are stated in U.S. dollars. All references to Cdn\$ refer to the Canadian dollar. All financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are reported in U.S. dollars.

**EXCHANGE RATE INFORMATION**

The following table sets forth, for each of the years indicated, the year end exchange rate, the average closing rate and the high and low closing exchange rates of one Canadian dollar in exchange for U.S. currency as quoted by the Bank of Canada. On September 30, 2005, the closing rate was Cdn\$1.00 equals United States \$0.8601. For the purposes of this prospectus, U.S. dollars were converted into Canadian dollars at the rate of Cdn\$1.00 = US\$0.8571, rounded to the nearest thousand dollars, as applicable.

	Calendar Year Ended December 31		Fiscal Year Ended March 31	
	2004	2003	2005	2004
High	0.8504	0.7726	0.8504	0.7866
Low	0.7165	0.6381	0.7164	0.6763
Average	0.7685	0.7138	0.7822	0.7392
Year End	0.8319	0.7713	0.8267	0.7626

**METRIC CONVERSION TABLE**

For ease of reference, the following conversion factors are provided:

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 hectare	2.471 acres	1 acre	0.4047 hectares
1 metre	3.2881 feet	1 foot	0.3048 metres
1 kilometre	0.621 miles	1 mile	1.609 kilometres
1 gram	0.032 troy oz.	1 troy ounce	31.1 grams
1 kilogram	2.205 pounds	1 pound	0.4541 kilograms
1 tonne	1.102 short tons	1 short ton	0.907 tonnes
1 gram/tonne	0.029 troy ozs./ton	1 troy ounce/ton	34.28 grams/tonne

## SUMMARY

*This summary does not contain all of the information you should consider before buying shares of our common stock. You should read the entire prospectus carefully, especially the Risk Factors and Uncertainties section and our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in shares of our common stock.*

### **Summary of Our Business**

We are a gold company focused on acquiring, exploring and developing gold properties in the United States. Our objective is to establish a producing gold company through the development and extraction of gold deposits, beginning with our Borealis Property.

Our principal asset is the Borealis Property located in the Walker Lane Gold Belt in the Borealis District of Western Nevada. In the 1980's, previous operators of the Borealis Property operated a gold mine on the property. Operations at the mine were shut down in 1991 and a full site reclamation was completed in 1994.

In May 2005, Ore Reserves Engineering delivered to us a technical report on the Borealis Property prepared in accordance with National Instrument 43-101 of the Canadian Securities Administrators.

We acquired our interest in the Borealis Property from Golden Phoenix Minerals, Inc. in a series of transactions, which began in July 2003. During 2004, we completed drilling, technical and engineering work necessary to prepare a Plan of Operation to allow the construction and operation of an open pit heap leach mine on the Borealis Property. We submitted the Plan of Operation to the United States Forest Service in August 2004, and we are continuing our work to satisfy the requirements of the various agencies, including the approval of the Nevada Division of Environmental Protection. We anticipate that the principal mine operating permits will be granted in early 2006.

We are preparing a feasibility study on the previously mined area of the Borealis Property to further delineate the gold mineralization available for the operation of a mine, to upgrade some or all of the mineralized material to proven and probable reserves, design the open pit mine, heap leach pads and gold recovery plant and to estimate the capital and operating costs of the proposed mining scenario. Metallurgical test work completed to date indicates the material is amenable to conventional heap-leach recovery methods. Once we have completed a feasibility study and, if warranted have made a decision to begin development, we intend to develop our Borealis Property and place it into production, assuming adequate additional capital is available.

### **Corporate Strengths**

We believe that we have the following business strengths that will enable us to achieve our objectives:

Our management team has significant mining industry experience ranging from exploration to mine development and operation.

As the Borealis Property was the site of surface mining operations from 1981 to 1990, we believe the process to receive permits and start operations on previously mined operations is less difficult than getting permits for a previously undisturbed area. We have begun the environmental related regulatory review and approval process, which we believe will allow us to resume surface mining and on site gold recovery, assuming adequate funding is available. We have received approvals for surface exploration and water wells and have successfully progressed through the required agency and public review process for those permits.

Our land position is extensive, covering approximately 14,900 acres. We believe many surface showings of gold mineralization on the property may provide opportunities for discovery of gold deposits. Our property has multiple types of gold deposits, including oxidized material, partial oxidized material, and predominantly sulfide material; which we believe may allow us flexibility in our future plans for mine development and expansion, assuming adequate funding is available.



We cannot be certain that any mineral deposits will be discovered in sufficient quantities and grade to justify commercial operations. We have no proven or probable reserves. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit; metal prices, which are highly cyclical; the cost to extract and process the mineralized material; and government regulations and permitting requirements. We may be unable to upgrade our mineralized material to proven and probable reserves in sufficient quantities to justify commercial operations and we may not be able to raise sufficient capital to develop the Borealis Property.

#### ***Borealis Property Mineralization***

Mineralized material is contained in several deposits within the limits of a specific study area defined as the central core group of mining claims for historical mining operations that took place in the 1980 s, and was estimated using guidelines established in, and is compliant with, Canadian NI 43-101 standards. These gold deposits within the specific study area include: the West Alluvial Deposit, Borealis, Crocodile Ridge, Deep Ore Flats (also known as Polaris), East Ridge, Freedom Flats, Gold View, Graben, Middle Ridge and Northeast Ridge.

Known gold deposits outside the boundaries of the study area with historical estimates include Cerro Duro, Jaimes Ridge, Purdy Peak and Boundary Ridge Zone. These four deposits are all located on mining claims that we control. The historical estimates have not been verified by our Technical Report and should not be relied upon.

#### **Summary Financial Data**

The following table summarizes our financial data. You should read the following selected financial data together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the Management s Discussion and Analysis section and other financial data included in this prospectus.

	Fiscal Year Ended March 31, 2005	Period From April 24, 2003 (Inception) to March 31, 2004	Six Months Ended September 30,		From April 24, 2003 (Inception) to September 30, 2005
	(Restated)*	(Restated)*	2005 (Unaudited)	2004 (Unaudited)	2005 (Unaudited)
<b>Statement of Operations Data:</b>					
Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	(2,525,420)	(1,115,925)	(1,631,188)	(1,164,480)	(5,272,533)
Basic and diluted loss per common share	(0.17)	(0.14)	(0.06)	(0.08)	
Weighted average shares outstanding <sup>(1)</sup>	15,287,736	7,879,432	26,940,586	14,388,691	
			<b>At March 31,</b>		<b>At September 30,</b>
			<b>2005</b>	<b>2004</b>	<b>2005</b>
					<b>(Unaudited)</b>
<b>Balance Sheet Data:</b>					
Cash		\$ 3,065,436	\$ 975,551		\$ 4,423,362
Working capital		1,702,953	1,065,082		3,795,068

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Total assets	4,985,808	1,588,107	7,170,301
Non-current liabilities	0	0	0
Stockholders equity	3,532,615	1,379,275	5,760,904

(1) As of September 30, 2005, we had 27,722,370 Common shares issued and outstanding.

\* Restated for certain transactions, including shares issued to an employee, shares issued to directors and options issued to a consultant, to increase previously reported management salaries and consulting fees, losses and loss per share. See Note 11 to our audited consolidated financial statements for the year ended March 31, 2005.

**The Offering**

This prospectus covers 6,000,000 Units with the aggregate value of Cdn\$5,100,000 (\$4,370,000), each Unit consisting of one share of common stock and one Class A Warrant, offered in our initial public offering, plus an over-allotment option equal to 15% of the total number of Units sold in the offering.

**Securities Offered** Units consisting of:

one share of common stock, and

one Class A Warrant.

Each Class A Warrant is exercisable to acquire one share of common stock at Cdn\$1.15 per share and will expire on .

This prospectus also covers 6,000,000 shares of common stock issuable upon exercise of the Class A Warrants and 600,000 shares of common stock issuable upon exercise of the underwriters' compensation options.

**Offering Price** Cdn\$0.85 per Unit

**Common Stock Outstanding as of September 30, 2005** 27,722,370 shares

**Offering<sup>(1)(2)</sup>**

**Number of Units Offered** 6,000,000

**Number of Shares of Common Stock Outstanding After Offering** 33,722,370

**Number of Class A Warrants Outstanding After Offering** 6,000,000

**Number of Shares of Common Stock Outstanding Assuming Exercise of all of the Class A Warrants** 39,722,370

(1) Assumes no exercise by the underwriters of their option to purchase up to 15% of the number of units sold in the offering to cover over-allotments, if any.

(2) Based on an initial public offering price of Cdn\$0.85 (\$0.7285) per unit.

**Use of Proceeds** We expect to use the net proceeds from this offering to finance exploration and general corporate purposes, including working capital needs. Proceeds from the exercise of the underwriters' over-allotment option, if any, will be used for general corporate purposes. We expect to incur approximately Cdn\$1,400,000 (\$1,200,000) in expenses in connection with this offering, including the reimbursement of expenses of the underwriters, of which \$746,000 was paid or accrued during the quarter ended September 30, 2005. See Use of Proceeds.

**Dividend Policy**

We currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not currently anticipate paying cash dividends.

**Offering Restrictions**

The Units are being offered to the public in Canada under a Canadian prospectus. The units will not be sold in the United States.

The number of shares of our common stock that will be outstanding immediately after this offering includes 27,722,370 shares of common stock outstanding as of November 30, 2005. This calculation excludes:

2,515,000 shares of common stock issuable upon vested exercise of options outstanding as of September 30, 2005 at an exercise price of \$0.75 per share for 2,300,000 options and at the initial public offering price for 215,000 options;

6,694,193 shares of common stock issuable upon exercise of warrants outstanding as of November 30, 2005 at a weighted average exercise price of \$0.89 per share;

485,000 shares of common stock available for future grant under our Stock Option Plan as of November 30, 2005;

an exercise by the underwriters of the over-allotment option to purchase up to 900,000 additional units from us to cover over-allotments, if any, at the initial public offering price of Cdn\$0.85 (\$0.7285) per unit; and

shares of common stock issuable to the underwriters pursuant to the compensation option granted to the underwriters hereunder at a price of Cdn\$0.85 per share.

Unless otherwise indicated, all information in this prospectus assumes no exercise of the Class A Warrants, the over-allotment option or the underwriters compensation options.

**Listing** The Toronto Stock Exchange has conditionally approved the listing of our common stock, subject to our fulfilling all of the listing requirements of the exchange by December 28, 2005.

**Proposed Toronto Stock** GGN

**Exchange Symbol**

Investing in our securities involves risks more specifically described under Risk Factors and Uncertainties beginning on page 5.

Our principal business offices are located at 390 Union Blvd., Suite 360, Lakewood, Colorado 80228, and our telephone number is 303-988-5777. We also have an administrative and financing office in Canada at Suite 810, 1130 West Pender Street, Vancouver, British Columbia, Canada V6E 4A4, and our phone number is 604-261-2229.

## RISK FACTORS AND UNCERTAINTIES

Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in shares of our common stock.

Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.

Estimates of mineralized material are forward-looking statements inherently subject to error. Although resource estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

### ***Our operations will require further capital beyond what we raise in this offering.***

We are an early stage company and currently do not have sufficient capital to fully fund the Plan of Operation at the Borealis Property. Currently, we have sufficient cash on hand to fund the completion of a feasibility study, our current drilling program, permitting and general and administrative expenses into the third calendar quarter of 2006. Although the proceeds of this offering are expected to provide us with sufficient capital to fund our planned preparation of a mine plan for the Borealis Property based on management's current assumptions, we will require substantial additional financing for future development activities, if any, or if we encounter unexpected costs or delays.

This offering was initially expected to raise Cdn\$17.5 million (\$15 million) at an estimated price range of Cdn\$1.00 (\$0.86) to Cdn\$1.60 (\$1.37) per unit. However, due to lower than anticipated interest in the offering and market conditions, the underwriters and we agreed to lower the amount of the offering and the offering price and revise the terms of the offering and the planned use of proceeds. In connection with these changes, we were required to recirculate this prospectus.

The change in our offering may create a negative perception of our securities in the market, which may adversely affect the price of our common stock and our ability to secure future financing.

Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, and, if warranted, development or production on any or all of the Borealis Property and any properties we may acquire in the future or even a loss of our property interest. This includes the Borealis Property, as our lease over claims covering the principal deposits will expire in 2009 unless we are engaged in active mining operations at that time. We cannot be certain that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable or acceptable to us. Future financings may cause dilution to our shareholders.

### ***The feasibility of mining on the Borealis Property, our only property, has not been established, which means we have not completed exploration work to determine if it is commercially feasible to develop the property.***

We have no probable or proven reserves on our property. The mineralized material identified to date on the Borealis Property does not have demonstrated economic viability, and we cannot provide any assurance that mineral reserves will be identified on the property. The feasibility of mining has not been, and may never, be established. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. If we are unable to upgrade some or all of our mineralized material to proven and probable reserves in sufficient

quantities to justify commercial operations, we may not be able to raise sufficient capital to, if warranted, develop a mine at the Borealis Property. The market value of exploration stage companies is determined, in part, by the existence of proven or probable reserves on the company's property. If we are unable to establish such reserves, the market value of our securities is expected to decline significantly and you may lose some or all of your investment. In addition, if we are unable to develop the Borealis Property, we may never be able to generate revenues from operations.

***Historical production on the Borealis Property may not be indicative of the potential for future development.***

The Borealis Mine actively produced gold in the 1980's, but we currently have no commercial production at the Borealis Property and have never recorded any revenues. You should not rely on the fact that there were historical mining operations at the Borealis Property as an indication that we will ever place the property into commercial production. We expect to continue to incur losses unless and until such time, if ever, as our property enters into commercial production and generates sufficient revenues to fund our continuing operations. The development of new mining operations at the Borealis Property will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of our properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, our acquisition of additional properties, and other factors, many of which are beyond our control. We may not be able to place the Borealis Property into production or generate any revenues or achieve profitability.

***Our exploration activities on the Borealis Property may not be commercially successful, which could lead us to abandon our plans to develop the property and our investments in exploration.***

Our long-term success depends on our ability to identify additional mineral deposits on the Borealis Property and other properties we may acquire, if any, that we can then develop into commercially viable mining operations. Mineral exploration is highly speculative in nature, involves many risks and is frequently nonproductive. These risks include unusual or unexpected geologic formations, and the inability to obtain suitable or adequate machinery, equipment or labor. The success of gold exploration is determined in part by the following factors:

the identification of potential gold mineralization based on superficial analysis;

availability of government-granted exploration permits;

the quality of our management and our geological and technical expertise; and

the capital available for exploration.

Substantial expenditures are required to establish proven and probable reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. We may invest significant capital and resources in exploration activities and abandon such investments if we are unable to identify commercially exploitable mineral reserves. The decision to abandon a project may have an adverse effect on the market value of our securities and the ability to raise future financing. We cannot assure you that we will discover or acquire any mineralized material in sufficient quantities on any of our properties to justify commercial operations.

***Planned exploration, and, if warranted, development and mining activities on our Borealis Property involve a high degree of risk.***

Our planned operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of gold and other base or precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

The parameters used in estimating mining and processing efficiency are based on testing and experience with previous operations. While the parameters used have a reasonable basis, various unforeseen conditions can occur that may materially affect the estimates. In particular, past operations indicate that care must be taken to ensure that proper ore grade control is employed and that proper steps are taken to ensure that the leaching operations are executed as planned.

If we make a decision to develop the Borealis Property, we plan to process the sulfide gold mineralization using technology that has been demonstrated to be commercially effective at other gold deposits in Nevada. These techniques may not be as efficient or economical as we project, and we may never achieve profitability.

***A decline in gold prices may make it commercially unfeasible for us to develop our property and may cause our stock price to decline.***

The value and price of our units, common shares and warrants, our financial results, and our exploration, development and mining activities may be significantly adversely affected by declines in the price of gold and other precious metals. Gold prices fluctuate widely and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of gold producing countries throughout the world. The price for gold fluctuates in response to many factors beyond anyone's ability to predict. The prices used in making the estimates in our plans differ from daily prices quoted in the news media. The percentage change in the price of a metal cannot be directly related to the estimated mineralized material quantities, which are affected by a number of additional factors. For example, a 10 percent change in price may have little impact on the estimated mineralized material quantities and affect only the resultant positive cash flow, or it may result in a significant change in the amount of mineralized material. Because mining occurs over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons including a belief that the low price is temporary and/or the greater expense incurred in closing a property permanently.

Mineralized material calculations and life-of-mine plans using significantly lower gold and precious metal prices could result in material write-downs of our investments in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting our mineralized material estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the commercial feasibility of a particular project. Such a reassessment may be the result of a management decision related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Declines in gold prices may cause our stock price to decline, which could cause you to lose money and make it difficult for us to raise capital on terms acceptable to us.



***Title to the Borealis Property may be subject to other claims, which could affect our property rights and claims.***

Although we believe we have exercised commercially reasonable due diligence with respect to determining title to properties we own or control and the claims that are subject to the Borealis mining lease, there is no guarantee that title to such properties will not be challenged or impugned. The Borealis Property may be subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Borealis Property which, if successful, could impair development and/or operations. This is particularly the case in respect of those portions of the Borealis Property in which we hold our interest solely through a lease with the claim holders, as such interest is substantially based on contract and has been subject to a number of assignments (as opposed to a direct interest in the property).

All of the mineral rights to the Borealis Property consist of unpatented mining claims created and maintained in accordance with the U.S. General Mining Law. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the U.S. General Mining Law, including the requirement of a proper physical discovery of valuable minerals within the boundaries of each claim and proper compliance with physical staking requirements. Also, unpatented mining claims are always subject to possible challenges by third parties or validity contests by the federal government. The validity of an unpatented mining or millsite claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of U.S. federal and state statutory and decisional law. In addition, there are few public records that definitively determine the issues of validity and ownership of unpatented mining claims.

***Estimates of mineralized materials at the Borealis Property are subject to geologic uncertainty and inherent sample variability, and actual mineralization encountered in further exploration and development could differ from these estimates.***

Although the mineralization estimates at the Borealis Property have been delineated with appropriately spaced drilling, there is inherent variability between duplicate samples taken adjacent to each other and between sampling points that cannot be reasonably eliminated. There also may be unknown geologic details that have not been identified or correctly appreciated at the current level of delineation. This results in uncertainties that cannot be reasonably eliminated from the estimation process. Some of the resulting variances can have a positive effect and others can have a negative effect on mining and processing operations. Acceptance of these uncertainties is part of any mining operation.

***Reported mineralization contained in the prospectus are only estimates and samples which may be unreliable.***

Although the mineralized material figures, including average gold grades and drill results, reported in this prospectus have been carefully prepared, these amounts are estimates and sample results only, and we cannot be certain that any specified level of recovery of gold or other mineral from mineralized material will in fact be realized or that the Borealis Property or any other identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body that can be economically exploited. Mineralized material, which is not mineral reserves, does not have demonstrated economic viability. Any material change in the quantity of mineralization, grade or stripping ratio, or the gold price may affect the economic viability of our properties. In addition, we cannot be certain that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Even though gold has been mined and successfully recovered for several years at the Borealis Property, until an unmined deposit is actually mined and processed the quantity of mineral reserves, if any, and grades must be considered as estimates only. In addition, the quantity of mineral reserves, if any, may vary depending on, among other things, metal prices. Any material change in quantity of mineral reserves, mineral resources,

grade or stripping ratio may affect the economic viability of the Borealis Property. In addition, we cannot be certain that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

***We currently depend on a single property the Borealis Property.***

Our only mineral property is the Borealis Property. Even though the Borealis Property encompasses several areas with known gold mineralization, unless we acquire additional properties or projects or discover additional deposits at the Borealis Property, we will be solely dependent upon the success of the Borealis Property as a source of future revenue and profits, if any. We cannot provide any assurance that we will establish any reserves or successfully commence mining operations on the Borealis Property or that we will ever obtain an interest in any other property with mineral potential in order to diversify our business.

***Government regulation may increase costs or cause delay in our business and planned operations.***

We believe that we currently comply with existing state and federal environmental and mining laws and regulations at the Borealis Property and that our proposed development of the property will also meet those standards. Our mining, processing, development and mineral exploration activities, if any, are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. We cannot assure you that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail our exploration, production or development. At present, there is no royalty payable to the United States on production from unpatented mining claims, although legislative attempts to impose a royalty have occurred in recent years. Amendments to current laws and regulations governing operations and activities of exploration, development mining and milling or more stringent implementation thereof could have a material adverse impact on our business and financial condition and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production assuming we achieve production or require abandonment or delays in development of new mining properties.

We will require permits and approvals from the Bureau of Land Management, U.S. Forest Service, the State of Nevada, Nevada Bureau of Mining Regulation and Reclamation and other regulatory agencies in order to implement our planned operations at the Borealis Property. See [United States Mining Laws and Permitting](#) for additional information. We have not obtained all of the required permits and governmental approvals for our planned operations at the Borealis Property, and we may require additional permits for future operations.

Government approvals and permits are currently, and may in the future be, required in connection with our operations, if any. We still require environmental operating permits, approval of our plan of operations and a water pollution control permit to commence development of our Borealis Property. To the extent other approvals are required and not obtained; we may be curtailed or prohibited from commencing or continuing mining operations or from proceeding with planned exploration or development of mineral properties.

***Our operations are subject to environmental risks which could expose us to significant liability and delay, suspend or terminate our operations at the Borealis Property.***

All phases of our operations, if any, will be subject to federal, state and local environmental regulation. See [United States Mining Laws and Permitting](#) for additional information. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. We cannot be certain that future changes in environmental regulation, if any, will not adversely affect our operations, if any. Environmental hazards may exist on the Borealis Property and on properties which we hold

and may hold interests in the future that are unknown to us at present and that have been caused by previous or existing owners or operators of the properties.