

Gryphon Gold Files Additional Support for its Claims Against Waterton Global Resources' Bad Faith and Wanton Disregard for the Environment and Human Safety

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Gryphon's Court Appointed Custodian Says, "If you don't believe the sworn affidavits and other hard evidence, follow the money at another Waterton target, Scorpio Gold"

RENO, April 17, 2019 - [Gryphon Gold Corp.](#) ("Gryphon" or "the Company") and its court-appointed custodian, Murray Bockhold ("Bockhold"), recently filed a second amended complaint in the Second Judicial Court in the State of Nevada in its US\$300 million lawsuit against Waterton Global Resource Management, Inc. and its affiliates ("Waterton"), and made a motion seeking an order of the Court to, among other things, enforce a preliminary injunction against Waterton and show cause why Waterton should not be held in contempt for violating the preliminary injunction.

The second amended complaint adds new detail to Gryphon's allegations that Waterton perpetrated a widespread scheme designed to orchestrate the collapse of Gryphon Gold. Waterton's motive is to seize control of Gryphon and its highly valuable assets at the expense of Gryphon's shareholders by enforcing a "death spiral" loan – a model that for years has been Waterton's calling card.

Separately, Gryphon's motion alleges that Waterton breached a Court injunction and temporary restraining order intended to prevent the removal of any and all carbon from Gryphon's Borealis Mine and to permit Gryphon to properly ascertain what, if any, precious metals might remain in this carbon material submerged within a pregnant pond. After the injunction and restraining order were granted by the Court, Gryphon's legally conducted surveillance observed a flurry of unusual and unexplained activity at the mine-site. Gryphon and Bockhold allege this was intentional bad faith activity by Waterton to breach the Court's order to maintain the status quo and "conduct an above-board assessment of whether or not the pregnant pond [at the Borealis mine] still contains the precious metals former mine employees watched get hidden there were still present".

Specifically, the new court filings provide further support for Gryphon's claims that Waterton:

- Undertook a range of nighttime mine-site activities during a period when the Borealis Mine was on care and maintenance, including what Waterton's own logs describe as "shovel[ing] carbon from barren pond into bags" and "Operate Crane lift bags of carbon from barren pond." Bockhold and Gryphon allege that this nighttime activity was Waterton using the cover of darkness to attempt to remove material from the site and "cash in" on the minerals lying within;
- Transported 440 tons of gold-laden and mercury-contaminated fluid in leaking bags across 175 miles of open Nevada highway and into Sparks, Nevada and other populated areas. The leakage and contamination were so extraordinarily high that the refiner refused to accept it;
- Wantonly thwarted Gryphon's Court-ordered right to maintain surveillance of the Borealis site. This surveillance right was specifically granted by the Court on the basis of evidence supporting Gryphon's suspicion of wrongdoing by Waterton; and,
- Disclosed confidential information as part of a lawsuit intended to muzzle Bockhold. Waterton's desire to silence Bockhold is explained by the story of Scorpio Gold, outlined below, where Waterton walked away from millions after Bockhold exposed Waterton's scheme.

Taken together, Gryphon Gold's latest filings further validate its belief that Waterton is a bad actor taking advantage of Gryphon's shareholders and the United States Bankruptcy Court, District of Nevada.

Waterton: More Undertaker than Underwriter

Waterton purports on its website¹ to be a "private equity firm" with a "unique, integrated institutional platform [that] combines in-house project evaluations, mining operations and asset management expertise to generate superior returns for its investors". In reality, as the examples of Gryphon and Scorpio Gold (as presented in court filings) demonstrate, Waterton is a serial financial predator that uses a network of related individuals and underhanded tactics to manipulate project evaluations, interfere with normal mining operations and apply exorbitant financing conditions to seize control of junior companies at the expense of unsuspecting shareholders.

This is not something Waterton's Managing Partner, Isser Elishis, has tried to hide. To the contrary, he has featured prominently in articles by the New York Times² and Forbes about the "death spiral loans" that Elishis claims to have pioneered³ at a predecessor firm. Bockhold estimates that Waterton's activities have contributed to the undoing of an estimated 13 Canadian junior mining companies with more than \$450 million of lost public shareholder equity⁴.

"For almost a decade Waterton and a recycled network of insider directors, officers and consultants have used underhanded tactics to siphon value from the companies they promise to serve," said Murray Bockhold. "In the case of Gryphon Gold, we believe Waterton and its insiders committed a litany of improper acts and other violations, and we have the receipts to prove it in the form of sworn affidavits from multiple eyewitness whistleblowers, video and photographic footage, assay results and other hard evidence presented to courts in both the United States and Canada."

"We fully expect Waterton will file more reports intended to obscure the facts and escape legal consequences, and that's fine. We'll deal with that in Court," said Mr. Bockhold. "But if investors, media, regulators like the BC Securities Commission and the U.S. Securities and Exchange Commission (SEC), and the well-respected businesspeople standing as Waterton's nominees for election to the Board of HudBay Minerals want to know the truth, they should simply follow the money at another Waterton target, Scorpio Gold. Scorpio Gold is a junior mining company, headquartered in Vancouver, British Columbia and listed on the TSX Venture Exchange, where Waterton agreed to accept less than half the value of its outstanding loan, and 5 cents on the dollar for a prized asset, in exchange for its position in the company. The question is: Why? The answer, we believe, was that its scheme was exposed and it wanted to avoid further scrutiny. Gryphon intends to pursue its case against Waterton vigorously to prevent shareholders at other public companies from suffering at Waterton's hands."

Burying the Truth, Hiding the Value

Bockhold has documented allegations to the Nevada court demonstrating Waterton's systematic ploy to under-represent the value of Gryphon's gold and silver mine (the "Borealis Mine"), thereby permitting Waterton to seize control of the Borealis Mine by leveraging its "death spiral loans" to affect a debt-for-equity swap.

Among other allegations, various officers and directors of Gryphon are believed to have been installed at Gryphon by Waterton and to have then acted at Waterton's direction to accept financing arrangements from Waterton with interest rates ranging from 77% to more than 1,059%⁵. Moreover, they did this in flagrant violation of the fiduciary duties owed to the company and despite having more favourable alternatives available, including financing arrangements proposed by Mr. Bockhold himself. Waterton-aligned individuals have also deliberately mined previously leached material rather than fresh ore, apparently as part of an effort to weaken the company financially so that Waterton could enforce its usurious loans to seize control. Former Gryphon employees have blown the whistle on these attempts, swearing signed affidavits detailing the full extent of the manipulation.

For more information about Waterton's actions and attack on Gryphon Gold and its unsuspecting shareholders, visit <https://bockholdinvestment.com/gryphon-gold>.

Dangerous to Shareholders, Hazardous to the Environment

The toxicity of Waterton's overall strategy to harm Gryphon shareholders is mild in comparison to what it has done to the environment. In its amended complaint, Bockhold has informed the court that Waterton transported 440 tons of mercury-contaminated material in leaking bags across 175 miles of open Nevada highway and into Sparks, Nevada and other populated areas. Giving new meaning to the name "Water-Ton," this was done in blatant violation of industry best practices and applicable state and federal environmental regulations – and despite the sanctimonious language on Waterton's website about its "obligation to its stakeholders and investors to act responsibly" with respect to the environmental, social and other impacts

of its activities. The destination refinery described the levels of mercury in these 400+ bags as "extraordinarily high." These violations have been reported to the Nevada Division of Environmental Protection.

Moreover – and to Waterton's explicit advantage – this toxic wet sludge was impossible to test for mineral content, as the auger-style mechanism typically used for such testing did not have enough solid content to grasp and remove. Bockhold and Gryphon allege this was intentional, as it allowed Waterton to continue to maintain that there was barely any gold in the material – despite signed affidavits and assay results to the contrary, provided by mine-site employees and the refiner.

Brazen Pattern – Follow the Money

As detailed at <https://bockholdinvestment.com/gryphon-gold> and in court filings, Waterton has used several of the same people to perpetuate its toxic death spiral arrangements with other TSX-listed companies, including Klondex Gold, Fire River Gold, [Royal Standard Minerals Inc.](#) and, most recently, Scorpio Gold. As indicated above, Scorpio Gold was among the more fortunate public companies Waterton has provided financing to since 2009, with no thanks to Waterton.

Consider: On January 4, 2018, Scorpio Gold announced an updated feasibility study for its Mineral Ridge asset outlining positive economics for processing the residual heap leach material and mining of higher-grade mineralization in the existing pits. The study provides ~7.5 years of additional mine life at Mineral Ridge and 250,500 oz. life of project gold sold at a total cash cost of US\$805/oz. Waterton's own 'friendly' was part of the project valuation team that pegged the value of Mineral Ridge at US\$47.2 million exclusive of the existing equipment and bonding.

And yet, on March 6, 2019, with Scorpio struggling financially and squarely in Waterton's crosshairs, Scorpio announced that it had extinguished a US\$6.1 million loan from Waterton for \$3 million with cash provided by arms-length parties, including Bockhold and G.R. Dawson Holdings Ltd.⁶ Waterton relinquished its 30% interest in Scorpio's Mineral Ridge mine for 50 cents on the dollar – to its nemesis.

Why would a serious and responsible investor walk away from millions? Bockhold believes it's because Waterton wanted to avoid public scrutiny after being confronted with the facts of its own dubious behaviour and toxic lending scheme, as follows.

Key Figures in Gryphon's Court Filings

As Gryphon's court filings demonstrate, Don Tschabrun is a key figure in Waterton's efforts to undermine Gryphon, but neither Tschabrun nor Waterton disclosed their relationship to Scorpio. Mr. Tschabrun is a former Chief Operating Officer at Gryphon who supported Waterton's early efforts to advance its self-interest at Gryphon.

On a number of occasions Gryphon alleges he misrepresented technical and operational aspects of the Borealis mine, all of which served Waterton's interests in weakening the economics of the mine. Confronted with Tschabrun's conduct, among other troublesome evidence, Waterton quickly exited its Scorpio involvement, leaving millions behind.

Emails show that Don Tschabrun, in his capacity as an employee of consulting firm Mine Technical Services Ltd,⁷ contributed to the development of a resource and reserve estimate, and updated mine plan, at Scorpio Gold. Yet when the Mine Technical Services project team was disclosed in a January 4, 2018 news release, Mr. Tschabrun was not mentioned.

A fuller picture of Waterton's network of associates, with undisclosed connections to Waterton, who were placed on Boards of Directors and in positions of authority is available at:
<https://bockholdinvestment.com/gryphon-gold/>

Public Markets Demand Public Scrutiny

The Company and its custodian will be contacting relevant securities regulators in Ontario and British Columbia, as well as the Nevada Division of Environmental Protection (NDEP), the Bureau of Land Management, the United States Bankruptcy Court, District of Nevada, the SEC and the United States Department of Justice, with an insistence that these bodies apply all relevant rules, regulations and laws in

their review of Waterton's actions. Gryphon and its custodian look forward to cooperating with securities regulators, law enforcement and environmental protection agencies in their investigations.

Gryphon expects that as these facts become widely known to the public, securities regulators and law enforcement officials in Canada and the US will enforce applicable laws and regulations, and that Waterton's investors – which include major American public and university endowments – as well as respected Canadian business figures whom Waterton hopes to place as board directors at Hudbay Minerals, will distance themselves accordingly.

¹ <https://www.watertonglobal.com>

² "A Lifeline, With Conditions", New York Times, May 10, 2001.

<https://www.nytimes.com/2001/05/10/business/technology-a-lifeline-with-conditions.html>

³ "'We created the market for [equity lines],' says Isser Elishis, Acqua's chief investment officer. Or, along with their brethren, nudged equity-issuers a little closer to the grave." Excerpt from "Toxic Stocks: They may sound like long-term investments, but equity lines are just quick hits for arbs" Forbes, March 4, 2002: Note: Aqua Wellington is a predecessor firm to Waterton Global Resources.

<https://www.forbes.com/forbes/2002/0304/040a.html#1d73a737291b>

⁴ See "Companies with Waterton Debt Facility" and "Companies with Terminated Waterton Debt Facility" at <https://bockholdinvestment.com/gryphon-gold/>

⁵ See signed estimates, presented to court, at:

<https://bockholdinvestment.com/wp-content/uploads/2018/11/Ex20011.pdf>

⁶ <http://www.scorpiogold.com/s/news.asp?ReportID=846526>

<http://www.technicalservices.com/team.html>

content:<http://www.prnewswire.com/news-releases/gryphon-gold-files-additional-support-for-its-claims-against-waterton>

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