



30 June 2010

Shield Mining Limited
ACN 108 267 063

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Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

E-Lodgment

Dear Sir/Madam

**SHIELD MINING LIMITED ACN 108 267 063 – TAKEOVER OFFER BY GRYPHON
MINERALS LIMITED**

As required by item 14 of section 633(1) of the *Corporations Act 2001* (Cth), we enclose a copy of Shield Mining Limited's ("SHX") Target's Statement served today by SHX on Gryphon Minerals Limited ("GRY") in response to the off market takeover bid by GRY to acquire all of the issued capital of SHX.

Yours faithfully

A handwritten signature in black ink, appearing to read "L Graefe".

Lexton Graefe
Director

SHIELD MINING LIMITED
(ACN 108 267 063)

Target's Statement

The Directors of Shield Mining Limited unanimously recommend, in the absence of a superior proposal, you

ACCEPT

the Offers by
Gryphon Minerals Limited

**TO ACQUIRE ALL OF YOUR SHARES AND BID OPTIONS IN SHIELD
MINING LIMITED**

The Directors of Shield Mining Limited, and its largest shareholder, each intend to accept the Offers for the Shares and Bid Options they control, in the absence of a superior proposal.

BLAKISTON & CRABB
LAWYERS

Legal Adviser

This is an important document and requires your immediate attention. If you do not understand it or are in doubt as to how to act, you should consult your financial or other professional adviser.

CORPORATE DIRECTORY

DIRECTORS	Mr Alexander Burns (Non-Executive Chairman) Mr David Netherway (Managing Director/CEO) Mr Robert Cornelius (Non-Executive Director) Mr Lexton Graefe (Non-Executive Director) Dr Schalk van der Merwe (Non-Executive Director)
SECRETARY	Mr Trevor Harris
REGISTERED AND PRINCIPAL OFFICE	680 Murray Street WEST PERTH WA 6005 Telephone: +61 8 9322 8393 Facsimile: + 61 8 9322 5444
SOLICITORS	Blakiston & Crabb 1202 Hay Street WEST PERTH WA 6005
AUDITORS*	BDO Kendalls Audit & Assurance (WA) Pty Ltd 128 Hay Street SUBIACO WA 6008
SHARE REGISTRY*	Computershare Investor Services Pty Ltd Level 2, 45 St George's Terrace PERTH WA 6000 Telephone: (+61) 8 9323 2000 Facsimile: (+61) 8 9323 2033
ASX CODE	SHX

** For information purposes only. These parties have not been involved in the preparation of the Target's Statement.*

IMPORTANT DATES

Date of the Share Offer	9 July 2010
Date of the Option Offer	9 July 2010
Date of this Target's Statement	30 June 2010
Date for Gryphon to give Notice of Status of Conditions	2 August 2010
Scheduled close of Share Offer (unless extended or withdrawn)	5pm WST, 9 August 2010
Scheduled close of Option Offer (unless extended or withdrawn)	5pm WST, 9 August 2010

The Share Offer and Option Offer will be open until 5pm WST on 9 August 2010 (unless the Gryphon Offers are withdrawn or extended). Shareholders and Bid Optionholders should note that once they have accepted the Gryphon Offers, they will not be able to withdraw their acceptance if a superior proposal is received unless the limited rights of withdrawal of acceptances apply (please refer to section 3 and annexure A of the Bidder's Statement). Your acceptance will automatically be void if any of the conditions precedent under annexures A and B of the Bidder's Statement are not fulfilled or waived by Gryphon by the end of the Offer Period for each of the Share Offer and the Option Offer.

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IMPORTANT INFORMATION

This document is the Target's Statement dated 30 June 2010 given by Shield Mining Limited ("**Shield**" or "**Company**") under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement. A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

The Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Gryphon Offers.

Defined Terms

A number of defined terms are used in this Target's Statement. These terms are defined in section 8 of this Target's Statement.

No Account of Personal Circumstances

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Shield Shareholder and it does not contain personal advice. Shield encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Gryphon Offers for your Shield Shares or Bid Options.

Taxation Consequences of the Offers

In making a decision whether to accept the Offers, Shareholders and Bid Optionholders should also have regard to the fact the disposal of Shield Shares and Bid Options may have taxation consequences. Shareholders should seek their own independent advice as to any such taxation consequence (please refer to section 5.5 of this Target's Statement and section 8 of the Bidder's Statement).

Forward Looking Statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Shield believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. However, Shield Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Shield. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of Shield, its officers nor any person named in this Target's Statement with their consent nor any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, nor any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Risk Factors

Shareholders should note that there are a number of risks attached to their investment in Shield. Please refer to section 7.7 (Risk Factors) of this Target's Statement for further information on those risks.

Shield Shareholder Information Line

If you have any queries regarding the Gryphon Offers or this Target's Statement, please contact the official Shield Shareholder Information Line on (8) 9322 8393 (from within Australia) or +61 8 9322 8393 (from outside Australia).

WHAT YOU SHOULD DO

- Your Directors unanimously recommend, in the absence of a superior proposal, you **ACCEPT** the Gryphon Offers for all of the Shield Shares and Bid Options you hold.
- Your Directors intend to **ACCEPT** the Gryphon Offers for Shield Shares and Bid Options they own or control, in the absence of a superior proposal.

WHAT YOU NEED TO DO

- You should read this Target's Statement, which contains your Director's unanimous recommendation to **ACCEPT** and reasons for this recommendation.
- If you have any questions regarding the Gryphon Offers or this Target's Statement, please contact the Shield Shareholder Information Line on (8) 9322 8393 (from within Australia) or +61 8 9322 8393 (from outside Australia).

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholder

On 30 June 2010 Gryphon Minerals Limited announced a takeover bid for Shield Mining Limited. This Target's Statement is made in response to Gryphon's Bidder's Statement dated 30 June 2010.

Under the share offer you will receive one Gryphon Share for every three of your Shield Shares ("**Share Offer**"). Under the option offer you will receive one Gryphon Share for every 11 of your Bid Options ("**Option Offer**"). The Share Offer and Option Offer are together referred to as the "**Offers**".

The Share Offer valued a Shield Share at \$0.272 based on the closing price for Gryphon Shares on ASX on 28 June 2010 (being the last trading day for Gryphon Shares before the Gryphon Offers were announced), representing a premium of approximately 35.8% to the closing price for Shield Shares on ASX on 28 June 2010 (being the last trading day prior to Shield Shares being placed in a trading halt before the Gryphon Offers were announced). During the Offer Period the price for Gryphon Shares may change and Shareholders can obtain Gryphon's Share price (ASX code: GRY) on ASX website (www.asx.com.au).

The Board of Shield have made the unanimous decision to recommend the Gryphon Offers, in the absence of a superior offer for your Shield Shares or Bid Options. The recommendation is based on a number of factors, including the following:

1. The Gryphon Share Offer represents a significant premium to Shield's recent trading value prior to announcement of the Gryphon Offers.
2. The Gryphon Offers provides Shield Shareholders with the opportunity to hold Gryphon Shares. Trading in Gryphon Shares is substantially more liquid than in Shield Shares.
3. The Gryphon Offers provides Shield Shareholders with the opportunity to become shareholders in an established gold exploration and development company with a wider portfolio of gold assets in West Africa.
4. It is more likely that Shield's assets will be developed under Gryphon's ownership.

When assessing whether to accept the Gryphon Offers you should be aware that the Gryphon Offers is subject to a number of conditions, which are summarised in section 3.3 of this Target's Statement. Gryphon must by 2 August 2010 (or a later day as determined by the *Corporations Act* if the Offer Period for each of the Share Offer and Option Offer is extended) give a notice on the status of those conditions.

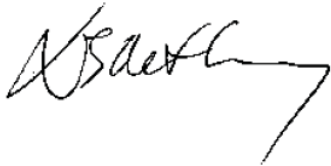
You should also consider the taxation implications of the Gryphon Offers which are in section 5.5 of this Target's Statement.

To accept the Gryphon Offers you should carefully follow the instructions in the Bidder's Statement and complete the relevant Acceptance Form enclosed with the Bidder's Statement. Both the Share Offer and the Option Offer are due to close on 5pm WST, 9 August 2010.

If you have any questions in relation to your position as a Shareholder I encourage you to seek either financial or legal advice without delay or contact the Gryphon Offers information line on (8) 9322 8393 (from within Australia) or +61 8 9322 8393 (from outside Australia).

I thank you for your continued support of the Company and look forward to providing updates in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Netherway', with a long horizontal stroke extending to the right.

David Netherway
Managing Director

Section 1 RECOMMENDATIONS OF THE SHIELD DIRECTORS

1.1 Summary of the Share Offer

The consideration being offered by Gryphon under the Offer is one (1) new Gryphon Share for every 3 of your Shield Shares you own.

The Share Offer is subject to a number of conditions which are summarised in section 3.3 of this Target's Statement.

Based on the closing price of Gryphon Shares on ASX on 28 June 2010 (being the last trading day prior to this Target's Statement) of 81.5 cents, the value of the scrip consideration is 27.2 cents per Shield Share.

1.2 Summary of the Option Offer

The consideration being offered by Gryphon under the Option Offer is one (1) new Gryphon Share for every 11 of your Bid Options.

The Option Offer is subject to a number of conditions which are summarised in section 3.3 of this Target's Statement.

1.3 Directors' Recommendation

Your Directors unanimously recommend that, in the absence of a superior proposal, you accept the Share Offer for your Shield Shares.

Your Directors unanimously recommend that, in the absence of a superior offer, you accept the Option Offer for your Bid Options.

In making this recommendation, your Directors have considered the merits of Gryphon's Offers and weighed up the factors for and against acceptance.

In making their decision, Shareholders should:

- (a) read the Bidder's Statement and this Target's Statement in full;
- (b) consider the future prospects of Gryphon and Shield as a merged entity compared to the future prospects of Shield (as a separate entity); and
- (c) consider that they will be changing the risk profile of their investment from the risks associated with a gold exploration company operating solely in Mauritania to the risks associated with a gold exploration company operating in both Burkina Faso and Mauritania.

The key considerations in favour of accepting the Gryphon Offers are:

- (a) Premium to Shield Shareholders

The Share Offer valued a Shield Share at \$0.272 based on the closing price for Gryphon Shares on ASX on 28 June 2010 (being the last trading day for Gryphon Shares before the Gryphon Offers were announced), representing a premium of approximately 35.8% to the closing price for Shield Shares on ASX on 28 June 2010 (being the last trading day prior to Shield Shares being placed in a trading halt before the Gryphon Offers were announced). Shield's Directors are not aware of any transactions in Shield Shares which may have had the effect of inflating these premiums.

(b) Increased liquidity of Gryphon Shares

Since Shield listed on ASX, the average monthly trading of Gryphon Shares on ASX has outweighed the trading value of Shield Shares by approximately 16.2 times.

(c) Exposure to a significant gold company with access to resources for treatment and exploration success

If Gryphon's Offers are successful, Shield Shareholders and Bid Optionholders will continue to participate in Shield's projects through ownership of the Gryphon Shares to be issued pursuant to the Gryphon Offers. As a shareholder in Gryphon, you will also benefit from the continued development of Gryphon's assets, including the significant opportunities provided by the ownership of the Banfora Gold Project in Burkina Faso.

(d) The price of Shield Shares may fall if the Gryphon bid does not succeed

If Gryphon's Offers lapses (for example, because the compulsory acquisition condition is not achieved), it is possible that the market price and trading volumes of Shield Shares will fall, at least in the short term, to levels at which they were trading before the announcement of the Offers.

(e) Shield Directors are unaware of a superior offers

The Directors of Shield are not aware of any superior offer that may be made to Shareholders and Bid Optionholders.

(f) No brokerage

Shareholders will not incur any brokerage or other transaction costs in accepting the Offers.

The key considerations in favour of not accepting the Gryphon Offers are as follows:

(a) Reduced exposure to exploration potential of Shield assets

Shield has significant exploration potential and upside, in which the participation of Shareholders may be diluted if they accept Gryphon's Offers. However, this has to be weighed against the dilution that is likely to occur in any event if Shield remains an independent company and has to raise working capital to fund its projects through further equity raisings.

(b) Inability to accept a superior offer if one were to emerge

Except in the limited circumstances provided for in the Corporations Act, accepting Gryphon's Offers will preclude Shareholders and Bid Optionholders from accepting a superior bid from a third party, should one emerge during the Offers Period. At the date of this Target's Statement, Shield's Directors are not aware of a proposal by anyone to make a superior bid.

Accepting the Gryphon Offers would also preclude a Shareholder and Bid Optionholders from selling their Shield Shares or Bid Options on market.

Accepting Gryphon's Offers will not, however, deny a Shareholder or Bid Optionholder the benefit of any superior price offered by Gryphon which, under the Corporations Act, is required to be extended to all Shareholders and Bid Optionholders, including those who have already accepted Gryphon's Offer for their Shield Shares or Bid Options (as applicable). At the date of this Target's Statement, Gryphon has given no indication that it intends to increase its Offer Price under either of the Offers.

(c) Taxation consequences

See section 5.5 for an overview of the tax consequences for accepting the Offers, particularly if Gryphon waives the minimum acceptance condition but does not become entitled to at least 80% of all Shield Shares.

(d) Gryphon Share prices may fall more than Shield Shares

Shareholders and Bid Optionholders are being offered Gryphon Shares for their Shield Shares and Bid Options at a fixed ratio regardless of the price each trades at. If Shareholders and Bid Optionholders accept the Gryphon Offers they are subject to any fall in Gryphon's Share price, even if the Gryphon Share price falls by a greater percentage than the Shield Share price.

(e) Illiquidity of Shield Shares

The Directors believe it is reasonably likely that the liquidity of Shield Shares and Bid Options would be lower than at present if a number of Shield Shareholders and Bid Optionholders accept the Gryphon Offers.

1.4 Directors intentions in relation to the Gryphon Offers

Each Shield Director who has a relevant interest in Shield Shares and Bid Options presently intends, in the absence of a superior proposal, to accept the Gryphon Offers in respect of those Shield Shares and Bid Options (as applicable). The interests of each Shield Director in Shield Shares and Bid Options are in section 7.3 of this Target's Statement.

1.5 Intention of Shield's largest shareholder

Shield's largest shareholder (holding 12.8% of the issued capital of Shield) has entered into a pre-bid agreement with Gryphon whereby the shareholder has contractually

committed to accept the Share Offer and the Options Offer, subject to no superior competing offer being received by Shield.

The shareholder has also granted Gryphon a call option to acquire its Shield Shares in the event of a competing offer during a stipulated period of time.

1.6 **Further Developments**

Should there be any developments during the Offer Periods (for example, the emergence of a superior offer from Gryphon or another bidder) which would alter the Directors' recommendations in relation to Gryphon's Offers, Shareholders will be notified through a supplementary Target's Statement.

Section 2 FREQUENTLY ASKED QUESTIONS

Question	Answer
<i>Why have I received this document?</i>	<p>You have received the Target's Statement because you are a Shareholder in Shield. This Target's Statement is Shield's formal response to the Gryphon Offers. It contains important information prepared by your Directors to help you determine whether to accept or reject the Gryphon Offers.</p> <p>Your Board unanimously recommends you ACCEPT the Gryphon Offers, in the absence of superior proposal.</p>
<i>What is the Gryphon Offer for my Shield Shares?</i>	<p>Gryphon is offering one (1) new Gryphon Share for every three (3) Shield Shares you own.</p> <p>Please note that you may only accept the Gryphon Share Offers for all of the Shield Shares held by you and not a greater proportion or a lesser proportion (unless you are a trustee or nominee as set out in section 2 and annexure A of the Bidder's Statement).</p>
<i>What is the Gryphon Offer for my Bid Options?</i>	<p>Gryphon is offering one (1) new Gryphon Share for every 11 Bid Options you own.</p> <p>Please note that you may only accept the Gryphon Offers for all of the Bid Options held by you and not a greater proportion or a lesser proportion (unless you are a trustee or nominee as set out in section 2 and annexure B of the Bidder's Statement).</p>
<i>Should I ACCEPT the Gryphon Offers?</i>	<p>Your Directors unanimously recommend that you ACCEPT the Gryphon Offers, in the absence of a superior proposal.</p> <p>If there is any change to this recommendation your Directors will inform you. Further details regarding your Directors' recommendation are contained in section 1 of this Target's Statement.</p>
<i>What do the Directors intend to do with their Shield Shares and Bid Options?</i>	<p>Each Director intends, in the absence of a superior proposal, to ACCEPT the Gryphon Offers in relation to those Shield Shares and Bid Options he owns or controls.</p>
<i>How do I ACCEPT the Share Offer?</i>	<p>If you wish to accept the Share Offer, follow the instructions in the Bidder's Statement (<i>see the relevant Acceptance Form enclosed with the Bidder's Statement</i>).</p>
<i>How do I ACCEPT the Option Offer?</i>	<p>If you wish to accept the Option Offer, follow the instructions in the Bidder's Statement (<i>see the relevant Acceptance Form enclosed with the Bidder's Statement</i>).</p>
<i>How do I REJECT the Gryphon Offers?</i>	<p>To REJECT the Gryphon Offers, you do not need to do anything.</p>

Question	Answer
	<p>Do not respond to any telephone calls or correspondence from Gryphon.</p> <p>You should note, however, that if Gryphon at a later date acquires further Shield Shares, such that Gryphon has a relevant interest in 90% of the Shield Shares, Gryphon may be entitled to compulsorily acquire the Shield Shares that it does not own.</p>
<i>Who is Gryphon?</i>	Further details about Gryphon are set out in section 4 of the Bidder's Statement.
<i>What choices do I have?</i>	<p>As a Shield Shareholder and a Bid Optionholder, you can:</p> <ul style="list-style-type: none"> • ACCEPT the Gryphon Offers – a course of action your Directors unanimously recommend in the absence of a superior proposal. Once you accept, you are locked in unless the limited withdrawal rights under the Gryphon Offers apply (please refer to annexures A and B of the Bidder's Statement) or any condition under annexures A and B of the Bidder's Statement is not fulfilled or waived by Gryphon by the end of the relevant Offer Period, in which case your acceptance will be void (see annexures A and B of the Bidder's Statement). <p>You will not receive the consideration until the Gryphon Offers becomes unconditional. Note that if you accept the Gryphon Offers you will be bound by the acceptance terms set out in annexures A and B of the Bidder's Statement; or</p> <ul style="list-style-type: none"> • REJECT the Gryphon Offers by doing nothing; or • SELL your Shield Shares or Bid Options on market (unless you have previously accepted the Gryphon Offers and have not validly withdrawn your acceptance in the limited circumstances where this is permitted). <p>YOUR DIRECTORS UNANIMOUSLY RECOMMEND, IN THE ABSENCE OF A SUPERIOR PROPOSAL, THAT YOU ACCEPT THE GRYPHON OFFERS</p>
<i>What if I want to sell my Shield Shares on market?</i>	<p>During the relevant Offer Period, you may sell your Shield Shares or Bid Options on market for cash (less brokerage), provided you have not accepted the Gryphon Offers for those Shares or Bid Options (as applicable).</p> <p>You should contact your broker for information on how to sell your Shield Shares or Bid Options on ASX and your tax adviser to determine the tax implications of such a sale.</p>
<i>When do I have to decide?</i>	If you wish to ACCEPT the Gryphon Offers you need to do so before its scheduled closing date. Gryphon has stated that the Gryphon Offers is scheduled to close at 5pm WST on 9 August 2010, unless it is extended or withdrawn.

Question	Answer
	If you wish to REJECT the Gryphon Offers, you do not need to do anything.
<i>When will I receive my consideration if I accept the Gryphon Offers?</i>	The Gryphon Offers are conditional and if you accept the Gryphon Offers while it is still conditional you will not receive the consideration under the Gryphon Offers until the earlier of: <ul style="list-style-type: none"> • 1 month after the Gryphon Offers are accepted or the Gryphon Offers becomes unconditional (whichever is later); and • 21 days after the end of the relevant Offer Period.
<i>What if I am an Ineligible Foreign Shield Shareholder/Bid Optionholder?</i>	If you are an Ineligible Foreign Shield Shareholder or Ineligible Foreign Shield Bid Optionholder, you will not be entitled to receive the Gryphon Shares on acceptance of the Offers. The Gryphon Shares that Ineligible Foreign Shield Shareholders/Bid Optionholders would otherwise be entitled to receive if they accepted the Offers will be issued to and sold by an ASIC approved nominee and you will receive the net cash proceeds from that sale. See section 10.13 and 10.14 and annexures A and B of the Bidder's Statement for further details.
<i>If I accept the Gryphon Offers, can I withdraw my acceptance if I change my mind?</i>	You may only withdraw your acceptance if Gryphon extends the relevant Offer Period for more than one month and the Share Offer or Option Offer (as applicable)s remains subject to the conditions at the time.
<i>What happens if Gryphon increases its offer?</i>	If you accept the Share Offer or Option Offer now and Gryphon subsequently raises the Offer Price under the Offers you will receive the higher price if the Gryphon Offers become unconditional.
<i>What are the conditions of the Gryphon Offers?</i>	The Share Offer is subject to a minimum acceptance condition and a no "prescribed occurrences" condition (see annexure A of the Bidder's Statement). The Option Offer is subject to the Share Offer minimum acceptance condition being fulfilled and the Share Offer becoming otherwise unconditional.
<i>When will Gryphon advise as to the status of the conditions?</i>	Annexures A and B of the Bidder's Statement indicate that the Bidder will give a Notice of Status of Conditions on 2 August 2010. The Bidder is required to set out in this Notice of Status of Conditions: <ul style="list-style-type: none"> • whether the Gryphon Offers are free of the condition; • whether, so far as the Bidder knows, the condition has been fulfilled on the date the notice is given; and • the Bidder's voting power in Shield. If the relevant Offer Period is extended by a period before the

Question	Answer
	<p>time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and the Bidder is required to give notice that states the new date for the giving of the Notice of Status of Conditions.</p> <p>If the condition is fulfilled (so that the Gryphon Offers becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give the ASX and Shield a notice that states that the particular condition has been fulfilled.</p>
<p><i>What happens if the conditions are not satisfied or waived?</i></p>	<p>If the conditions are not satisfied or waived before the Gryphon Offers close, the Gryphon Offers will lapse. You will then be free to deal with your Shield Shares and Bid Options as you choose even if you have previously accepted the Gryphon Offers.</p>
<p><i>How can Gryphon extend the Gryphon Offer Period for the Share Offer and Option Offer?</i></p>	<p>While the Gryphon Offers is subject to the conditions, Gryphon may extend the relevant Offer Period at any time before giving the Notice of Status of Conditions. However, if the Gryphon Offers is unconditional (that is, the conditions are satisfied or waived), Gryphon may extend the relevant Offer Period at any time before the end of the relevant Offer Period.</p> <p>In addition, there will be an automatic extension of the relevant Offer Period, if within the last 7 days of the relevant Offer Period:</p> <ul style="list-style-type: none"> • Gryphon increases the consideration offered under the Gryphon Offers; or • Gryphon's voting power in Shield increases to more than 50%. <p>If either of these two events occurs, the Offer Period for each of the Share Offer and the Option Offer is automatically extended so that it ends 14 days after the relevant event occurs.</p>
<p><i>Can Gryphon withdraw the Gryphon Offers?</i></p>	<p>Before you accept the Gryphon Offers, Gryphon may withdraw unaccepted Gryphon Offers with the written consent of ASIC and subject to the conditions (if any) specified in such consent.</p>
<p><i>Can I be forced to sell my Shield Shares or Bid Options?</i></p>	<p>No.</p> <p>You do not have to accept the Gryphon Offers.</p> <p>You cannot be forced to sell your Shield Shares or Bid Options unless Gryphon acquires a relevant interest in at least 90% of all Shield Shares or Bid Options (as applicable).</p>
<p><i>Do the Gryphon Offers include my Other Shield Options?</i></p>	<p>No.</p> <p>Further, if a person, during the period from after the Record Date to the end of the Share Offer Period or Option Offer</p>

Question	Answer
	<p>Period, becomes registered or entitled to be registered as the holder of Shield Shares or Bid Options (whether or not they are registered or entitled to be registered as the holder of other Shield Shares or Bid Options) due to the conversion of, or exercise of rights attached to, other securities convertible into Shield Shares (including Other Shield Options) that are on issue at the Record Date (being 5.00pm (WST) 8 July 2010), the Gryphon Offers will extend to those Shield Shares issued after the Record Date.</p>
<p><i>What are the risks associated with Shield and its business?</i></p>	<p>These risks are detailed in section 7.7 of this Target's Statement.</p>
<p><i>What are the tax consequences of accepting the Gryphon Offers?</i></p>	<p>A general outline of the tax consequences of accepting the Gryphon Offers is set out in section 5.5 of this Target's Statement and section 8 of the Bidder's Statement.</p> <p>As these consequences differ widely according to each Shield Shareholder's and Bid Optionholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Gryphon Offers.</p>
<p><i>If I have further questions in relation to the Gryphon Offers what can I do?</i></p>	<p>If you have any queries regarding the Gryphon Offers, please contact the official Shield Shareholder Information Line on (8) 9322 8393 (from within Australia) or +61 8 9322 8393 (from outside Australia).</p>

Section 3 IMPLICATIONS AND RISKS ASSOCIATED WITH THE GRYPHON OFFERS

Shareholders and Bid Optionholder should be aware of the following key implications and risks that arise from the Gryphon Offers and that may affect the future performance and value of Shield Shares and Bid Options.

3.1 Inability to accept an alternative Offers if one were to emerge

Except under limited circumstances provided for in the Corporations Act, Shield Shareholders and Bid Optionholder who accept the Offers will not be able to accept an alternative offer, should any emerge. You may only withdraw your acceptance and accept an alternative offer if Gryphon extends the relevant Offer Period for more than one month and that offer remains subject to any condition at the time (see section 650E of the Corporations Act).

3.2 Minority Ownership Consequences

Gryphon's Share Offer and Option Offer is presently subject to a 90% minimum acceptance condition of the Share Offer which, if fulfilled (and all other conditions are fulfilled or freed), will entitle it to compulsorily acquire all outstanding Shield Shares and Bid Options.

Gryphon has the right to free the Gryphon Offers from this condition, although it has not yet indicated whether it will do so. If Gryphon frees the Gryphon Offers from this condition, but acquires the majority of the Shield Shares and Bid Options, there may be a number of possible implications for Shield Shareholders and Bid Optionholders including the following:

- Gryphon will be able to cast the majority of votes at a general meeting of Shield enabling it to control the composition of the Shield Board and senior management, determine Shield's dividend policy and control the strategic direction and financial and operating policies of Shield.
- The Directors believe it is reasonably likely that the liquidity of Shield Shares and Bid Options would be lower than at present if a number of Shield Shareholders and Bid Optionholders accept the Gryphon Offers.
- The directors may apply for Shield's removal from the official list of the ASX. Furthermore, if the number of Shield Shareholders is less than that required by the ASX, Gryphon may apply for Shield's removal from the official list of the ASX. If this occurs, Shield Shares will not be able to be traded on the ASX.
- If Gryphon acquires 75% or more of the Shield Shares, it will be able to pass special resolutions of Shield. This will enable Gryphon to, among other things, amend Shield's constitution.

If Gryphon does proceed to compulsory acquisition, then Shield Shareholders and Bid Optionholders who do not accept the Gryphon Offers will still be entitled to receive the bid consideration. However, as a result of the need to complete the compulsory

acquisition procedures in the Corporations Act, there is likely to be a delay of up to six weeks in the provision of that consideration, and therefore in the earliest date on which Gryphon Shares could be traded.

3.3 **Conditions of the Gryphon Offers**

As described in section 2, the Share Offer is subject to the following conditions (in summary):

- a minimum acceptance;
- "no prescribed occurrences";
- no material adverse change in Shield;
- no change of control rights;
- no regulatory actions; and
- no material acquisitions, disposals or commitments.

The Option Offer is subject to the Share Offer minimum acceptance condition being fulfilled and the Share Offer becoming otherwise unconditional.

The Share Offer conditions are outlined in annexure A of the Bidder's Statement and the Option Offer conditions are outlined in annexure B of the Bidder's Statement. If these conditions are not satisfied by the applicable date (or waived by Gryphon), the Gryphon Offers will not be free of conditions and will not proceed.

3.4 **Risks of investing in Gryphon**

You will receive [one (1) new Gryphon Share for every three (3)] Shield Shares you own if you accept the Share Offer. You will receive [one (1) new Gryphon Share for every 11 Bid Options you own if you accept the Option Offer There are risks associated with investing in Gryphon, and holding Gryphon Shares. You should review these risks as set out in section 9 of the Bidder's Statement.

Section 4 WHAT ARE MY CHOICES?

4.1 TO ACCEPT THE GRYPHON OFFERS

Your Directors recommend that you accept the Gryphon Offers. To accept the Gryphon Offers, follow the instructions in the Bidder's Statement, which includes an acceptance form.

Once you have accepted the Gryphon Offers, you may only withdraw your acceptance if Gryphon extends the relevant Offer Period for more than one month and that offer remains subject to conditions at the time (see section 650E of the Corporations Act).

Before you consider accepting the Gryphon Offers, you should read the effect of acceptance set out in annexures A and B of the Bidder's Statement. Those sections describes the rights attached to your Shield Shares and Bid Options that you will be giving up, the representations and warranties that you will be making and the irrevocable authorities and appointments that you will be granting Gryphon, if you accept the Gryphon Offers.

If you accept the Gryphon Offers:

- You will not receive any possible benefits associated with being an owner of Shield Shares and Bid Options; and
- You may have a capital gain or a capital loss on the disposal of those Shield Shares and Bid Options. If you have a capital gain, you may be liable for capital gains tax.

4.2 TO REJECT THE GRYPHON OFFERS

To reject the Gryphon Offers, you do not need to do anything.

4.3 TO SELL YOUR SHARES OR BID OPTIONS

During the relevant Offer Period, you may sell your Shield Shares and Bid Options on market for cash (less brokerage), provided you have not accepted the Gryphon Offer for those Shield Shares or Bid Options (as applicable).

The amount that you will receive through selling on the ASX will depend on the prevailing market price for Shield Shares and Bid Options at that time, which may be higher or lower than the value of the Gryphon Offers. The market price for Shield Shares and Bid Options can change for a variety of reasons. The latest price for Shield Shares and Bid Options may be obtained from the ASX website at www.asx.com.au.

If you sell your Shield Shares or Bid Options (as applicable) on market:

- you will receive the consideration for the sale of those Shield Shares or Bid Options sooner than if you accept the Gryphon Offers;

- you will lose the ability to accept the Gryphon Offers and receive the consideration (including any possible increase in consideration) offered under those Offers in relation to those Shield Shares and Bid Options (as applicable);
- you will not receive any possible benefits associated with being an owner of Shield Shares or Bid Options;
- you may have a capital gain or a capital loss on the disposal of those Shield Shares or Bid Options. If you have a capital gain, you may be liable for capital gains tax; and
- you may incur a brokerage charge.

You should contact your broker for information on how to sell your Shield Shares or Bid Options on ASX and your tax adviser to determine your tax implications of such a sale.

Section 5 SOME OTHER ISSUES ARISING FROM THE GRYPHON OFFERS

5.1 Compulsory acquisition

If, at the end of the Share Offer Period, Gryphon has (together with its associates):

- a relevant interest in at least 90% (by number) of Shield Shares; and
- acquired at least 75% (by number) of Shield Shares for which it has made Offers,

then Gryphon will be entitled to compulsorily acquire *any* outstanding Shield Shares and Bid Options for which it did not receive acceptances, on the same terms as the Gryphon Offers. If this occurs you will be paid the last price offered by Gryphon for Shield Shares and Bid Options (as applicable) before compulsory acquisition began.

Gryphon has stated in section 6.3 of the Bidder's Statement that it intends to compulsorily acquire outstanding Shield Shares and Bid Options if it is entitled to do so.

Gryphon must Offers to buy out remaining Shield Shares and Bid Options held by Shield Shareholders if Gryphon (and its associates) has a relevant interest in at least 90% of the Shield Shares (by number) at the end of the Share Offer Period.

5.2 Other alternatives to the Gryphon Offers

At the date of this Target's Statement, no offers (other than the Gryphon Offers) have been made to acquire your Shield Shares and Bid Options.

5.3 Treatment of overseas Shield Shareholders

Any Shield Shareholder or Bid Optionholder whose address (as recorded in the register of members of Shield provided by Shield to Gryphon) is in a place outside Australia and New Zealand will not be issued with Gryphon Shares under the Gryphon Offers.

Instead, the relevant Gryphon Shares (that would otherwise be transferred to such foreign holders) will be allotted to a nominee approved by ASIC who will sell the Gryphon Shares and will distribute to each of those foreign holders their proportion of the proceeds of sale net of expenses. See section 10.13 and 10.14 of the Bidder's Statement for further details.

5.4 Company announcements

Shield is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Copies of announcements lodged with ASX can be obtained from either ASX's website (www.asx.com.au) or Shield's website (www.shieldmining.com.au).

5.5 Tax consequences

The income tax implications for a Shield Shareholder of accepting the Share Offer will depend on a number of factors, including:

- whether the Shield Shareholder holds their Shield Shares on capital or revenue account for taxation purposes
- the nature of the Shield Shareholder (i.e. whether it is an individual, company, trust or complying superannuation fund); and
- the tax residency status of the Shield Shareholder (i.e. Australian tax resident or not).

As these consequences differ widely according to each Shield Shareholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Share Offer. Gryphon has included a general outline of the tax implications to Australian residents of accepting the Share Offer in section 8 of the Bidder's Statement, but the Directors recommend you discuss the Share Offer with your own tax advisor.

Shield Shareholders who are residents of Australia for tax purposes and who hold their Shares on capital account for taxation purposes may be eligible for tax relief from any capital gain that they may make by accepting the Share Offer. However, these Shield Shareholders should be aware that if they accept the Share Offer and Gryphon declares the Share Offer unconditional, CGT rollover relief may not be available if Gryphon acquires less than 80% of the Shield Shares under the Share Offer (see section 8 of the Bidder's Statement for full details).

The comments set out in section 8 of the Bidder's Statement relate to Shield Shares only, and not Bid Options, Shield Other Options or other rights held over Shield Shares. Shield Bid Optionholders should seek independent tax advice regarding the disposal of their Bid Options, based on their specific circumstances.

Bid Optionholders should also refer to section 8 of the Bidder's Statement for the taxation risks associated with the Option Offer.

Section 6 PROFILE OF SHIELD

6.1 CORPORATE SUMMARY

Shield was listed on ASX on 27 September 2006. The Company has an office and two local subsidiary companies in Mauritania where it is exploring for gold and base metals. The Company's corporate head office is in Perth, Australia.

As at the date of this Target's Statement, the Company had 84,204,335 Shares, and 25,313,143 Options with various exercise prices and expiry dates, on issue.

As announced to the ASX on 31 May 2010, the Company has completed a private placement of 22,565,565 Shares at an issue price of A\$0.15 per Share to raise \$3,384,845 (before issue related costs) in two tranches (Tranche 2 is subject to shareholder approval) as follows:

- Tranche 1 – 10,983,520 Shares; and
- Tranche 2 – 11,582,045 Shares.

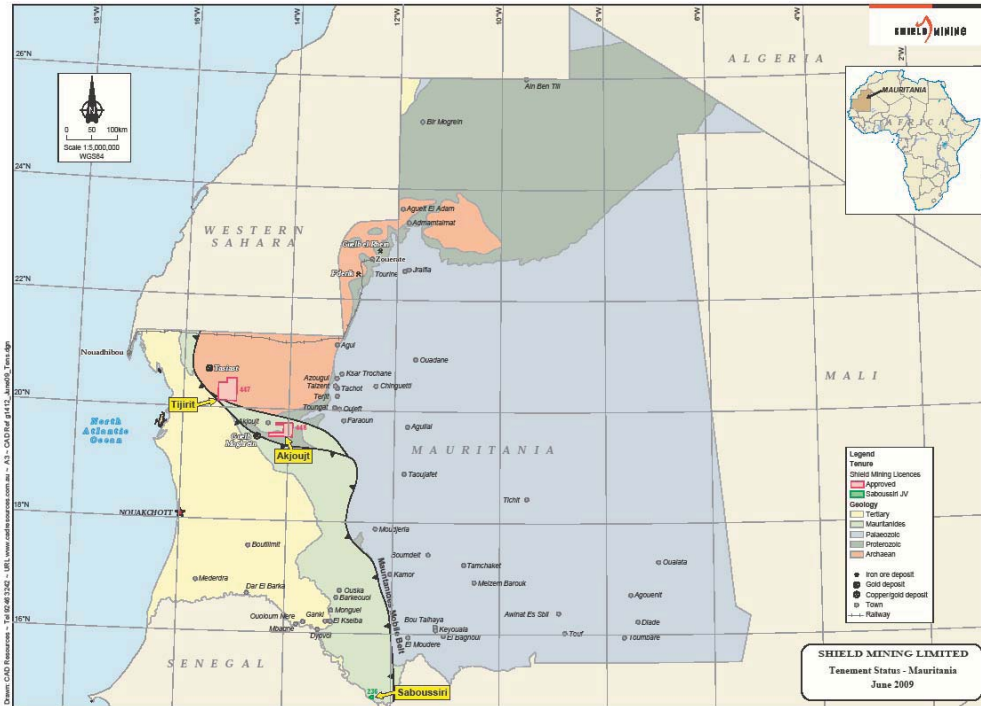
Tranche 1 completed on 18 June 2010. The completion of Tranche 2 is subject to receipt of Shareholder approval. A general meeting of the Company has been convened for 6 July 2010.

6.2 MAURITANIA

(a) *Licence Status*

Shield has the following licences in Mauritania:

Mauritanian Exploration Licences					
Name	Licence	Approval Date	Expiry Date	Area Km²	Comments
Saboussiri	EP236	16-Mar-09	16-Mar-12	33	GMS joint venture (60% Shield)
Saboussiri	EL879	21-Jan-10	21-Jan-13	187	GMS joint venture (60% Shield)
Tijirit	EL447	5-Dec-07	5-Dec-10	1460	100% Shield
Akjoujt	EL448	5-Dec-07	5-Dec-10	749	100% Shield
			Total Area	2,429	



(b) ***Tijirit Project***

The Tijirit Project area is located 35 kilometres south east of the Tasiast gold mine which is owned by Red Back Mining Inc. and produces 230,000 ounces of gold per year. It is in an adjacent archean greenstone belt and has a similar geology to Tasiast. Previous explorers outlined broad spaced (1km centres) gold in soil anomalies on Tijirit in the 1990s during the same campaign that delineated Tasiast.

During the 2008-9 field season, Shield continued its soil sampling program and also undertook a trenching program. Six prospects were located and trenched with encouraging results.

In April 2009, a small drilling program of 3,250 metres of reverse circulation (RC) drilling was undertaken to cover three of the prospects. The drilling results confirmed the earlier sampling and trenching results by the Company that delineated the targets areas. The holes tested Sophie II, Sophie III and Eleanor prospects. Most holes were angled at -50° or -60° and averaged 60m in length.

The highest grade intersections include:

- 6 metres @ 17.63 g/t Au (from 10m to 16m depth in ERC4)
- 6 metres @ 10.47 g/t Au (from 16m to 22m depth in SRC10)
- 2 metres @ 24.90 g/t Au (from 56m to 58m depth in SRC24)

Further drilling was completed by 15th January 2010 with 68 holes and 5,026 metres drilled.

The programme tested the Lily, Sophie I and Sophie II prospects at Tijirit with the majority of holes angled at 60°. The average hole depth was 70m with the two deepest holes (150m and 140m) at Sophie II. All holes drilled at Lily were 60m in length save for two holes each of 70m. Drilling results released in March 2010 confirmed:

- Further gold system confirmed in 68 hole drill results from 2nd Phase reverse circulation (RC) drill programme.
- A wide consistent zone of low grade gold mineralisation containing higher grade intercepts has been delineated at the Lily prospect, e.g. 30m @ 0.9 g/t Au and 38m @ 0.75 g/t Au.
- Best intercept is 8 metres @ 3.65 g/t Au at Sophie II prospect.

(c) ***Akjoujt***

The geology of the Akjoujt licence is similar to the Guelb Moghrein gold/copper mine operated by First Quantum Minerals Ltd ("**First Quantum**") which is located 33 kilometres to the east of the licence.

The Guelb Moghrein mineralisation is classified as an Iron Oxide Copper Gold (IOCG) deposit and has a characteristic carbonate and magnetite alteration signature. Shield's tenement is also regarded as having IOCG potential and contains a number of zones of carbonate alteration with magnetic anomalies.

An airborne gravity survey was completed in February 2010 over the Akjoujt Copper Gold Project in conjunction with First Quantum targeting both copper and gold mineralisation. The data has been interpreted by geophysical consultants, Southern Geoscience of Perth. A number of residual gravity anomalies were field checked and abundant Fe carbonate alteration with some magnetite was noted at four of the sites. Fe carbonate and magnetite alteration is an attribute of the IOCG mineralisation at the nearby First Quantum projects of Guelb Moghrein and El Joul. One anomaly is along structural and stratigraphic strike from these two deposits (the "Serpentine" structure), and another is along strike from Shield's Tabrinkout Cu-Au prospect in the north of Permit 448.

(d) ***Saboussiri Joint Venture***

In March 2007 Shield signed an agreement with General Mining Services ("**GMS**") over the Saboussiri licence whereby the Company is entitled to earn a 60% interest in the potential copper/gold project. Saboussiri is a tenement in the southern Mauritanides close to the border with Senegal on which various companies have undertaken substantial work programs in the past. Amongst other prospects, this work identified the Diaguili copper prospect and the Saboussiri hematite breccias on the licence.

The Company undertook an extensive soil and drainage and rock chip sampling

program over the whole of the Saboussiri licence area. However, the results showed that apart from the known anomalies there was little else of interest.

A VTEM (Time Domain Electromagnetic System) helicopter survey was then carried out in January 2008, which identified a coherent anomaly at Diaguili. The Diaguili anomaly is close to and parallel to line of hills containing the Diaguili copper prospect.

In March 2010, the company carried out 40m x 40m soil sampling over the Diaguili copper prospect as an aid in drill targeting the VTEM geophysical anomaly there.

Drilling commenced on this prospect but was suspended due to equipment failure and the onset of the wet season. None of the planned holes were completed. As an adjunct to that programme 40m x 40m spaced soil sampling was also carried out on small grids each of approximately 200m x 200m over drainage and rock chip gold anomalies delineated in earlier programmes. Multi-element results show that there are significant gold anomalies on three of the outlying grids at Yowgui/Toumbou. There are a number of +100ppb Au values (max 362ppb) delineating coherent and robust anomalies.

(e) ***Competent Person's consent***

The information in this Section 6.2 that relates to exploration results is based on information compiled by Mr Phil Fillis who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Fillis is a geologist consulting to the company, with over 30 years experience as a geologist. Mr Fillis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Fillis consents to the inclusion in the report of the matters based on his information in the form and context in which it is used.

Section 7 ADDITIONAL INFORMATION

7.1 Details of Directors

The Directors as at the date of this Target's Statement are:

Name	Position
Mr Alexander Burns	Non-Executive Chairman
Mr David Netherway	Managing Director/CEO
Mr Robert Cornelius	Non-Executive Director
Mr Lexton Graefe	Non-Executive Director
Dr Schalk van der Merwe	Non-Executive Director

7.2 Directors' intentions with respect to their own Shield Shares

Each of the Directors intends, in the absence of a superior proposal, to **ACCEPT** the Gryphon Offers in respect of all Shield Shares in which he has a relevant interest.

7.3 Interests of Directors

(a) *Interests in securities in Shield*

The only marketable securities that Shield has on issue are Shield Shares and unlisted Shield Options.

As at 21 June 2010, Shield had 84,204,355 Shield Shares and a total of 25,313,143 Shield Options on issue. Each Shield Option is exercisable into one Shield Share.

Details of Shield Shares and Shield Options in which each Director has a relevant interest are as follows:

Director	Shield Shares	Bid Options	Shield Other Options
Mr Alexander Burns	3,933,238 ¹	Nil	625,000 ²
Mr David Netherway	5,084,748	1,271,187 ³	1,250,000 ⁴
Mr Robert Cornelius	540,000	100,000 ⁵	125,000 ⁶
Mr Lexton Graefe	Nil	Nil	125,000 ⁷
Dr Schalk Willem van der Merwe	Nil	Nil	625,000 ⁸

Notes:

- 1,200,042 Shield Shares are held by Mr Burns directly, 35,675 Shield Shares are held jointly by Mr Burns and Elizabeth Burns (spouse of Mr Burns), 1,800,000 Shield Shares are held by Elizabeth Burns & Alexander Stuart Burns as trustee for the Rose-Burns Super Fund, 347,521 Shield Shares are held by Ritley Holdings Pty Ltd (a company in which Mr Burns is a director), and 550,000 Shield Shares

are held by Mr Burns as trustee for the ASLI Trust (in which Mr Burns is a beneficiary).

2. 625,000 Shield Options exercisable at \$0.40 on or before 30 June 2011 are held by Mr Burns as trustee for the ASLI Trust (in which Mr Burns is a beneficiary).
3. 1,271,187 Shield Options exercisable at \$0.20 each, on or before 31 August 2011 held by Zero Nominees Pty Ltd.
4. 1,250,000 Shield Options exercisable at \$0.40 each on or before 30 June 2011 held by David Netherway.
5. 100,000 Shield Options exercisable at \$0.20 each, on or before 31 August 2011.
6. 125,000 Shield Options exercisable at \$0.40 each on or before 30 June 2011.
7. 125,000 Shield Options exercisable at \$0.40 each on or before 30 June 2011.
8. 625,000 Shield Options exercisable at \$0.40 each on or before 30 June 2011.

(b) ***Dealings in securities in Shield***

Other than as set out below, no Director acquired or disposed of a relevant interest in any Shield Shares, Bid Options or Shield Other Options during the four month period ending on the date immediately before the date of this Target's Statement.

(c) ***Interests in securities of Gryphon***

No Director has a relevant interest in any Gryphon Shares or Gryphon options.

(d) ***Dealings in securities of Gryphon***

Neither Shield nor any Director acquired or disposed of a relevant interest in any securities in Gryphon during the four month period ending on the date immediately before the date of this Target's Statement.

(e) ***Agreements and benefits conditional on or connected with the Gryphon Offers***

Other than as set out below, no Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Gryphon Offers and no Director is entitled to receive any benefit from Gryphon which is conditional on or connected with the Gryphon Offers (other than in their capacity as a Shield Shareholder).

Gryphon has entered into pre-bid acceptances with Shield Shareholders representing 19.9% of the Shield Shares on issue, including Mr David Netherway and Mr Alexander Burns or entities associated with them. In summary, these Shield Shareholders have contractually committed to accept the Share Offer, subject to no superior competing offer being received by Shield.

These Shield Shareholders have also granted Gryphon a call option to acquire their Shield Shares (up to a maximum of 19.9% of the Shield Shares on issue) in the event of a competing offer during a stipulated period of time. Further particulars of the terms of the pre-bid acceptance agreements will be provided by Gryphon in a substantial shareholder notice to be lodged with ASX.

(f) ***Contracts with Gryphon***

Other than as set out in section 7.3(e) above, no Director has any interest in any contract entered into by Gryphon.

(g) ***Payments and benefits***

Other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director:

- in connection with their retirement from office in Shield or a related body corporate of Shield; or
- in connection with the transfer of the whole or any part of the undertaking or property of Shield.

7.4 Potential impact of Gryphon Offers on Shield

Shield has not identified any material contracts to which it is a party that contain change of control provisions that may be triggered as a result of the Gryphon Offers or acceptances of the Gryphon Offers.

7.5 Impact of the Gryphon Offers on Shield Options

As at the date of this Target's Statement, Shield had 4,000,000 Shield Other Options on issue with various exercise prices and expiry dates.

If a person, during the period from after the Record Date to the end of the Share Offer Period, becomes registered or entitled to be registered as the holder of Shield Shares (whether or not they are registered or entitled to be registered as the holder of other Shield Shares) due to the conversion of, or exercise of rights attached to, other securities convertible into Shield Shares (including Bid Options and Shield Other Options) that are on issue at the Record Date (being 5.00pm (WST) 8 July 2010), the Share Offer will extend to those Shield Shares issued after the Record Date.

7.6 Changes in the financial position of Shield

The most recent published financial information in relation to Shield is contained in the Company's reviewed financial report for the half year ended 31 December 2009 which was lodged with the ASX on 5 March 2010.

7.7 Risk factors

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of Shield and the value of Shield Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with Shield's business and its involvement in the exploration and mining industry. While most risk factors are largely beyond the control of Shield and its Directors the Company will seek to mitigate the risks where possible, for example by obtaining appropriate insurances and maintaining its key relationships.

The following summary, which is not exhaustive, represents some of the major risk factors which affect Shield. These risk factors ought not to be taken as an exhaustive list of the risks faced by Shield or by Shield Shareholders. These factors, and others

not specifically referred to, may in the future materially affect the financial performance of Shield and the value of Shield Shares.

(a) **Share price**

There is a risk that the Shield Share price may fall if the Gryphon Offers are unsuccessful.

(b) **Exploration and production risks**

The future viability and profitability of Shield as an exploration and production company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates and in particular the price of gold;
- risks inherent in exploration and mining including, among other things, successful exploration and exploitation of ore reserves, satisfactory performance of mining operations and competent management;
- a number of assumptions have been made and used by Shield and its advisors and consultants in the calculations they have conducted. If any of these assumptions are incorrect, whether positive or negative, this will have an effect on the calculations and results of studies which have been conducted;
- risks associated with the current global economic environment;
- increases in the capital costs of project development occurring as a consequence of global economic conditions, delays, demand for resources and other factors;
- increases in the price of inputs to the production process, in particular, the price of fuel, consumables, freight and shipping;
- retention of key employees. Shield's performance is dependent on its Directors and key technical personnel to continue to develop and manage Shield's projects. The loss of senior management, Directors and key technical personnel could have a material adverse effect on the business of Shield; and
- environmental management issues with which the Company may be required to comply from time to time and the potential risk that regulatory environmental requirements or circumstances could impact on the economic performance of the Company's operations.

(c) **Sovereign Risk**

The Company is conducting its exploration and development activities primarily in Mauritania. There is no assurance that future political and economic conditions in this country will not result in the government adopting policies precluding foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the Company's ability to undertake exploration and development activities in

respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date. The possibility that a future government may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out. There can be no assurance that the government of Mauritania will not impose measures that could have material adverse effects on the Company's operations or will renew or issue new exploration or exploitation licenses to the Company

(d) **Other risks**

The future viability and profitability of Shield are also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- the strength of the equity and debt markets in Australia and throughout the world;
- general economic conditions in Australia and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in contractual relationship to which Shield is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by Shield in its activities;
- industrial or other disputes in Australia and Mauritania; and
- an outbreak of hostilities or a material escalation of hostilities in Mauritania or elsewhere in the world

7.8 **Due diligence**

Shield has provided Gryphon with certain non-public information about Shield, for the purpose of Gryphon conducting a due diligence review of that information in connection with the Gryphon Offers.

7.9 **Summary of Material Contracts**

Set out below are summaries of the material contracts to which the Company is a party.

Takeover Bid Implementation Deed

On 29 June 2010, Shield entered into a takeover bid implementation deed with Gryphon (**TBID**). The TBID is summarised in section 10.16 of the Bidder's Statement

David Netherway - Employment Agreement

The Company and David Netherway are parties to an employment agreement dated 21 November 2006 pursuant to which Mr Netherway's position as Chief Executive Officer and Managing Director of the Company was confirmed ("**Employment**

Agreement"). The Employment Agreement was for a term of 3 years from the effective date of 1 June 2006, and was renewable upon agreement by the parties. On 29 May 2010 the parties extended the term of the Employment Agreement to 31 May 2012.

Under the Employment Agreement, the Company agreed to pay Mr Netherway a termination payment equal to twelve (12) months' salary plus one (1) month's salary per year of service (pro-rated for part of a year) as compensation for loss of office in the event Mr Netherway's employment with the Company is terminated without cause. Accordingly, the Company will be required to pay Mr Netherway UK£162,500 if Gryphon's takeover bid for the Company is successful, and if Mr Netherway's employment is terminated without cause.

7.10 Consent to inclusion of statements

Blakiston & Crabb has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as legal advisers to Shield.

Mr Phil Fillis has given his consent to the inclusion in this Target's Statement of all statements made by him or attributed or derived from those statements in the form and context in which they are included in Section 6.2 of this Target's Statement and has not withdrawn his consent before the lodgement of this Target's Statement with ASIC.

This Target's Statement also includes statements made by, or statements based on statements made by, Gryphon. Gryphon has not consented to those statements being included in this Target's Statement.

7.11 Publicly available information

This Target's Statement contains statements which are made in or based on statements made in, documents lodged by various parties (including Gryphon) with ASIC, or given to ASX, namely in the Bidder's Statement.

As required by ASIC Class Order CO 01/1543, Shield will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to Shield Shareholders and Bid Optionholders who request it during the relevant Offer Period. To obtain a copy of these documents (or the relevant extracts), Shield Shareholders and Bid Optionholders may telephone the official Shield Shareholder Information Line on (8) 9322 8393 (from within Australia) or +61 8 9322 8393 (from outside Australia).

7.12 **Material litigation**

As at the date of this Target's Statement, Shield is not aware of any current or proposed litigation or dispute that is material.

7.13 **No other material information**

This Target's Statement is required to include all the information that Shield Shareholders and Bid Optionholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Gryphon Offers, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the information that Shield Shareholders and Bid Optionholders and their professional advisors would reasonably require to make an informed assessment of whether to accept the Gryphon Offers is:

- the information contained in the Bidder's Statement;
- the information which has been previously disclosed by Shield as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;
- the information contained in Gryphon releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

Section 8 DEFINITIONS AND INTERPRETATION

8.1 Definitions

In this Target's Statement, unless the context otherwise requires:

"**A\$**", "**\$**", or "**AUD**" means the currency of Australia;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means ASX Limited (ABN 98 008 624 691), and where the context requires, the Australian Securities Exchange;

"**ASX Listing Rules**" means the official listing rules of ASX as amended, varied, modified or waived from time to time;

"**Bidder's Statement**" means the bidder's statement issued by Gryphon dated 30 June 2010;

"**Bid Option**" means an option granted by Shield which is exercisable for \$0.20 each on or before 31 August 2011 and which options are the subject of the Option Offer;

"**Bid Optionholder**" means a holder of a Shield Bid Option;

"**CHESS**" means the Clearing House Electronic Sub register System, which provides for electronic share transfers in Australia;

"**CHESS Holding**" means a holding of Shield Shares on the CHESS Sub register of Shield;

"**Controlling Participant**" means a Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASTC Settlement Rules;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Director**" means a member of the Shield Board;

"**Gryphon Offers**" or "**Offers**" means the Share Offer and Option Offer;

"**Gryphon**" or "**Bidder**" means Gryphon Minerals Ltd ACN 107 690 657;

"**Gryphon Shares**" means fully paid ordinary shares in the capital of Gryphon;

"**Ineligible Foreign Shield Bid Optionholder**" means any Shield Bid Optionholder whose address, as entered in the register of members of Shield, is outside of Australia (and its external Territories) and New Zealand but does not include any Shield Bid Optionholder that has appointed an agent in Australia or New Zealand to receive and accept the Option Offer on their behalf. Also, a person will not be an Ineligible Foreign Shield Bid Optionholder if Gryphon is satisfied, acting reasonably, that the laws of the country of residence of that Shield Bid Optionholder (as shown in the Shield register) permit the issue and allotment of Gryphon Shares either

unconditionally or after compliance with conditions which Gryphon in its sole discretion regards as acceptable;

"Ineligible Foreign Shield Shareholder" means any Shield Shareholder whose address, as entered in the register of members of Shield, is outside of Australia (and its external Territories) and New Zealand but does not include any Shield Shareholder that has appointed an agent in Australia or New Zealand to receive and accept the Share Offer on their behalf. Also, a person will not be an Ineligible Foreign Shield Shareholder if Gryphon is satisfied, acting reasonably, that the laws of the country of residence of that Shield Shareholder (as shown in the Shield register) permit the issue and allotment of Gryphon Shares either unconditionally or after compliance with conditions which Gryphon in its sole discretion regards as acceptable;

"Issuer Sponsored Holding" means a holding of Shield shares on Shield's issuer sponsored subregister;

"JORC" or **"JORC code"** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition;

"km" means kilometres;

"km²" means square kilometres;

"Notice of Status of Conditions" means Gryphon's notice disclosing the status of the conditions of the Offers which is required to be given by subsection 630(3) of the Corporations Act;

"Offer Period" means the period during which the Gryphon Offers remain open for acceptance in accordance with annexures A and B of the Bidder's Statement;

"Offer Price" means the consideration offered under the Gryphon Offers;

"Option Offer" means the offer to be made by Gryphon to acquire Bid Options on the terms set out in annexure B of the Bidder's Statement;

"Option Offer Period" means the period referred to in Section 1.3 of annexure B of the Bidder's Statement, during which the Option Offer remains open for acceptance;

"Record Date" means the time and date set by the Bidder under section 633(2) of the Corporations Act, being 5.00pm (WST) on 8 July 2010;

"Related Bodies Corporate" has the meaning given to it in the Corporation Act;

"section" means the relevant section in the document referred to;

"Share Offer" means the offer to be made by Gryphon to acquire Shield Shares on the terms set out in annexure A of the Bidder's Statement;

"Share Offer Period" means the period referred to in Section 1.3 of annexure A of the Bidder's Statement, during which the Share Offer remains open for acceptance;

"Shield" or **"Company"** means Shield Mining Limited ACN 108 267 063;

"Shield Board" or **"Board"** means the board of directors of Shield;

"Shield Bid Options" or **"Bid Options"** means options to subscribe for Shield Shares;

"Shield Other Option" means options which Shield has granted which does not include Shield Bid Options;

"Shield Shares" or **"Shares"** means fully paid ordinary shares in the capital of Shield;

"Shield Shareholder" or **"Shareholder"** means a person registered in the register of members of Shield as a holder of one or more Shield Shares;

"Target's Statement" means this document being the statement of Shield under Part 6.5 Division 3 of the Corporations Act relating to the Gryphon Offers; and

"WST" refers to Australian Western Standard Time.

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;
- (c) a reference to any gender includes all genders;
- (d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;
- (f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;
- (g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- (h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;
- (i) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and
- (j) headings are for convenience of reference only and do not affect interpretation.

Section 9 APPROVAL OF TARGET'S STATEMENT

This Target's Statement has been approved by a resolution of the Shield Board.

Signed for and on behalf of Shield Mining Limited:

Dated 30 June 2010

A handwritten signature in black ink, appearing to read 'L Graefe', written in a cursive style.

Lexton Graefe
Director