

Gryphon Minerals (GRY)

Opinion Data

Recommendation	Speculative Buy
Risk Rating	High
Current share price	\$0.16
Price range - high/low	\$0.80 - \$0.12
Market capitalisation (fully diluted)	\$18m

Company Background

Gryphon Minerals (GRY) floated on the ASX in April 2004 as a mineral exploration company with nickel and gold exploration projects in WA. The IPO raised \$3m at \$0.20/share.

In August 2005, GRY entered into a joint venture over the Banfora Gold project in Burkina Faso in West Africa. This has since become the company's flagship project, with GRY now owning 90% of the project, the balance being held by the Burkina Faso government. GRY's tenements overlie Birrimian greenstones, which host almost all of the known gold mineralisation in West Africa, including the nearby Morila, Syama and Tongon projects.

The nickel tenements in Western Australia are currently being explored by Minara Resources, under a farm in/joint venture agreement.

Since listing, GRY has raised ~\$35m, primarily through share placements, including a placement to Newmont Mining Corporation.

Highlights

GRY has continued to advance its exploration program at the Banfora Project in Burkina Faso. However, in light of the current market conditions, and the need to preserve cash, GRY is likely to slow down the drilling program going ahead (post the current wet season) primarily by using only one drill rig.

GRY fortunately raised \$10m in the June quarter. It currently has \$8m in cash and expects to spend ~\$2m under the current drill program, leaving sufficient funding to last well into 2009.

The overall drill program, including 30,000m of RC resource definition drilling and 5,000m of exploration diamond drilling, remains unchanged; it will merely take longer to complete. GRY is still targeting a resource upgrade in early 2009, potentially in excess of 750koz (all shallower than 100m) and likely to be at a higher grade than the current resource of 400koz at 2.1g/t.

The diamond drilling undertaken thus far has given GRY a good understanding of the local geology, which it is applying in ongoing resource definition and expansion work. The Nogbele prospect in particular remains open in several directions and should underpin the bulk of the resource upgrade.

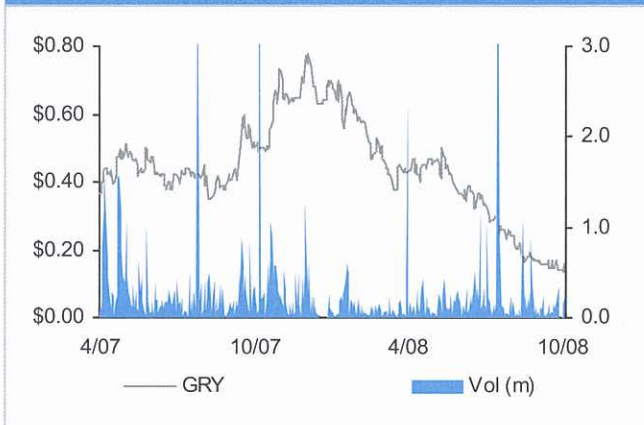
There remain a number of regional targets to follow up on, but these are likely to receive a lower focus under the current cash conservation strategy.

Outlook / Investment View

GRY's share price has been under severe pressure, like most of its peer group in the junior exploration sector. However, it remains an attractive exploration play, underpinned by good management and a highly experienced exploration team, on landholdings that appear capable of delivering substantial resource growth.

GRY's current market cap of \$18m is backed by \$8m in cash, thereby valuing the projects at just \$10m. Assuming that it expends \$2m in increasing the resource base to 0.75moz that would equate to a valuation of \$16/oz, which is inexpensive by any comparative measure.

GRY Share Price / Volume



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