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Gryphon Minerals (GRY) 46c

CRITERION: Tim Boreham | September 21, 2009

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MAYBE it's your columnist's fertile imagination, but every second announcement from the resources sector seems to be about gold at the moment.

Of course, this has nothing to do with the lustrous metal sitting consistently above \$US1000 an ounce.

Gryphon Minerals this morning tapped into the gold-friendly mood with news that it has firmed up a 1.1 million ounce resource at its Banfora gold project in the West African state of Burkina Faso.

The happy tidings coincide with this week's visit to our shores of Burkina Faso's minister for mines, Abdoulaye Cisse, who will tell an industry conference that the so-called "African discount" on share valuations is unjustified.

Gryphon for some time has been angling for a one million ounce resource which, we hasten to add, is inferred and not yet proven.

Across its two deposits (Nogbele and Fourkoura), Gryphon claims 14 million tonnes of dirt at an average 2.4 grams a tonne (not bad).

While one million ounce-plus deposits are not an everyday occurrence, Gryphon has some catching up to do with other Australian West African plays such as **Perseus Mining** and **Adamus Resources**.

Perseus Mining claims a 6mo resource for its Ayanfuri project in neighbouring Ghana. Adamus has a 1.2 million resource (854,000 oz proven) at its Southern Ashanti project, also in Ghana.

For fans of nearism, Banfora is 50-75km away from other great deposits such as Mail's Syama (11.5 mo) and Morilla (6.5 mo), otherwise known as Morilla the Gorilla.

Burkina Faso is politically stable and its name means Land of the upright Men. Cynics would say a stable and corruption-free African nation is an oxymoron. But the fact that Mr Cisse has popped over here means he doesn't expect an imminent coup.

With \$13 million of cash, Gryphon is well-placed to achieve short-term production of the easy stuff to fund a heap-leach facility aimed at 45,000 oz annual production.

We await to see how much leakage occurs when further work converts the resource into reserves. Broker Euroz says a greenfields miner in Africa needs a base case of 750,000-800,000 oz to justify a project.

Criterion last had Gryphon as a speculative buy at 22c, in early April, when the resource stood at 800,000 oz. The stock has had a golden run but given its market cap (\$80m) still lags most of its peers we'll stick with a speculative buy.