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Gryphon Minerals Ltd (GRY\$0.40) Speculative Buy

Initiation of Coverage

Key Points

Gryphon Minerals Ltd ('GRY') has a 100% interest in the Banfora Gold project located in the SW corner of Burkina Faso. This forms part of the highly prospective West African greenstone belt where some +100moz of gold has been discovered/mined.

GRY announced a maiden resource of 410koz @ 2.1 g/t at Nogbele/Fourkura in Sept'07. In excess of 93% of this resource is contained within the top 100m and mineralisation remains open in all directions.

Nogbele represents one of fifty soil/geochemical anomalies with only a few drill-tested to date. Some of the soil anomalies are large +1km x 1km at +0.5 g/t Au and will be targeted this yr.

GRY aims to at least double the current resource in CY'08 by targeting obvious extensions at Nogbele, northern extensions (Nangolo) and further drilling at Fourkura.

Burkina Faso is a politically stable country and a good place to do business. A new mining code was introduced in 2003 and the governments is targeting the development of five new mines in five years.

The board and management team have substantial African experience with the Exploration Manager, Michael Fox previously Gallery Gold's Exploration Mgr and also its consultants SEMS Exploration with +15yrs African experience.

GRY has a strong shareholder register with a good mix of corporate interest (Newmont 8%) and Institutional interest (Genesis 8%, Mariner 5%). The top 20 hold 65%. This is a high quality register for a small company.

Whilst too early for any formal valuation we believe GRY has the potential to discover a +1moz gold resource at Banfora - this could justify a market capitalisation of \$70-80m or \$0.80/sh. The recent takeover of Equigold Ltd by Lihir does indicate that West Africa is a highly prospective area sought after by major gold miners.

We initiate coverage with a Speculative Buy recommendation for exposure to an aggressive gold explorer with a strong technical/management team and excellent exploration upside.

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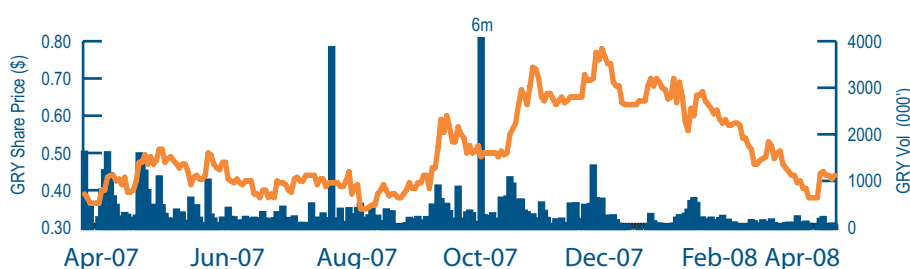
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Market Statistics

Issued Capital		Cash	\$4m
FPO Ord Share	89m	Debt	nil
Opts (@ \$0.40/sh 31/12/08)	12.3m	Valuation - Base Case	n/a
Opts (@ \$0.45/sh 30/11/08)	4.0m	Year Low - High	\$0.30 - \$0.80
Opts (@ \$0.62/sh 30/11/09)	2.3m	Average Daily Turnover	280kt
Opts (@ \$0.75/sh 30/11/09)	2.3m	Major Shareholders	- Management 13%
Market Capitalisation	\$36m	- Newmont	8%
		- Genesis	8%

Share Price Performance



Executive Summary

Gryphon Minerals Ltd listed on the ASX in April 2004 on some grass root exploration tenements in WA. In August 2005 it entered into a JV to earn an interest in the Banfora Gold project located in Burkina Faso. Previous exploration had defined 7 soil/geochemical anomalies, of which two were drilled with some ore grade intersections.

Gryphon has completed three drill programs since August'05 and announced a maiden resource of 410koz @ 2.1 g/t from two prospects. In our view is this a starter resource and we see good potential for this to be increased significantly. In conjunction with the drilling program a regional soil sampling program started, this has now covered +50% of the 1,100 sqkm and the number of soil anomalies has increased to ~ 50.

The target of 1moz of resource by the end of CY'08 appears to be a reasonable target with the prospects identified to date. However it is exploration and therefore is subject to the vagaries of drill results and geology.

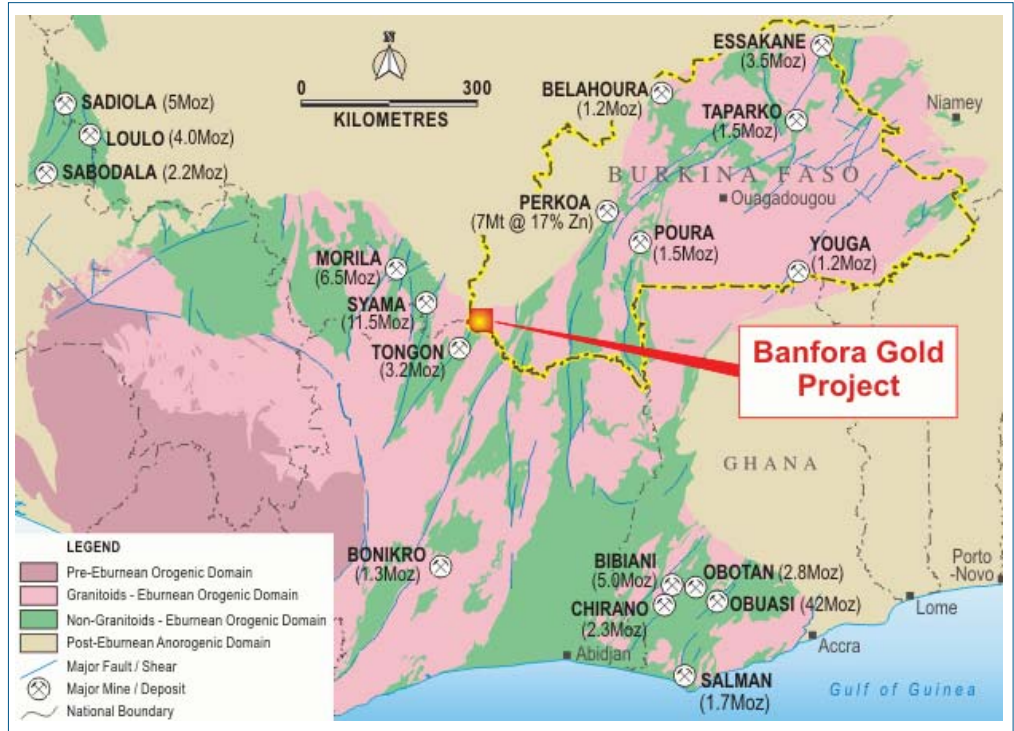
The management team headed by Steve Parsons, a geologist with over 10 yrs experience has done a good job in identifying the potential at Banfora and aggressively exploring this area. The Exploration Manager, Michael Fox and the consultants used in drilling logistics all have extensive African experience and the ability to get drill rigs has been good.

The recent merger of Equigold with Lihir does indicate West Africa is a good place to explore/develop and is attractive to major international gold producers. We regard this area as one of the few remaining areas globally where a junior can find and develop high quality orebodies, however this does take time as evidenced by Equigold which spent 8 years exploring in the Ivory Coast before committing to construction.

Gryphon is one of the few active junior gold explorers that offers both resource upside and potential of a virgin discovery from one of the numerous soil anomalies that it has identified. With a CY'08 exploration budget of \$5m we expect a steady stream of results and the stock has retraced back from its year high of \$0.80/sh making the current price a good entry point.

Banfora Gold Project (GRY 100%)

The Banfora Gold project is located in the SW of Burkina Faso, West Africa. It is in a major gold producing district, host to such world class gold deposits as Syama (5Moz mined and 6.5Moz resources), Morila (6.5moz) and Tongon (3moz).



In August'05 GRY entered into an 'earn in' JV agreement granting GRY the right to acquire 90% (Govt 10%) of which GRY has already earned a 51% interest. In Nov'07 it reached agreement to acquire the remaining 49% interest in the Banfora project from JV partner Sanembaore Sarl Pty Ltd for cash payment of \$0.3m and 1.3m GRY shares. Sanembaore will retain a NSR of 1% on the project.

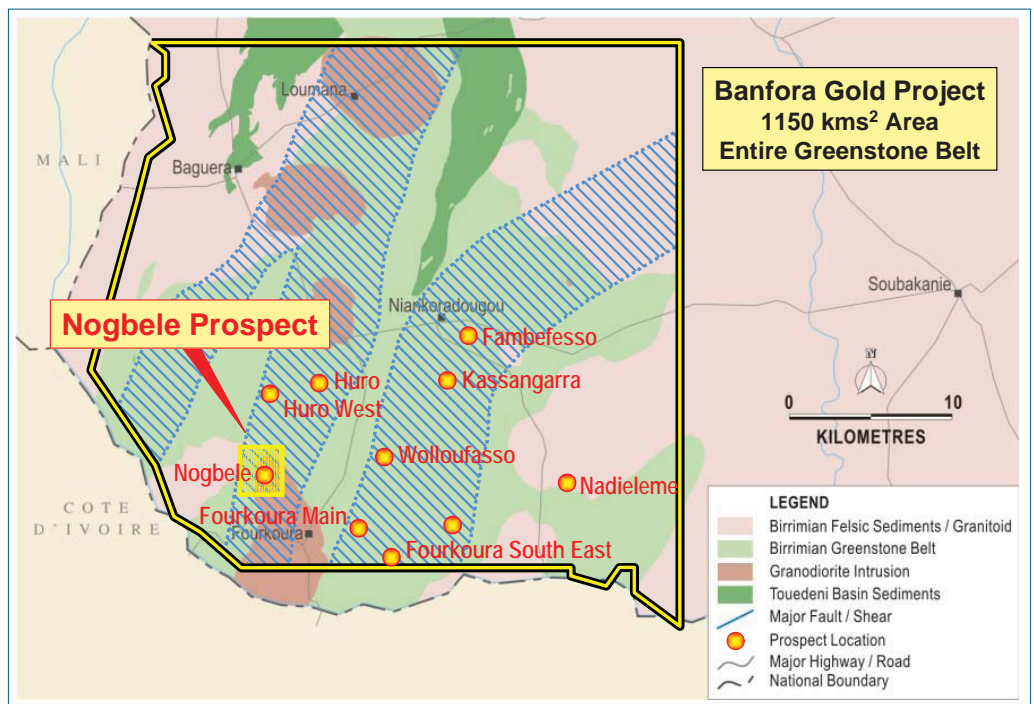


FIG. 2 HISTORICAL ANOMALIES IDENTIFIED

Drilling initially focussed on the Nogbele Prospect as previous drilling had intersected ore grade intersections. Drilling by GRY extended and confirmed the previous results with intersections such as

- 16m @ 5.6 g/t from surface
- 9m @ 33.4 g/t from 32m
- 12m @ 8.66 g/t from surface
- 16m @ 3.65 g/t from 15m

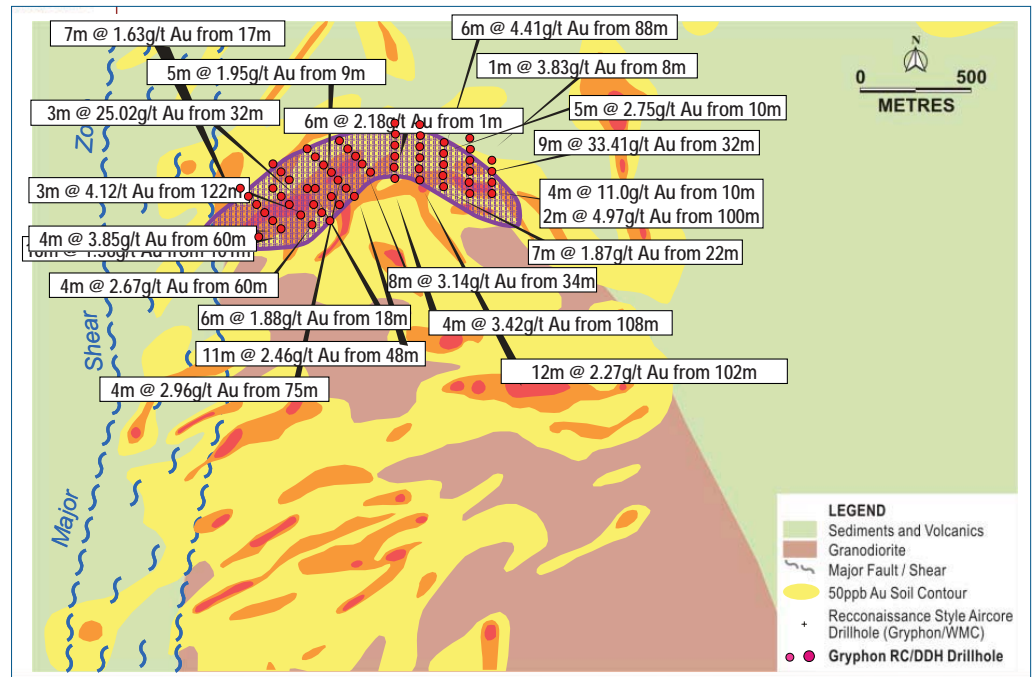


FIG. 3 NOGBELE PROSPECT

The drilling culminated in a maiden resource estimate announced in mid Sept'07 as outlined in the table below.

Deposit	Category	Tonnage (Mt)	Grade Au (g/t)	Contained Ounces Au
Nogbele	Inferred	5.1Mt	2.0	332,000
Fourkoura	Inferred	1.0Mt	2.5	78,000
Total Banfora Gold Project	Inferred	6.1Mt	2.1	410,000

Other positive attributes of the resource are

- 93% of the resource is above 100m
- Discovery cost of <US\$10/oz
- Reasonable open pit grade of + 2 g/t Au.
- Mineralisation remains open at both projects.

We view this initial resource as very much a first pass resource and not indicative of the potential for this project to yield considerably more ounces. The deepest drill hole to date is ~ 120m and both deposits remain open in all directions.

At Nogebele, a new zone of mineralisation was identified approximately 1km to the north called Nangolo, trenching and drilling confirm a potential strike length of 1.4km and first pass RAB results returned results such as

- 23m @ 4.6 g/t from 16m
- 22m @ 2.7 g/t from 16m
- 15m @ 2.8 g/t from 12m

Regional Exploration

At the time of entering the JV for Banfora previous exploration, predominantly by WMC had identified 7 high priority soil/geochemical anomalies covering the southern portion of the 1,100 sqkm tenement package. Since this time GRY has completed soil sampling over ~ 50% of the tenement and increased the number of anomalies to ~50. Some of the priority targets will be drilled this year.

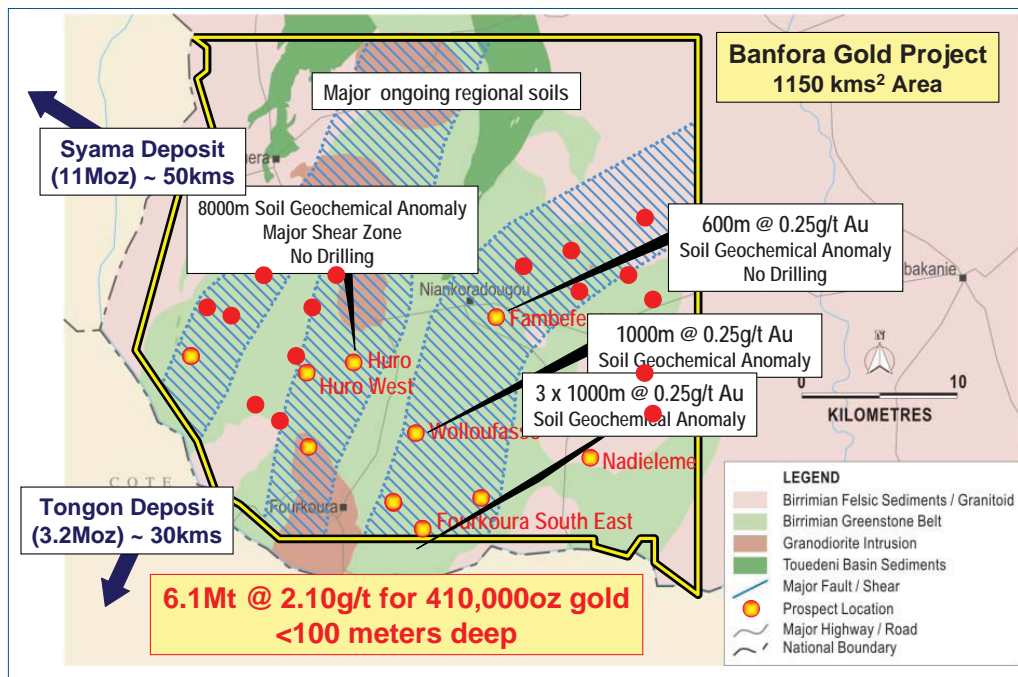


FIG. 4 REGIONAL TARGETS AND NEW ANOMALIES

GRY aim to complete soil sampling over the remainder of the tenement by the end of CY'08 and it does appear that two large regional trends are developing and the company is hopeful that further anomalies will be defined.

Exploration Program

In CY'07 GRY spent ~ \$5m on exploration and plan a similar exploration spend this year. It currently has 3 rigs operating including:

- 1x RC/Diamond at Nogbele
- 1x RAB on regional structures
- 1x RC rig at Nogbele/Nangolo

The current program is to drill ~ 30,000m of RC resource definition drilling, 5,000m of diamond drilling and 50,000m of RAB drilling targeting further high priority regional targets. In addition a further 50,000 soil samples are expected to be collected over the next six months.

Timetable

The wet season starts in July for a couple of months and whilst this may slow drilling down, GRY will still be able to work through.

GRY aim to complete a resource update by mid CY'08 to incorporate the recent drill results and then a further resource estimate by the end of the yr. The target is to define a global resource of 1moz by the end of yr from probably three main project areas, Nogbele, Nangolo and Fourkoura. We believe this is a realistic target.

Burkina Faso

Burkina Faso (formerly Upper Volta) achieved independence from France in 1960. Repeated military coups during the 1970's and 1980s were followed by multiparty elections in 1990's. The current president Blaise Compoare came to power in 1987 and has won every election since then.

Burkina is geologically rich, has a stable political environment and introduced enhanced tax breaks in 2003 to aid development of new projects. The new Mining Code is similar to other West African nations with a 10% free carried interest by the government, 7 year tax free holiday and royalties of 3% FOB.

There are now over 30 foreign companies exploring in Burkina Faso and five new mines on the cusp of development. Of the five mines four are gold projects with reserves ~ 5moz.

Two companies, High River Gold and Entruscan Resources poured gold from its projects – reviving commercial production after a 10 yr hiatus. The largest deposit, Essakane a 2moz resource (a joint development between Orezone and Goldfields) is scheduled to complete a feasibility study shortly.

Other Projects

Collurabie and Mt Rankin Projects

GRY has an attractive nickel farm in JV with Minara Resources ('MRE') MRE is to sole fund \$5.5m in exploration over a 4 yr period to earn 70% and reimburse \$0.6m for prior exploration. GRY remains manager and operator.

Four drillholes targeting discrete anomalies were drilled in the Dec'Q with sulphides intersected in every drillhole.

Directors

Mel Ashton – Non Executive Chairman

Mel is a chartered accountant and a fellow of Australian Institute of Company Directors and was the partner and founder of PPB Ashton Read Accountants. He is currently the Chairman for Venture Minerals, Empired Ltd and Empire Beer Group Ltd.

Steve Parsons – Managing Director

Steve is a geologist with over 15 yrs mining experience including working at Placer Dome, Platinum Australia and CRA. Steve has considerable experience in all aspects of technical management and was largely responsible for the acquisition of the GRY's project portfolio.

Didier Murcia – Non-Executive Director

Didier holds a Bachelor of Jurisprudence and law degree from the University of WA and has over 20 yrs experience in corporate, commercial and resource law.

Kent Hunter – Non Executive Director

Kent is a Chartered Accountant with over 15 yrs corporate and company secretarial experience. He has been involved in the listing of 15 junior resource companies over the past 4 yrs.

Directors & Shareholdings

Director	Role	Shares	Options
Mel Ashton	Chairman	1,000,000	1,550,000
Steve Parsons	Managing Director	5,045,001	3,100,000
Didier Murcia	Non Executive Director	150,000	1,300,000
Kent Hunter	Non Executive Director	850,000	650,000

Top 20 Shareholders

Gryphon Minerals		as at 31 March 2008	
No.	Shareholder	shares (m)	(%)
1	HSBC CUSTODY NOMINEES	10,033,116	11.25%
2	NEWMONT CAPITAL PTY LTD	7,000,000	7.85%
3	MARINER SECURITIES LIMITED	4,700,000	5.27%
4	MACQUARIE BANK LIMITED	4,000,000	4.48%
5	RBC DEXIA INVESTOR SERVICES	3,693,064	4.14%
6	HSBC CUSTODY NOMINEES	2,811,000	3.15%
7	MR STEPHEN PARSONS	2,500,001	2.80%
8	MR STACEY ANDREW RADFORD	2,500,000	2.80%
9	STANDARD BANK PLC	2,105,263	2.36%
10	GEARED INVESTMENTS PTY LTD	1,900,000	2.13%
11	ANZ NOMINEES LIMITED	1,652,500	1.85%
12	MS FREYA CHEFFERS	1,500,000	1.68%
13	ANZ NOMINEES LIMITED	1,378,465	1.55%
14	MR ROBERT A J SMITH	1,150,000	1.29%
15	MR HAMISH HALLIDAY	1,000,000	1.12%
16	SYMORGH INVESTMENTS PTY LTD	1,000,000	1.12%
17	MR PETER JOHN WOODFORD	999,999	1.12%
18	MAX CAPITAL PTY LTD	930,000	1.04%
19	MR DAVID GEORGE METFORD	820,000	0.92%
20	MANOTEL PTY LTD	800,000	0.90%

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