

Gryphon Minerals Ltd

(GRY \$0.08) Speculative Buy

Price Target: \$0.20/sh

Analyst ▶ Andrew Clayton

Comments

Ph: +61 8 9488 1427 E: aclayton@euroz.com.au

In light of the difficult market conditions, GRY has pulled back its exploration program at Banfora with the focus on identifying shallow oxide resources close to the existing Nogbele resource. The deeper diamond holes, to test potential down plunge extensions of mineralisation, have been put on hold for the time being.

Drilling recommenced in early Dec'08 after the wet season finished, ~ 10,000m of RC drilling is planned with the focus on three main areas including the new mineralisation recently discovered at the juncture between the main regional shear and Nogbele shear zone.

As the drilling intensity has been reduced we now believe a more realistic resource target will be 700-750koz down to ~ 100m vertical depth. Previously we had expected the resource to include deeper mineralisation down to say 150m vertically. We also expect an upgrade in resource category from all inferred to a reasonable % in the indicated and measured category.

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 has a current 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.

GRY also completed first pass drilling on the regional shear zone at Nogbele with some encouraging intersections including 12m @ 2.54 g/t from 32m, 10m @ 2.3 g/t from 1m and 7m @ 5.53 g/t from 151m.

We understand GRY also has a back log of drill results to come due to the slow assay turnaround and expect these out shortly. GRY is in the fortunate position of still having ~ A\$7m in cash or A\$0.065/sh representing ~80% of its market capitalisation.

Investment Case

The decision to pull back exploration is sensible in the current market conditions and fortunately GRY has sufficient cash to continue exploration for at least the next 12 months. There are many other junior explorers that are not in this position.

Within excess of 1,150sqkm of contiguous tenements, 10 already named geochemical anomalies and a further 20 soil anomalies identified we see excellent exploration upside to the current 0.41moz resource. Burkina Faso is a politically stable country and a good place to do business. A new mining code was introduced in 2003 and the government is targeting the development of five new mines in five years.

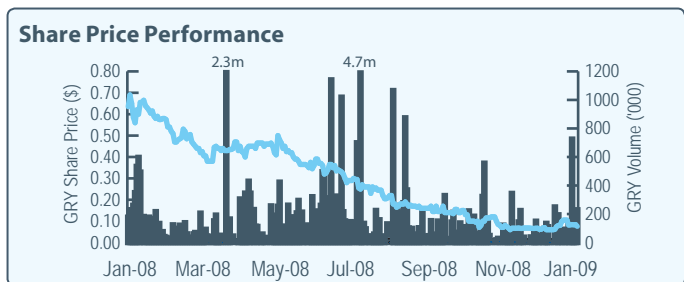
As opposed to many gold explorers re-looking at tired old projects/tenements, GRY offers investors exposure to greenfields exploration in an area with large world class gold mines in proximity and where 1st pass exploration has already defined a resource and numerous targets that require follow up work. We firmly believe that the West African greenstone belts are one of the few remaining areas where a junior can have a company making discovery/development. Recent examples include – Equigold's Bonikro deposit and Mineral Deposits – Sabodala project.

Whilst the juniors are going through a difficult period at the moment the gold explorers are better placed with a strong underlying commodity price and relatively inexpensive exploration methods can be utilised. GRY trades just above cash backing and with a new resource upgrade due shortly and further drill results we maintain our Spec Buy.

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Gryphon Minerals Ltd during the last year. Euroz Securities has received a fee for these services. This analyst also declares he has a beneficial interest in Gryphon Minerals Ltd.

Top 20 Shareholders		as at 18 September 2008	
Shareholders	Shares (m)	(%)	
1 HSBC Custody Nominees Pty Limited	16.47	14.36	
2 Newmont Capital Pty Limited	7.00	6.10	
3 National Nominees Ltd	6.19	5.39	
4 Macquarie Bank Limited	4.44	3.87	
5 CS Fourth Nominees Ltd	3.78	3.30	
6 Mr Stacey Andrew Radford	3.00	2.62	
7 Mr Stephen Parsons	2.50	2.18	
8 Geared Investments Pty Limited	2.40	2.09	
9 Ms Freya Cheffers	1.50	1.31	
10 Palazzo Nominees Ltd	1.50	1.31	
11 Mr Robert A J Smith	1.48	1.29	
12 Symorgh Investments Pty Limited	1.27	1.11	
13 HSBC Custody Nominees Pty Limited	1.10	0.96	
14 Standard Bank PLC	1.05	0.92	
15 H Wallace - Smith & Co Pty Ltd	1.04	0.91	
16 Mr David George Metford	1.02	0.89	
17 Mr Hamish Halliday	1.00	0.87	
18 Cairnglen Investments Pty Ltd	1.00	0.87	
19 Doncon Timothy L + C	0.90	0.78	
20 Hazlaha Investments Ltd	0.75	0.66	
TOTAL	59.39	51.79	

Market Statistics			
Share Price	\$0.08 A\$/sh	Directors	
Issued Capital		Mel Ashton	Non-Exec Chair'n
FPO Ord Share	114.6 m	Steve Parsons	Managing Dir
Opts (@ \$0.45/sh 30/11/08)	4.0 m	Didier Murcia	Non-Exec Dir
Opts (@ \$0.62/sh 30/11/09)	2.3 m		
Opts (@ \$0.75/sh 30/11/09)	2.3 m		
		Shareholders	
Market Capitalisation	\$9 m	Management	13%
Cash	\$7 m	Newmont	8%
Debt	nil	Genesis	8%



Resources Quarterly ▶ January 2009

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Securities Ltd (ACN 089 314 983) ("Euroz") only. Euroz is the holder of an Australian Financial Services Licence (AFSL 243302) issued by the Australian Securities and Investments Commission ("ASIC") and is a participant of the Australian Securities Exchange Group ("ASX Group").

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient no confidentiality is lost nor privilege waived by your receipt of it. Please delete and destroy all copies, and contact Euroz on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz.

Disclaimer & Disclosure

Euroz and its associates declare that they deal in securities as part of their securities business and consequently may have a relevant interest in the securities recommended herein (if any). This may include providing equity capital market services to their issuing company, hold a position in the securities, acting as principal or agent, or make a market therein and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz declares that it may have acted as an underwriter, arranger, co-arranger or advisor in equity capital raisings, and will have received a fee for its services, for any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz without first consulting your investment advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.