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Goldstream Mining 14 Feb, 2007

Tanzanian Spin Off as Cairn Hill Production Looms

GDM; Buy up to 70c

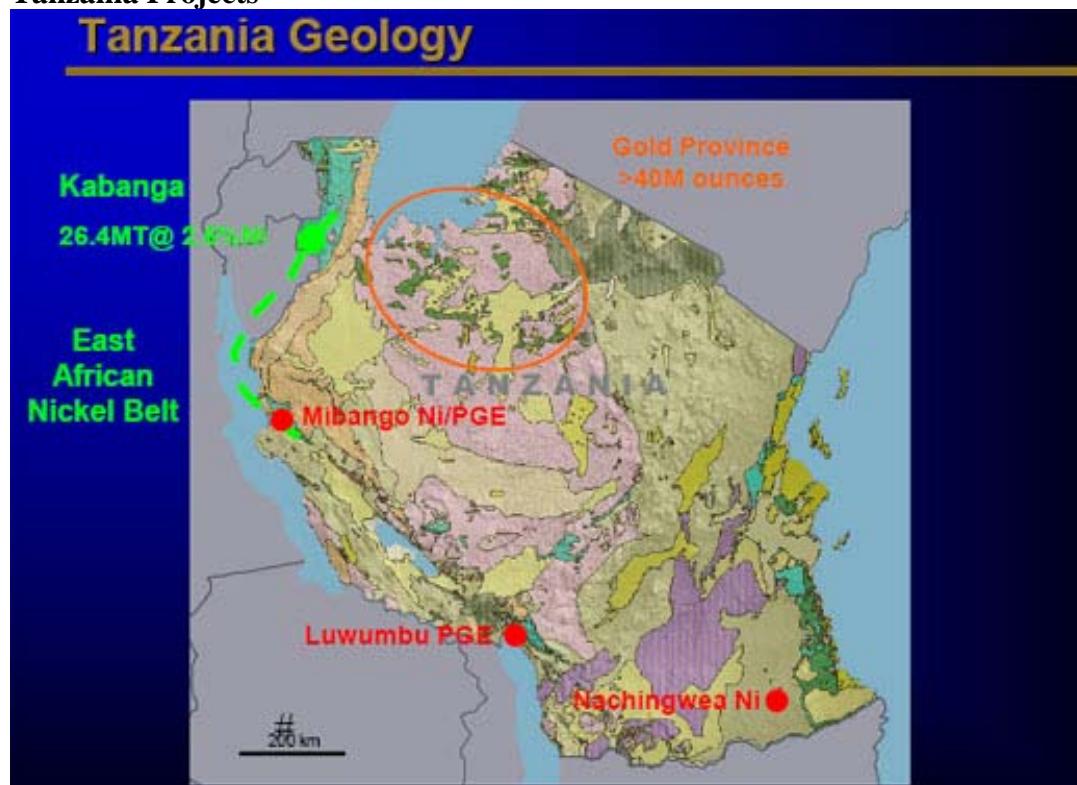
Goldstream has announced that it will re-focus its broad portfolio of exploration projects with the anticipated spin off of its 100% owned Nachingwea nickel-copper property in Tanzania. The new vehicle will be named Continental Nickel Limited (CNI) and will apply for listing on the Toronto Stock Exchange following an IPO to raise up to C\$15.5m (A\$16.8m).

On other fronts, the feasibility study at Goldstream's Cairn Hill magnetite-copper-gold project in South Australia is advancing, despite minor time slippage in the December quarter, and is expected to be completed during the second quarter of 2007, with mining planned to commence late in the year.

“The value of Goldstream's diverse exploration portfolio and potential to commence mining at Cairn Hill later this year is slowly being recognised by the market. The company plans to spin off its Nachingwea nickel-copper play in Tanzania following the successful spin off of its uranium assets into ASX listed Uranex in 2005.”

Recapping, the Goldstream portfolio of projects has both geographical and commodity diversity. The company is fast tracking the feasibility study at the Cairn Hill magnetite/copper-gold project in South Australia. Drilling has been undertaken on regional targets elsewhere within the Mt Woods project (host to Cairn Hill). In addition to the Nachingwea project, Goldstream is active on other projects in Tanzania (see map below), primarily in association with Lonmin, including the Mibango project (platinum-nickel-copper-cobalt), the Luwumbu project (platinum-nickel-copper) and other areas prospective for uranium. Uranium, copper and gold are also being targeted in other parts of South Australia and Northern Territory. Members are referred to previous Stock Resource reports on GDM for details of these projects.

Tanzania Projects



Source: Company

Encouraging results were reported during the December quarter. At Nachingwea in Tanzania, a 39m trench recorded 3m at 11.23% Ni and 1.74% Cu. Also in Tanzania, on the Luwumbu project (GDM reducing to 27%), 28 diamond drillholes were completed in the 2006 field season confirming widespread but broadly continuous mineralisation. Some of the better intersections were:

- NDH018 5.55m (from 203.7m) at 2.78g/t (Pt+Pd+Au)
- NDH018 3.5m (from 218.3m) at 4.73g/t (Pt+Pd+Au)
- NDH022 1.0m (from 88.5m) at 4.40g/t (Pt+Pd+Au)
- NDH025 1.0m (from 29.0m) at 4.42g/t (Pt+Pd+Au)

At the Mibango PGE-Nickel project also in Tanzania, an 18 hole drill program intersected exciting nickel sulphide mineralisation which merits further exploration after the current wet season (November to May).

Nachingwea Spin Off

Goldstream announced on 1 February 2007 that it plans to spin off its 100% owned Nachingwea nickel-copper project in Tanzania into a separate Canadian vehicle, Continental Nickel Limited, to gain best value for GDM shareholders. The new vehicle, currently a wholly owned subsidiary of Goldstream, will be applying to list on the TSX Venture Exchange in Canada, following an IPO where it will seek to raise between C\$11.5 million and C\$15.5 million (A\$12.4 million to A\$16.8 million). The tenement layout is shown below.

Nachingwea Project Layout



Source: Company

The announcement stated that “...it is intended that Goldstream will own 51% of CNI upon completion of the IPO and also intends to retain a direct 25% free carry through to the completion of a feasibility study or until CNI incurs a minimum level of expenditure. Goldstream also intends to provide CNI the right to acquire other early stage nickel prospects in Tanzania and Mozambique, but neither Goldstream’s Luwumbu or Mibango projects, which are the subject of joint ventures with Lonmin Plc, are included in this spin off at the time of listing...”

It is anticipated that the IPO will occur late in the first quarter of 2007 or early in the second quarter and follows on from Goldstream’s successful spin off of uranium interests into ASX listed Uranex (GDM 43.5%) in 2005.

The spin off estimates at least C\$8 million (A\$8.6 million) of the IPO proceeds being committed to a major exploration program targeted at significantly extending the previously discovered nickel–copper sulphide mineralisation. Goldstream management believes that the Canadian market has a better appreciation for both nickel projects and Tanzanian projects which will provide a better platform for creating value from Nachingwea. And by spinning off this project GDM can concentrate its cash reserves (\$12.6m at end December) on development of the Cairn Hill copper-gold project, its other existing exploration projects and any emerging opportunities.

It is anticipated that existing Goldstream shareholders will be able to participate in the new IPO, however details are yet to be finalised.

Cairn Hill Development

The Cairn Hill magnetite/copper-gold project feasibility study is expected to be completed by the second quarter of 2007. The study is looking at two production

options: (1) on site production of magnetite and copper-gold concentrates; and (2) dig and ship with processing in China.

Other feasibility study progress is as follows:

- Mining Lease Application was lodged by GDM on 9 February
- Metallurgical testwork due for completion in April
- Resource drill out to Indicated JORC status 80% complete – finish in mid February
- Feasibility study completion end April
- Approvals anticipated by July
- Mining ore by fourth quarter 2007

Metallurgical outcomes thus far:

- Unusually coarse grained magnetite/copper-gold orebody
- Comminution tests show soft ore
- Metallurgical testwork in progress – still to optimise
- Proven flowsheet
- Extended flotation substantially reduces sulphur – tests ongoing
- Recoveries: Fe 86-90%; Cu 94-97%; and Au 85-94%

Preliminary Metallurgy – ROM ore and magnetite concentrate

Ore Zones & Waste P ₈₀ 150 µ	Al ₂ O ₃ %	P %	S %	SiO ₂ %	Au g/t	Cu %	Fe %
Head Grade	2.15	1.24	2.11	13.8	0.17	0.62	51.46
Magnetic Separation	0.51	0.01	0.73	0.24	0.02	0.02	70.70
Flotation → Magnetic Separation	0.51	0.02	0.53	0.28	0.02	0.01	70.70

Based on weathered & fresh ore & waste

Source: Company

Capitla Structure

We estimate the capital structure of the company is currently as follows, using a 69c share price:

Market Valuation	Issued Shares (m)	Share Price (A\$)	Market Cap (A\$m)
Fully paid shares	146.7	\$0.69	\$101.2
Options & PP	11.9	\$0.69	\$8.2
Cash from options			\$2.1
Diluted Market Cap			\$107.3
Cash			\$12.6
Investments			\$62.7
Debt			\$0.0
Enterprise value			\$32.0

Discussion and Recommendations

Goldstream's ongoing feasibility study at Cairn Hill, positive exploration opportunities, planned spin off of Nachingwea and investment in Uranex have seen price appreciation during the early parts of 2007. Goldstream will be upgraded to producer status, subject to a successful feasibility study outcome, later this year as the Cairn Hill magnetite/copper-gold project is scheduled to commence mining ore by the end of 2007.

Goldstream is currently trading at undemanding levels given its current enterprise value, which is likely to become more favourable with a successful spin off of Nachingwea. This project would have required large outlays of exploration expenditure at a time when GDM is focusing on the development of the Cairn Hill project and other exploration plays. But this expenditure will now be funded by the planned float of Continental Nickel on the Canadian exchange. Goldstream shareholders are likely to have the opportunity of participating in this spin off. In addition, Goldstream's exploration properties continue to provide encouraging results reinforcing the company's potential to make a significant discovery.

Hence, **Stock Resource recommends Goldstream as a Buy up to 70c for Members without current exposure.**

Share Price Graph



Related Articles

- [Goldstream Mining 11 Oct 2006](#)
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