

23 February 2007

Goldstream unlocking value

Investment Highlights

- Goldstream Mining NL (GDM) is an exploration company offering multi-commodity exposure through projects in Australia and Tanzania. GDM is progressing its Cairn Hill magnetite, copper-gold project and has free carried interests in Nickel/PGE projects in Tanzania. It also retains considerable exposure to uranium through its holding in Uranex NL (UNX) and a 1% NSR over the Beverley 4 Mile project in South Australia. With GDM trading at a large discount to our valuation of \$1.08/sh, expectation of steady news flow from across GDM's projects and we rate GDM a SPECULATIVE BUY.
- Nachingwea spin out:** GDM plans to continue to unlock value from within by listing its 100% owned Nachingwea, Nickel-Copper property in Tanzania, into Continental Nickel Ltd (CNI), a wholly owned subsidiary of GDM, and list on the TSX Venture Exchange in Canada. The anticipated IPO would raise up to A\$16.8m for CNI with GDM, retaining 51% ownership of CNI.
- Cairn Hill:** The Feasibility Study on Cairn Hill, the most advanced of GDM's projects, is due at the end of April. The Cairn Hill project is located 50km southeast from Cooper Pedy in South Australia. The study is investigating options to commercialisation of its magnetite-copper-gold project.
- Tanzanian JV's:** Lonmin has farmed into the Luwumbu PGE (GDM reducing to 27%) and Mibango PGE/Nickel (GDM reducing to 35%) projects by funding all expenditure through to the completion of a BFS. Lonmin, the worlds 3rd largest and lowest cost producer of PGM's, has also taken over management of the projects and continued news flow is expected following the Tanzanian wet season.
- Unlocking value:** With GDM's investments (Uranex holding (33m shares), CNI spin off, Beverley 4 Mile NSR, cash etc) justifying current share price levels, value in GDM's other projects is yet to be realised and with all projects being quite active in the short term, we see scope for share price growth.

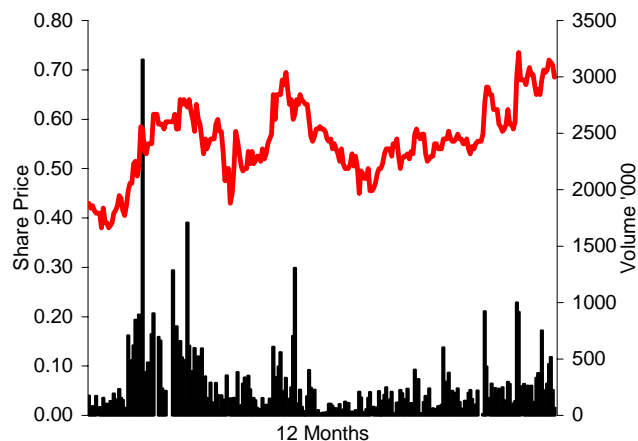
Company	
Stock code:	GDM
Share price:	\$0.68
Recommendation:	Speculative Buy

S&P/ASX 300 = 6027

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Company Statistics & Performance

Shares on Issue	157.0m	Daily Vol.	233,150
Market Cap.	\$106.8m	Debt	\$0.0m
52 Week Range	\$0.38 - \$0.74	Cash	\$10.0m



Investment Summary

Name	Position
Duncan McBain	Chairman/Managing Director
Geoffrey Wallace	Executive Director/Company Secretary
Terrence Robson	Non-Executive Director

Substantial Shareholders	%
Anglo American Investments	6.3

Top 20	32%
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GDM Valuation

Our valuation for GDM is \$1.08/sh. This is significantly higher than current share price of \$0.68/sh (59% higher) however we believe significant value from projects will soon be realised, starting with the spin out of the Nachingwea project. With value in GDM's existing projects yet to be unlocked and with all projects being quite active in the short term, we see scope for share price growth.

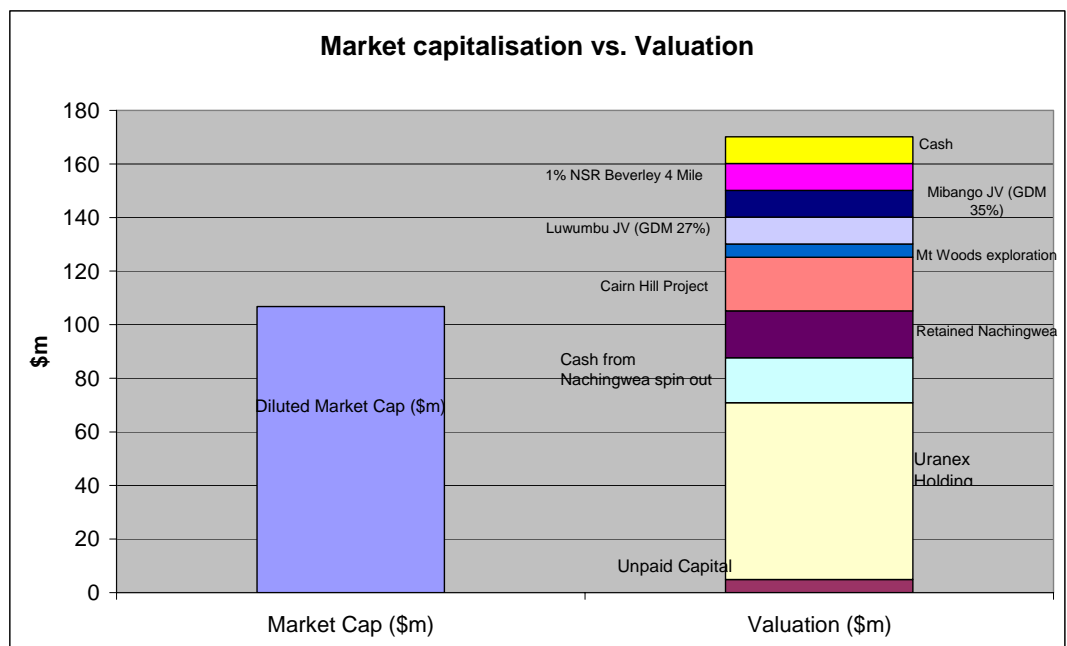
Given GDM's

- unpaid capital \$4.9m
- investment in Uranex NL (33m shares) \$67m
- \$10m in cash
- and assuming they receive \$16.8m for the 49% spin-off of Nachingwea, valuing its remaining 51% holding at \$17.5m.

The market is attributing no value to GDM's

- Cairn Hill project
- Mt Woods tenement package
- Luwumbu JV (GDM 27%)
- Mibango JV (GDM 35%)
- 1% NSR over Beverly 4 Mile
- management and other exploration ground.

Figure 1: GDM Valuation



Source: Patersons Securities

Nachingwea Nickel/Copper spin off to list on TSX

GDM announced on 1st February its intention to spin off its 100% owned Nachingwea Nickel – Copper property in Tanzania into Continental Nickel Ltd (CNI), a wholly owned subsidiary of GDM, and list on the TSX Venture Exchange in Canada. The Nachingwea Ni/Cu project is believed to be a new Ni/Cu province and has included intercepts of 3m at 11.23% Ni and 1.74% Cu.

Key points of the spin off are:

- On completion of the IPO, GDM will own 51% of CNI, and retain a 25% free carry through to completion of a feasibility study.
- Following the completion of definitive agreements, the IPO is planned for Q1 or early Q2 CY07.
- The anticipated IPO would raise between Cdn\$11.5m and Cdn\$15.5m (A\$12.4m to A\$16.8m). At least Cdn\$8m (A\$8.6m) of the IPO proceeds will be committed over the next 2 years to the exploration program extending the mineralisation. The remainder of funds would be for working capital, IPO expenses and to pursue additional property opportunities.
- A well-credentialed team with significant African knowledge has been assembled to run CNI. Management will include Craig MacDougall (President & CEO) and Patti Tirschmann (VP- Exploration), both former Falconbridge employees with extensive nickel and Tanzanian experience.
- A board with extensive Canadian junior experience and market profile.
- GDM entering into a non-compete agreement with CNI over all Tanzanian and Mozambique opportunities except the existing JVs with Lonmin Plc at Luwumbu and Mibango.

GDM has a proven model to follow with the spinning off of Uranex NL in 2005 delivering significant value to Goldstream shareholders. It has chosen the TSX (Canada) over the ASX this time to realise the greatest value for the Nachingwea project. It is generally accepted resource companies trade at a premium on the TSX and GDM state *“the appetite for nickel projects is strong in Canada with a greater understanding and enthusiasm for project opportunities in Tanzania.”*

Australia

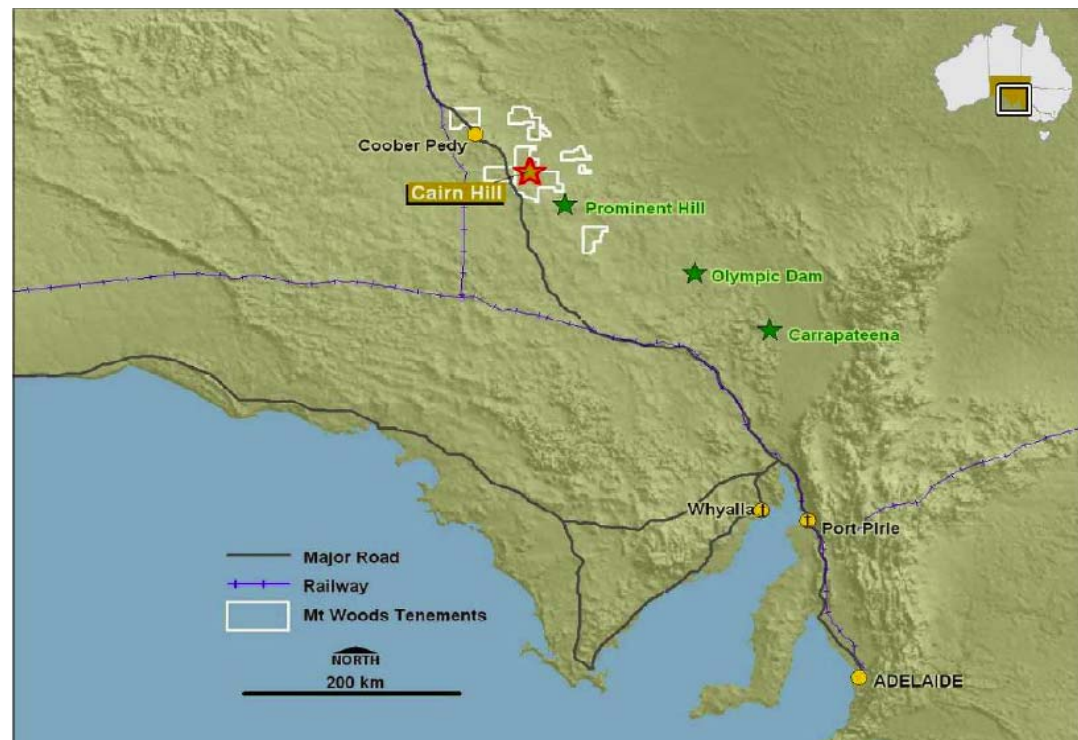
Mt Woods Project - Cairn Hill (100% GDM)

The Cairn Hill Magnetite-Copper-Gold project is GDM's most advanced project with a feasibility study due at the end of April '07. Located northwest of Oxiana's Prominent Hill and BHPB's Olympic Dam projects, in South Australia, Cairn Hill is differentiated from these two large Cu-Au-hematite hosted deposits as it is magnetite hosted with lower copper and gold grades and the deposit sub-crops with opencut potential. Magnetite is the primary economic mineral with copper-gold credits. The orebody is unusual for the high grade and coarseness of the magnetite and the level of the copper and gold which is associated with the non-magnetic fraction. The coarse grained nature of the magnetite enables;

- magnetic separation at 150 micron to produce a superior iron content magnetite concentrate of over 70% with recoveries of up to 90% from fresh and weathered ore and waste composites. This minimises the requirement for grinding (lowering capital costs and lower operating costs - less power and water).
- good recoveries of copper and gold are being achieved during metallurgical test work (up to 97% for copper and 945 for gold).

An 8,000m RC drill program within the initial pit outline has just been completed with testing of the eastern extension of the proposed pit to be completed in the next week. The current resource estimate is 16mt 47% Fe, 0.42% Cu, 0.17g/t Au. It consists of two sub parallel tabular lodes of massive magnetite. To date only 1.3km of the 18km magnetic structure has been drilled.

Figure 2: Cairn Hill Project location



Source: Goldstream Mining NL

The project is located close to local infrastructure. It is only 12km from the Stuart Highway and 68km from the rail siding at Wirrida on the Darwin – Adelaide railway.

The scoping study concluded that shipping through a South Australian port utilising road and rail for the inland freight was the preferred option. Preliminary economics indicate the grade of the Cairn Hill ROM ore will be enough to carry the additional transportation costs of shipping ROM ore rather than having to process on site. Consequently, the feasibility study is investigating two options.

1. On-site processing of ore to produce 1.0-1.5mtpa of magnetite concentrate and 23,000-35,000tpa of copper-gold concentrate.
2. Off-site processing of the ore in China with the export of ROM ore.

Transport logistics are one of the major issues facing the project and while different options have been identified, this combined with the search for a partner, will be the focus for the March Q. GDM has initiated discussions with potential investment partners and 4 potential Chinese (off-take) customers are awaiting 1 tonne samples of ore from the recently completed RC drilling program to conduct further tests.

Current testwork using core from the July drill program has shown that a high grade magnetite concentrate can be produced from a mix of fresh and weathered ore and waste.

Figure 3: Cairn Hill testwork

Ore Zones & Waste P ₈₀ 150 _u	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	70.7
Flotation - Magnetic Separation	0.51	0.02	0.53	0.28	0.02	0.01	70.7

Source: Goldstream Mining NL

Extended flotation substantially reduces the sulphur in the concentrate.

Recoveries for Fe range from 86-90%, copper from 94-97% and gold 85-94%. These recoveries will improve when only fresh ore and waste are used rather than the current composite that includes weathered ore and waste.

Further testwork is being undertaken to optimise the flowsheet.

Following visits to China, GDM has identified the following attractions for off-site processing:

- Capital costs in China for building a processing plant are 35-40% of the cost in Australia.
- Construction time in China 50-75% of that in Australia
- Operating costs in China 35-50% of those in Australia (primarily due to the remote location of Cairn Hill)
- The ability to utilise by-products like sulphur, maximising project revenues

GDM has lodged its Mining Lease Applications and is looking to have the government approvals in place in July with a view to getting into production in Q4. The key influences on that timetable are government approvals, finalising negotiations with customers and ordering long lead time items like the rail wagons.

Mt Woods Regional

The Mt Woods tenements are highly prospective, lying on the Carrapateena – Olympic Dam – Prominent Hill trend. Recent results at Black Hill have confirmed the presence of IOCGU (Iron Oxide, Copper, Gold, Uranium) with copper grades up to 1.7% Cu over 1m. Mt Woods will become a focus for GDM over the next 12 months, with a budget of \$1m to \$1.5m on regional programs.

As part of the program GDM plans to drill one or two deep diamond drill holes at Mt Paisley to test one of the largest Olympic Dam style gravity/magnetic anomalies on the Carrapateena – Olympic Dam – Prominent Hill trend.

Tanzania

Luwumbu PGE JV Project - Nkenja East

(GDM reducing to 27%, Albidon reducing to 3% & Lonmin 70%)

Lonmin Plc is earning its interest by funding the project through bankable feasibility study, with a minimum spend of US\$1.5m per year. During 2006, 28 holes were drilled for 10,146m with drilling confirming the widespread and broadly continuous mineralization. Auger drilling is continuing through the wet season and the 2007 program will target areas with high grade potential. GDM has previously reported an intersection of 16.1m @5.4g/t Pt + Pd + Au (2E + Au). Results to date show relatively high Palladium to Platinum ratio when compared to the Bushveld and the Great Dyke.

Mibango PGE/Nickel JV Project

(GDM reducing to 35%, Lonmin 65%)

Lonmin is earning its interest by funding the project through bankable feasibility study and funding development, with a minimum spend of US\$2m per year. In 2006 18 holes for 4,454m were drilled. While drilling returned significant PGEs, the highlight was the drilling of a conductor within the basement. These holes showed significant nickel sulphide mineralisation and potentially in a conduit setting with geological characteristics and similarities to the Kabanga deposit (26.4Mt @ 2.6% Ni) located 300km to the north of Mibango.

The Mibango project also contains a laterite Nickel JORC Inferred Resource of 113Mt @ 0.82% Ni and 0.05% Co. Moderate capital development and third party funding options are being investigated.

Other Assets

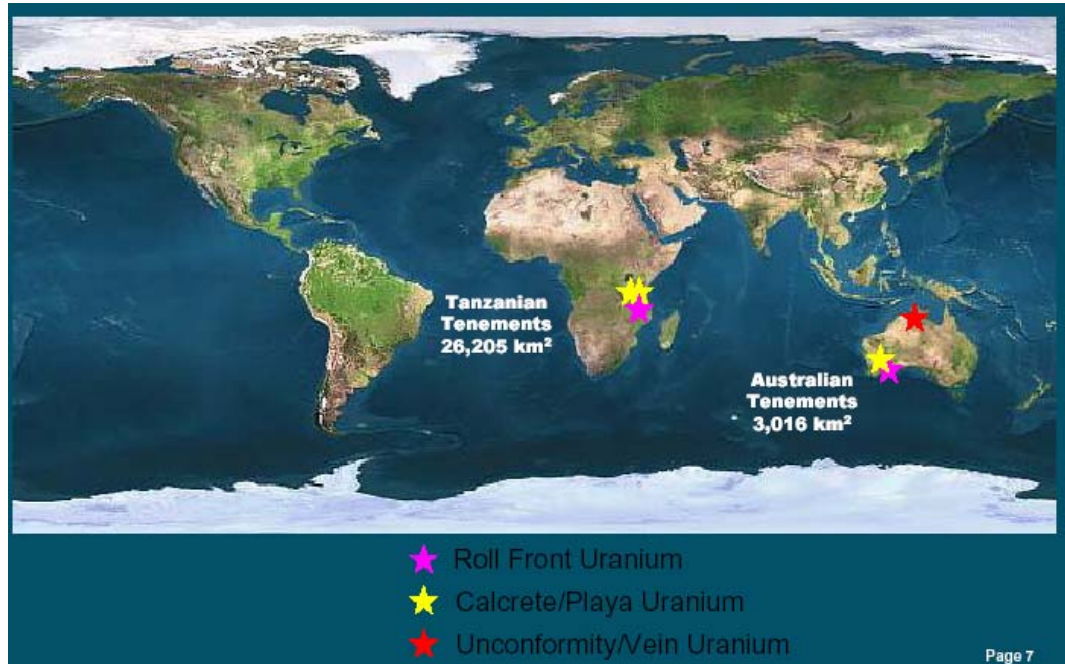
NSR over EL2874

Alliance Resources Ltd and its JV partner Quasar Resources Pty Ltd (an affiliate of Heathgate Resources Pty Ltd) expects to release an initial resource for the high-grade portion of the Beverley 4 Mile West Uranium Prospect early CY07. The Beverley 4 Mile West Uranium Prospect is on EL2874 and lies 8km west of Heathgate's operating Beverley Uranium mine. GDM holds a 1% NSR over all minerals produced from EL2874.

Uranex

GDM retains a 39.5% holding (33m shares) in Uranex NL (UNX). The stake is escrowed until October 2007 and is currently worth \$67m. UNX has a strong suite of exploration tenements in both Australia and Tanzania and \$18.5m in cash, following a recent institutional placement.

Figure 4: Uranex project locations



Source: Uranex NL

Projects

Australia

Thatcher Soak

Thatcher Soak is located near Laverton in Western Australia. The exploration lease has now been granted following the signing of a Deed of Arrangement (DOA) with local landholders, the registered Native Title Applicants and the completion of a Heritage Clearance Survey. Current resources stand at 6,000t at 0.04% U_3O_8 . Management believe there is upside to this with the initial resource estimates completed by BP minerals in 1977 expected to be upgraded using more accurate sampling techniques and extending the area of mineralisation along the palaeochannel. An initial 540 hole (8,000m) RAB/Aircore drilling program is scheduled for March '07. The planned work schedule here will see resource drilling in Q2 and Q3 followed by a scoping study and calculation of a JORC resource in Q4 with metallurgical testing and a feasibility study in the next 18 months.

Bynoe

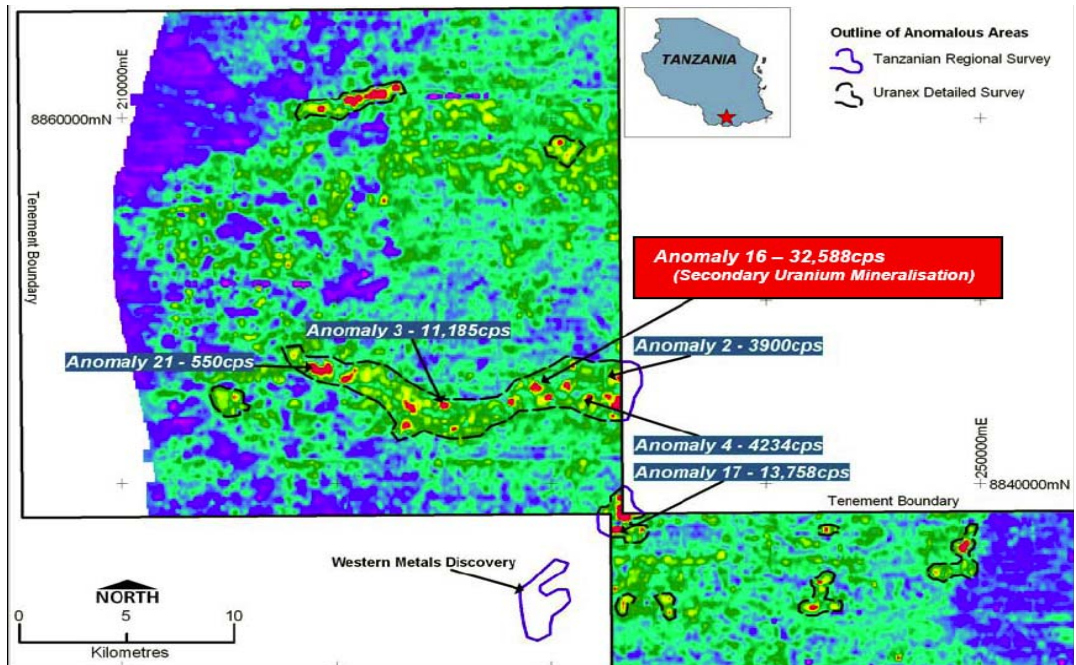
The Bynoe project is located in the Pine Creek uranium province with UNX targeting unconformity mineralisation similar to Rum Jungle, Jabiluka and Narbalek. Historical drilling at Bynoe has returned intercepts of 1.5m at 0.048% U_3O_8 with grades up to 0.248% U_3O_8 . UNX completed radiometric and magnetic surveys in November 2006. Processing and interpretation by independent consultants has identified seven uranium anomalies, which will be investigated on the ground during Q2, the start of the northern dry season.

Tanzania

Mkuju Project

Assay results from soil and auger samples have shown strong uranium values. Peak results were returned from Anomaly 16, which forms part of a 16km long by 2km wide trend of radiometric anomalies. Anomaly 16 is a priority target for exploration in CY07. Highlights of auger drilling included hole MP0007 recording 1.4m at 0.181% U_3O_8 from surface and ended in mineralisation.

Figure 5: Mkuju project



Source: Uranex NL

Bahi North Project

The Bahi North project is 30km north of the Bahi salt lake. Trenching and hand dug pits has located abundant secondary uranium mineralisation in the form of 'Schrockingerite'.

Figure 6: Bahi Nth Project

Pit/ Trench No	East	North	From (m)	To (m)	Interval (m)	U_3O_8 ppm*	U_3O_8 kg/t
BPIT202	707650	9367958	surface	2.0	2.0	1351	1.351
includes			0.3	0.7	0.4	2376	2.376
BPIT203	707669	9368014	surface	1.5	1.5	1094	1.094
includes			0.5	1.0	0.5	2227	2.227
BPIT204	707681	9368084	surface	1.6	1.6	1394	1.394
BTR2003	707442	9368262	0.4	3.0	2.6	823	0.823
includes			0.7	2.0	1.3	1186	1.186

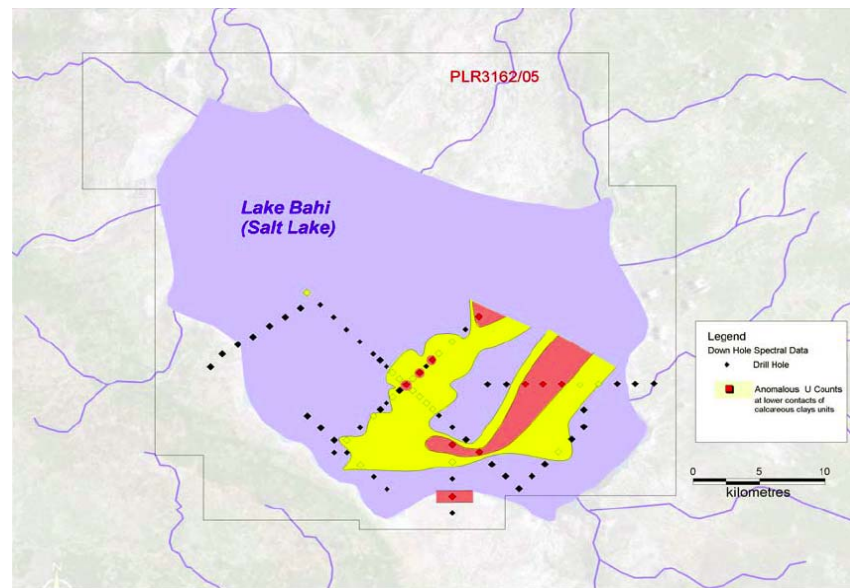
Source: Uranex NL

The high-grade surface mineralisation lends itself to rapid delineation by shallow pitting, trenching and auger drilling. The discovery of greater than 0.1% U_3O_8 at the surface, in soft sediment with negligible strip ratio and adjacent to an existing railway line has great potential. An accelerated work program will re-commence in May '07 at the start of the Tanzanian dry season.

Lake Bahi Project

The Bahi Lake Project incorporates an extensive closed drainage system that has developed over weathered uranium rich granites. This drainage system ultimately captures all soluble uranium leached from the underlying rocks and provides transport to suitable trap sites along the drainages and ultimately into the 60x40km Bahi salt lake. An aircore drill program was completed prior to the onset of the wet season in late November, assays are still pending.

Figure 7: Lake Bahi Project



Source: Uranex NL

Disclaimer: 'Patersons Securities Limited acted as Joint Lead Manager to the Share Placement that raised \$7.84m at \$0.56 per share for Goldstream Mining NL in April 2006. It received a fee for this service.'

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