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African nickel gives way to SA magnetite

When Goldstream Mining Ltd presented at the Australian Nickel Conference in October, the company was championing its Tanzanian nickel projects. Six months later, the company has farmed out those projects, allowing it to devote time and resources to the Mt Woods area of South Australia.

"It's not a dramatic restructuring, it's more a refocus," managing director Duncan McBain told **Paydirt**. "We really needed to be focused. We had so many projects on the go that the market didn't seem to see the value in all the projects so we decided to pull back a little."

McBain said the company's equivalent value for all its projects was just \$18.5 million, woefully underestimating the potential of them.

"But the market is always right and there is no point getting upset about it, you just have to find a better way to give them value."

This was done by farming out the Tanzanian nickel-PGE assets to Lonmin plc and spinning off the company's uranium plays into the newly-listed Uranex Ltd, in which Goldstream will retain a 39.5% interest.

The company's final corporate move will be to list newly incorporated Continental Nickel Ltd on the TSX in 2007. Continental, in which the company will retain a 51% interest, will spend a minimum of \$8.6 million over two years on the Nachingwea project.

These transactions have freed up both the time and the resources for Goldstream to concentrate on the Cairn Hill magnetite-copper-gold deposit in SA.

Cairn Hill is in the Mt Woods tenement block – near Coober Pedy, 700km north-north-west of Adelaide – which covers 5,000sq km.

"We haven't done as much as we would have liked to simply because we have had so many things on the go," McBain said.

On the same trend as the major SA IOCG discoveries of Olympic Dam, Prominent Hill and Carapateena, Cairn Hill is a magnetite-copper-gold deposit with an inferred resource of 11mt @ 50% magnetite, 0.4% copper and 0.1 g/t gold.

Although only a small resource – there are plans to expand it during the year – the company has an ambitious timetable to start mining at Cairn Hill before the end of 2007.

"It will be a simple 'dig and ship' exercise with the ore being processed in China," McBain said. "The capex for processing in China will be 30% and the operating costs 50% of what it would cost to develop in Aus-

tralia."

Mining will be relatively simple. The ore-body is covered by 5-30m of unconsolidated gravel, easily removed by a dozer. The ore will then be separated onsite into magnetite and copper-gold before being transported for shipment.

"It's an unusual style of mineralisation and because it's high-grade the Chinese are very impressed. All the samples we've taken to China have performed much better than we told them.

"What differentiates this ore is that it's a really coarse grain. Most WA magnetite gets separated at 30 micron, we've optimised at 150 microns. If it wasn't for the sulphur – which forces us to undertake flotation – we would separate at 1mm.

"The logistics are great. The deposit is 60km from a rail siding and 600km from Port Pirie where we will most likely ship the ore out."

The company is negotiating with a number of potential Chinese off-take partners at the moment.

Goldstream's preliminary metallurgical test-work has proved successful. Using extended flotation and magnetic separation, recoveries are averaging 92.6% magnetite, 98.2% copper and 85-94% gold.

"We end up with a 71% concentrate as opposed to an average of 60-64% so it's a premium product."

Even for such a simple operation, McBain said Goldstream's timetable is extremely tight.

"We applied for the mining licence on February 12. The feasibility study will be finished by the end of April, as will metallurgical test-work.

"Approvals are anticipated by July 2007 and we hope to be mining ore by the fourth quarter of this year. It is a very ambitious timeline but we think we can do it."

But he pointed out that Cairn Hill could be about more than quick cashflow.

Goldstream has drilled only 2.1km of an 18km magnetic structure, something which is intensifying Chinese interest.

"If it was only what we have, I don't think they would be as interested, but the upside is considerable.

"The magnetic trend runs for 18km and there is some historical drilling which suggests the magnetite runs all the way through that.

"We are about to go out and conduct an



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AEM survey over the whole of this area and follow up with drilling. We don't know the grade, we don't know how much there's going to be but we are confident the broad geology goes all the way along."

- Dominic Piper



Duncan McBain