



# Lean portfolio for parent company

By Rebecca Le May

NOW THAT IT is spinning off its nickel-copper property in Tanzania into a separate vehicle, diversified developer Goldstream Mining NL is free to focus on bringing the Cairn Hill prospect at its wholly-owned Mt Woods magnetite/copper-gold project in South Australia into production.

For the next 24 months at least, Goldstream's 100%-owned Nachingwea project will be the main focus of Continental Nickel Ltd, which will apply to list on the TSX-V Exchange in Canada following an IPO that will seek to raise between C\$11.5 and C\$15.5 million.

This is the second child to leave the parent company's home after Uranex became a separate entity for Goldstream's uranium assets.

Goldstream managing director Duncan McBain said the spin offs helped the parent company to refocus its efforts, for the sake of investor perceptions and for better use of internal resources, as it previously had too much on its plate.

"We've built up a lot of projects over 10 years and now its harvest time, so we have to make the most of the current market," McBain explained.

As the Mt Woods project currently stands, Cairn Hill will essentially be a "starter", providing a basis for further expansion in time.

In the next 12 months, between \$1 and \$1.5 million will be spent exploring the Mt Woods tenements, which are on the same trend as Oxiana Ltd's Prominent Hill, BHP Billiton Ltd's Olympic Dam and Teck Cominco Ltd's Carrapateena.

## Cairn Hill

Goldstream is three quarters of the way through test work at Cairn Hill, where it aims to start mining by the end of the fourth quarter of this year.

Preliminary metallurgy at Cairn Hill has identified head grades of 51.46% iron, 0.62% copper and 0.17 grams/tonne gold, with sulphur at relatively high levels of 2.11%, which was a worry for Goldstream at one stage until potential Chinese offtake partners indicated that this was not a concern. Sulphur could be substantially reduced in China through extended flotation, McBain said, but the company continued to optimise its processing circuit to remove as much of the sulphur as possible. Never wanting to waste anything, the Chinese contacts could even put the sulphur to use.

The inferred resource is 11.3 million tonnes at 50.3% iron, 0.4% copper and 0.1 g/t gold. The next resource should be calculated by early in the June quarter.

"The copper makes up about 30% of the revenue and processing it presents its own challenges...but we need the copper and gold to make the project work, not just magnetite alone," McBain explained.

Displaying core samples to prove that the magnetite crystals were massive, he said coarse grain was ideal as it was easy to process and was preferred by Chinese customers.

"All our potential Chinese customers don't want anything less than about 75 microns. We can separate this out at about 150 microns. Most Western Australian magnetite ore is about 28-35 microns and if it wasn't for the sulphur in this, we could separate it at one millimeter."

This will be easy open cut mining from a visual recognition point of view, with overlying unconsolidated sands and gravels ranging to depths of about 5m to 40m.

"Test work shows the ore is exceptionally soft and the hanging wall is very competent: we can have very steep pit walls, which will reduce waste removal, improving the economics."

He highlighted the cost benefits of nearby infrastructure such the Darwin Railway and



proximity to the Stuart Highway.

"If the rail wasn't there, we wouldn't be in business.

"We'll probably crush it to -40 mm and ship it through Port Pirie, which is not ideal because it only takes 45,000-50,000t ships but we're looking at using a barge, based at Whyalla for OneSteel, for trans-shipment into cape-sized vessels in the Spencer Gulf.

"Based on the current cost estimates, on the boat costs per tonne are in the order of \$44-\$45, with revenue in the order of about \$55/t. This project should make us \$5-10 million per year at current prices, after financing.

"In exchange for fully funding the project, we'll be offering the Chinese up to 45% equity in the project. We believe that we can develop stronger relationships with our customers if they have equity in the project."

### Test work underway

Four potential customers were testing ore samples at the time of going to press.

Part of the Mt Woods tenement package is the Mt Paisley iron oxide copper-gold (IOCG) prospect to the southeast of Prominent Hill, a deep (1,000m) target where one diamond drill hole alone will cost up to \$300,000.

"This has probably the best gravity or aeromagnetics on the whole trend, with strong geophysical similarities to Olympic Dam," he said.

"This is a high risk/high reward one where we are taking a punt and there's nothing in our share price for it, but if it comes in, it should be notable as the size is potentially huge.

"You can't be about managing risk all the time and sometimes, shareholders want a bit of excitement."

The grassroots Black Hills IOCG prospect to the south of Cairn Hill has been RAB and RC drilled by the company, and further geophysics and drilling is planned for 2007. About \$250,000-\$300,000 will be spent here in the next 12 months.

"To adequately assess the Mt Woods tenements, excluding Cairn Hill, will require \$1-\$1.5 million per year in the next three years, so we'll probably need \$3-\$5 million exploring the Mt Woods areas, excluding Cairn Hill, to know whether we've got anything or not," McBain concluded.

Goldstream has a market capitalisation of about \$100 million – including about \$60 million in listed investments and enterprise value of about \$26 million – and has about \$10 million in the bank.



▲ Duncan McBain with drill cores from the Cairn Hill project that will feature at the PDAC convention's popular core shack.