



Serious exploration budget for African play

By Rebecca Le May

ALL GOING TO plan with its IPO and proposed TSX-listing, Goldstream Mining NL spin-off Continental Nickel Ltd will spend at least C\$8 million over the next 18 months on an aggressive exploration program at its Nachingwea nickel-copper property in Tanzania.

The remainder of IPO funds of up to C\$15.5 million will be for working capital, IPO expenses and to pursue additional property opportunities.

The IPO is scheduled for early in the second quarter of 2007.

Goldstream intends to own 51% of Continental Nickel upon completion of this first stock sale (holding shares in escrow for two years) and also retain a direct 25% free carry through to the completion of a feasibility study or until the new company incurs a minimum level of expenditure.

It is envisaged that Continental Nickel will have the right to acquire other early stage nickel prospects in Tanzania and Mozambique, but Goldstream's Luwumbu and Mibango projects, which are joint ventures with Lonmin Plc, are not included in the spin off. Goldstream intends to enter into a non-compete agreement with Continental Nickel for Tanzania and Mozambique, which will not impact Luwumbu and Mibango.

Nachingwea is situated within large tenement holdings of about 7,500 square kilometres in what Goldstream managing director Duncan McBain describes as "a completely new

nickel sulphide province".

During 2005, Goldstream undertook VTEM airborne geophysics and geochemistry at the Ntaka prospect, with first pass drilling in 2006 returning impressive nickel grades: a highlight was the intersection of 3 metres at 11.23% nickel and 1.74% copper including 1.70m at 15.87% nickel and 2.61% copper, while another portion of the intersection hit almost 17% nickel. Impressively, 15 holes out of 17 intersected sulphides and seven holes hit more than 1% nickel.

"Everywhere where we had a VTEM anomaly inside a geochemical anomaly, we



got a 100% success rate, which is almost unheard of." McBain said.



The Ntaka project takes up about 5% of Continental Nickel's Nachingwea tenement package, so he believes there is plenty of potential for further compelling targets.

There has been no drilling on this ground since 1950: BHP held it for a while and did some geophysics, seeking a Broken Hill-style lead-zinc deposit, but no prior specific exploration for nickel has occurred. The nearest nickel mines are between about 500-1.000

kilometres away.

Infrastructure is reasonably good, so only 40 km of road needs to be built.

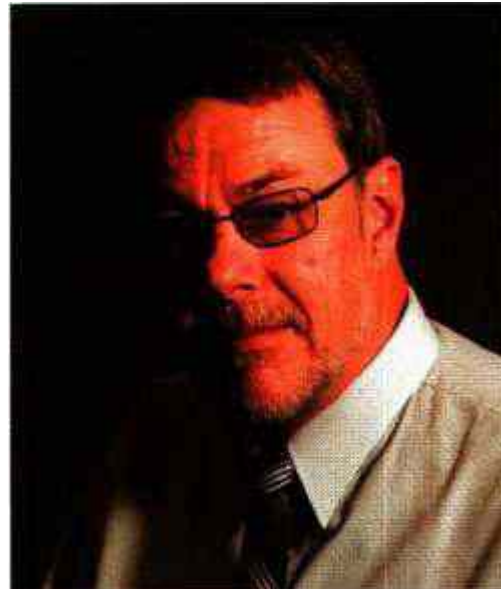
Adding to the chances of Continental Nickel's success, McBain said, is the expertise of the board: the president has experience in Tanzania and along with the exploration manager is ex-Falconbridge, "so both are technically top notch" while another board member has extensive regulatory experience with the TSX. As luck would have it, the Goldstream boss was in Toronto the day after Xstrata took over Falconbridge, so the timing was perfect for looking into picking up key staff for the new spin off.

There is only one Goldstream nominee on the board as McBain believes it is crucial Continental Nickel "looks and feels Canadian".

"We'll let them run it...and we're trying to get an opportunity for Goldstream shareholders to get some Continental Nickel stock here but whether Australians want to get directly involved with a Canadian company, we don't know."

He said Canadians viewed Tanzania and Africa generally in more favourable terms than Australians, who were overly-timid about the continent.

"When I started in corporate finance with Patersons 10 years ago, Australians were much more comfortable with Africa but now, if you look at Adamus, Anvil, Moto Gold and Equinox, they have all become Canadian stories, migrating from our markets. It's in some ways a bit sad...but you just have to accept what the market feels and move on."



▲ *Duncan McBain*



▲ *The Ntaka project area comprises only a small portion of the Nachingwea tenement package.*