

Media Monitoring

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Minesite

Goldstream Chases Its Runaway Offspring

By Our Man in Oz

The tail wagging the dog is an old trick. At Goldstream Mining the dog is about to bite back. Later this month the Australian explorer, which last year spun off the highly promising uranium explorer, Uranex, will finalise a feasibility which should see it make the transition into an exporter of a unique iron ore which is also rich in copper and gold. When that happens, and the geology and the financial numbers are looking good, then Goldstream will have completed a remarkable metamorphosis, and might even reclaim its position as a bigger company than its offspring.

In one of those ironies often seen in a mining boom it is the “flavour of the month” spin off which sometimes does better on the stock market than the parent. That’s been the case with Goldstream and Uranex. At the close of business on the Australian Stock Exchange last week Goldstream (at a price of A60 cents) was capitalised at A\$88 million, while the fully-diluted value of its baby, Uranex, (at A\$1.85) was A\$162 million. Of real interest in that situation is the fact that Goldstream retains 33 million shares in Uranex worth A\$61 million.

Until October, Goldstream’s Uranex shares will be held in escrow– but it isn’t rocket science to work out that when they become tradeable they will represent about 70 per cent of Goldstream’s current total market value. Put another way, the market is today valuing Cairn Hill and all of Goldstream’s other assets at a very lowly A\$27 million. Looked at another way, the calculation illustrates what’s hot in the mining world today – and uranium is definitely hotter than iron ore.

But, if the competition between the corporate father and son is taken a step further it is worth considering the question of which company is likely to be the quicker making the transition from explorer to miner. On that there is little doubt that Goldstream will win because of the brisk progress being made at its Cairn Hill iron/gold/copper project in South Australia and, if all goes to plan exports could start early next year at a rate of around 1.4 million tonnes, at a profit margin of around A\$10 a tonne – steadily growing to double that output rate . In other words, Goldstream, from next year, could be pocketing A\$14 million a year, rising to A\$28 million – which is about what the market currently values Cairn Hill after deducting the value of Uranex shares.

Duncan McBain, the new man in charge of Goldstream, shocked a few London investors last November with his first Minesite interview, in which he casually dropped his

bombshell that Goldstream had become more interested in South Australian iron ore than Tanzanian precious metals. He remains optimistic that Goldstream is on track to start construction at Cairn Hill soon after the middle of this year.

In his second Minesite interview, conducted on the sidelines of a mining conference in Adelaide, McBain's confidence is undiminished, and that 14 barren years under the Tanzanian sun is about to become a memory as Goldstream develops a source of recurrent income. All that's needed is a change of name to complete the metamorphosis. McBain was silent on the cheeky name question but he was very talkative about what's afoot at Cairn Hill, and in China from where he had just returned.

He said work on the Cairn Hill project was proceeding on "about 10 parallel fronts" with the primary focus being the calculation of resource and reserve numbers at the project which is close to Oxiana's Prominent Hill copper/gold development. "We've finished drilling, so now we have to work through the data and get government approvals to start production," he said. "I'm spending most of my time organising funding for the project." That should be the least of McBain's worries. He has six possible Chinese partners keen to get their hands on Cairn Hill's 50.3 per cent magnetite ore with its useful credits of 0.4 per cent copper and 1 gram of gold per tonne.

The plan is for Goldstream to mine and export what will effectively be run of mine ore, possibly with some simple magnetic separation. Material will then be railed to Port Pirie, with early shipments possibly loaded using a barge system developed by the steel producer, OneSteel, which has just started a haematite export project to cash in on Chinese iron ore demand. Talk of a barge, rather than a port, is a reminder that South Australia has a backward resources sector, which is about to blossom thanks its open door policy on uranium mining.

"We're getting a very strong reaction from potential Chinese partners, McBain said. "We've got about six companies very seriously interested, and it's really just a question of narrowing that down to one. Money is simply not a problem in China, they're desperately keen for raw materials." The cost of developing Cairn Hill is not high. Works in Australia are estimated to be around US\$22 million with another US\$20 million likely to be spent in China. The timelines for Cairn Hill are for the feasibility study to be completed in about three weeks. For government approvals to be completed in the third quarter. Trial mining could also start in the third quarter, and full-scale in the fourth. The first shipments to China should be made early in 2008.