



Media Monitoring

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<http://www.wabusinessnews.com.au/en-story.php?1/54655/Goldstream-launches-Tanzanian-spinout-on-TSXV/dba>

Goldstream launches Tanzanian spinout on TSXV

10-July-07 by Edited announcement

The spinout of West Perth-based Goldstream Mining NL's 70 per cent stake in the Tanzania's Nachingwea nickel-copper tenements has announced plans to raise up to \$18.1 million on the Toronto Stock Exchange's Venture Exchange.

The company, Continental Nickel Ltd, will offer Goldstream shareholders a priority pool of 2.6 million shares at \$1.65 each to the value of \$4.2 million.

The shares will be priced at a fixed exchange rate of \$1 to \$C0.91.

Goldstream will retain 51 per cent of the company once the float has been completed, as well as retaining a 30 per cent free carried interest in the joint venture company.

The full text of a Goldstream announcement is pasted below

The Board of Goldstream Mining NL (ASX:GDM) is pleased to announce that shareholders have the opportunity to invest in Continental Nickel Limited ("CNI"), a company planning to list in Canada, via a prospectus lodged today with ASIC.

CNI's prospectus is based on a core asset of a 70% interest in the Nachingwea nickel - copper tenements in Tanzania held through a Tanzanian joint venture company, Ngwena Limited, in which GDM retains a 30% interest. On completion of the IPO, and assuming over-allotments and warrants are exercised, GDM will also retain 51% of CNI.

The Nachingwea nickel - copper tenements were previously 100%-owned by GDM.

As part of CNI's Australian prospectus, GDM shareholders have been offered an A\$4.2 million (Cdn\$3.85 million) priority pool for GDM's Australian shareholders. The shares offered under the Australian prospectus will be priced at A\$1.65 per share using a fixed exchange rate of A\$1.00 to Cdn\$0.91.

On 28 May 2007, CNI filed a preliminary prospectus with the Ontario Securities

Commission in Canada to list on the TSX Venture Exchange (TSXV). Through the preliminary prospectus, CNI is seeking to raise, including the GDM's shareholder priority pool of Cdn\$3.85 million, between Cdn\$13.5 million and Cdn\$16.5 million (A\$14.8 million to A\$18.1 million) at a price of Cdn\$1.50 per share.

The record date for participation in the priority offer for GDM's shareholders is 10 July 2007.

GDM Managing Director Duncan McBain said the CNI priority application was an opportunity for GDM's shareholders to invest in Tanzania through a Canadian-listed company.

"Spinning off the Nachingwea nickel - copper tenements into a new TSXV listed subsidiary is the best method of delivering value for GDM shareholders. This transaction is very similar to the successful spinning off of GDM's uranium assets into Uranex (ASX:UNX) in October 2005," Mr McBain said.

"Feedback from shareholders has been overwhelmingly positive about creating value through a dedicated company with a management team in a market that readily invests in Tanzania."

"Spinning off assets will allow GDM to focus on its highly prospective Mt Woods tenements and the Cairn Hill magnetite iron - copper - gold project in South Australia. Mt Woods is one of Australia's premier exploration areas and the board believes that the focussed efforts will reap rewards."

Mr McBain added that the focus for GDM's Board was leveraging existing investments to deliver shareholder value.

"Through major investments, joint ventures and self-funded exploration, GDM shareholders will have exposure to A\$19 million of exploration expenditure in CY2007 of which they will contribute A\$1.5 million on regional targets in its Mt Woods tenements."

CNI IPO Rationale

The spin-off of the Nachingwea nickel - copper tenements was determined as the best option for maximising value for GDM shareholders by floating the new company in a market that provides greater recognition of African assets, as has been evidenced by several ASX listed companies that have either dual listed or migrated their primary listing to Toronto.

On completion of the IPO, and assuming over-allotments and warrants are exercised, GDM will retain 51% of CNI. GDM will also retain a 30% free carried interest in the joint venture company, where there is a commitment for CNI to use its best endeavours to complete a Cdn\$8 million exploration program within two years.

By funding exploration through to the completion of a feasibility study, CNI can earn an additional 5% of the joint venture company, and a further 5% by spending Cdn\$15m within the Nachingwea tenements. In the event of CNI spending Cdn\$15m and completing a feasibility study GDM's interest in the joint venture company would be diluted to 20%.

CNI's work program in their prospectus estimates that Cdn\$9.5 million (A\$10.6 million) of the IPO proceeds will be committed to a major exploration program at Nachingwea, over the next two years, targeted at significantly extending the previously discovered nickel - copper sulphide mineralisation. The highlight of the 2006 drilling was the intersection of 3m at 11.23% Ni and 1.74% Cu including 1.70m at 15.87% Ni and 2.61% Cu (ASX release 17 July 2006).

Neither of GDM's Luwumbu or Mibango projects, which are the subject of joint ventures with, and operated by Lonmin Plc, are included in this spin off at the time of listing.

The spinning off of focussed companies like Uranex & CNI has created well funded entities with dedicated management and the success of these companies will ultimately be reflected in the value of GDM.

Assuming the issue is fully subscribed (ie the maximum offering), CNI will deliver a see through valuation for GDM of Cdn\$37.7 million (A\$41.0 million) at the time of listing, which is represented by GDM's holding in CNI which is worth Cdn\$21.4 million (A\$23.1 million), plus the flowthrough valuation of Cdn\$16.3 million (A\$17.9 million) for GDM's 30% holding in the joint venture company, Ngwena, that holds the Nachingwea tenements. This valuation was far in excess of the valuations offered for a spin-off on ASX.

The option of keeping Nachingwea within the GDM and raising sufficient funding to undertake a serious exploration program, that would not be detrimental to the significant potential of this large tenement package, would have been dilutive for GDM shareholders.

GDM has A\$7.5 million in cash reserves to pursue the development of its advanced stage Cairn Hill magnetite iron - copper - gold project in South Australia, conduct active exploration programs in its highly prospective Mt Woods exploration tenements and pursue other opportunities as they emerge.

The CNI Australian prospectus was lodged with ASIC on 9 July 2007 and it is planned that the prospectus for the priority offer will be dispatched to GDM shareholders on or about 16 July 2007, with the offer closing on 30 July 2007.

Board and Executive Structure of Continental Nickel:

The five person board of CNI has a depth of geological small company experience, comprising Craig MacDougall (President & CEO - ex Falconbridge with recent experience at Kabanga in Tanzania), Jon North (Chairman - President of TSXV listed North Atlantic Resources), Paul Martin (Non Executive Director - VP Finance TSXV listed New Gold Inc, formerly CFO Gabriel Resources), Elaine Ellingham (Non Executive Director - Ellingham Consulting, previously with TSX) and Geoff Wallace (Non Executive Director - Managing Director Uranex NL, formerly Executive Director GDM).

GDM has assembled a well-credentialed team with a balance of large and small company corporate experience, including significant in-country African knowledge, to run CNI. To maximise efficiency and value, it is intended CNI will be run as an independent company sharing Tanzanian-based services with GDM, where appropriate.