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Goldstream Mining NL

ABN 67 009 129 560

Report for the Quarter Ended 31 March 2007

HIGHLIGHTS

- > Initial inferred JORC resource of 11.3mt at 50.3% Fe, 0.4% Cu and 0.1g/t Au for unique Cairn Hill magnetite-copper-gold deposit complete
- > JORC resource upgrade due in Q2 following completion of major resource definition drilling program
- > Cairn Hill shapes up as one of Australia's highest grade iron ore deposits with an equivalent direct shipping iron ore grade of 72%, based on the three year metal prices. The contribution of the copper to the overall mineralisation value clearly increases the value of this unique deposit.
- > Mineral Claims pegged and Mining Licence application lodged with SA government
- > Intensifying discussions with potential Cairn Hill customers and investors
- > Lonmin Plc has approved JV budgets totaling US\$6.7m (A\$8.3m) for 2007 field season at Luwumbu and Mibango in Tanzania
- > Value enhancing Nachingwea spin-off into controlled TSXV listed special purpose vehicle on track for Q2 listing.

REVIEW OF OPERATIONS

AUSTRALIA

SOUTH AUSTRALIA

Mt Woods Project - Coober Pedy (Goldstream 100%)

Cairn Hill Magnetite / Copper-Gold Project

The various facets of the feasibility study for the unique Cairn Hill Magnetite / Copper-Gold Project, located adjacent to the Stuart Highway and 55km south east of Coober Pedy in South Australia, are being drawn together for a completion in Q2. 33 mineral claims were pegged over the Mining Licence Application (MLA) area and the MLA and associated documentation has been lodged with Department of Primary Industries and Resources of South Australia (PIRSA) on 12 February 2007. The lodging of the MLA commences the regulatory and approvals process.

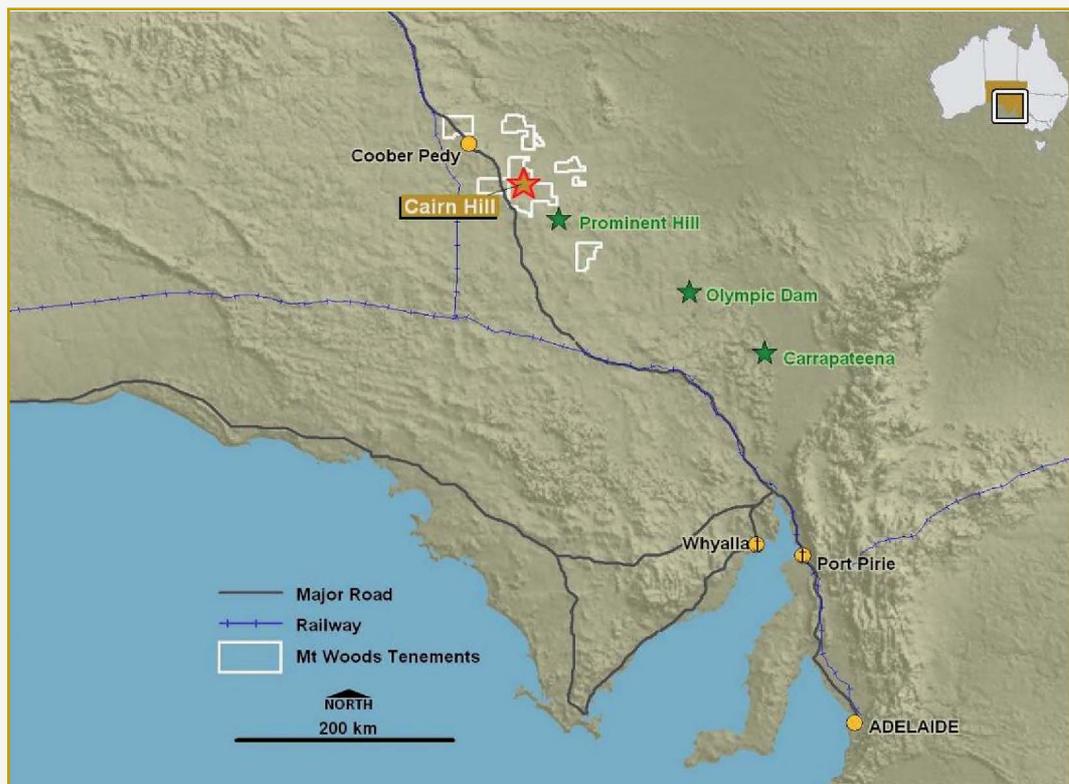


Figure 1 - Cairn Hill Magnetite / Copper-Gold Project location

Following discussions with potential customers and investors, the feasibility study has been refocused with the direct ship, off site processing option becoming the primary development option. The option of onsite processing will continue in parallel to a preliminary engineering stage and costing.



Moving towards direct shipping option for initial stage

Initial JORC Inferred Resource

Exceptionally high grade magnetite deposit

Resource drilling completed

Upgraded JORC Resource due in Q2

As foreshadowed in the December quarterly report, the significantly lower capital costs in China, a shorter construction time and lower operating costs are influencing the dig and ship option as being preferred for the initial development.

Goldstream is undertaking a cost benefit analysis with onsite processing limited to crushing and possibly dry magnetic separation of the coarse shipping ore.

A JORC Inferred Resource of **11.3mt at 50.3% Fe, 0.4% Cu and 0.1g/t Au** was calculated by Snowden Mining Industry Consultants. The Inferred Resource was based on drilling completed to the end of 2006 for the initial pit area, the extent of which is based on possible open pit mining parameters.

Cairn Hill February 2007 Inferred Mineral Resource Estimate - Magnetite Domain (above a 30% Fe equivalent cut-off)

Model	Tonnes (Mt)	Fe (%)	Cu (%)	Au (ppm)
In situ	10.6	52.7	0.4	0.1
Diluted	11.3	50.3	0.4	0.1

Two versions of the JORC Inferred Resource were calculated, one is in situ, while the second is diluted for a 0.5 metre wide envelope of edge dilution to the in situ resource.

The resources are calculated using an iron equivalent cut-off grade of 30% Fe for Goldstream's magnetite ore domain. The equivalent equation was based on three year average metal prices of US\$53.62/t iron, US\$2.03/lb copper and US\$490/oz gold and metal recovery factors of 88% for iron, 95% for copper and 89% for gold. An in situ bulk density of 4.3 t/m³ has been applied to the magnetite horizons and 2.9 t/m³ to the surrounding mineralised (copper/gold envelope) host rocks.

In the Cairn Hill resource, Goldstream is working with a premium high grade iron ore deposit. The contribution of the copper to the overall ore value is clearly demonstrated by the equivalent direct shipping iron ore grade of 72%, based on the three year metal prices and allowing for metal recoveries and processing charges to produce a magnetite concentrate and copper metal. The value is also reflective of the high metal recoveries and low processing costs which are a feature of this particular deposit.

In late February, Goldstream completed its RC resource drillout program, covering the initial pit, and a potential eastern pit extension area (Figure 2). In addition, an eastern extension exploration area within 4km of the proposed initial pit was also tested. This major drilling program comprised of:

	Holes	Metres
Initial Pit Area	72	8,821
Eastern Pit Extension	21	2,426
Eastern Extension Exploration	3	396
Total	93	11,643

Goldstream remains on track to have the indicated resource calculated for the initial open pit area early in Q2, and the feasibility study completed during the coming quarter.

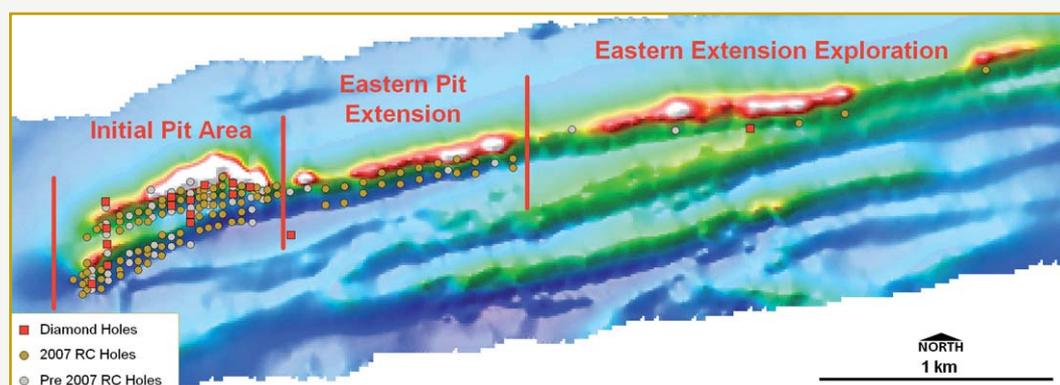


Figure 2 - Cairn Hill RC and Diamond Drilling

The Initial Pit Area has now been drilled out to a maximum drill spacing of 40m by 40m with the aim of converting the current Inferred Resource into an Indicated Resource to be used for detailed mine planning. With the increased density of drilling, a greater understanding of the copper, gold and sulphur distributions should be possible allowing the potential for high grade copper shoots to be evaluated.

The Eastern Pit Extension (Figure 2) has been drilled on an 80m by 80m spacing with the aim of extending the resource a further 800m to the east of the initial pit area. Based on the density of drilling, it is envisaged an Inferred Resource will be able to be calculated for this area.

Drilling of the Eastern Extension Exploration area is purely testing the thickness and grade characteristics of the potential orebody over a further 2.3km of strike length as a precursor to continued exploration.

Metallurgical testwork has moved into the optimisation stage, where the basic processing circuit has been settled as crushing to P₈₀ of 28mm followed by grinding to 150 μ , then flotation and finally wet magnetic separation.

The metallurgical optimisation is largely centred around maximizing recoveries and the sulphur content of the magnetite concentrate. The testwork is based on a composite sample of weathered and fresh ore with 50cm waste on each margin of the mineralisation.

Ore Zones & Waste	Al ₂ O ₃ (%)	P (%)	S (%)	SiO ₃ (%)	Au (%)	Cu (%)	Fe (%)
P ₈₀ 150 μ							
Head Grade	2.15	1.24	2.11	13.8	0.17	0.62	51.46
Magnetic Separation Only	0.47	0.01	0.85	0.35	0.04	0.02	71.09
Extended Flotation' Magnetic Separation	0.49	0.01	0.36	0.68	0.04	0.01	71.24

Based on a composite sample of fresh and weathered mineralisation and 50cm dilution around ore zones.

Confirmed
premium
magnetite
concentrate



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The testwork undertaken between 106 μ and 1000 μ has demonstrated that a grind size is 150 μ is optimal for quality of concentrate, recoveries and cost.

The results indicate just how exceptional the deposit is and the premium magnetite concentrate that can be produced. More recent testwork has shown that the sulphur can be reduced to less than 0.3%, well within the acceptable range for many potential customers.

Significantly, the metal recoveries are exceptionally high with up to 92.6% of the iron content of the ore being recovered into the magnetite concentrate, while up to 98.2% of the copper and 85-94% of the gold reports to the copper / gold concentrate. These high metal recovery rates significantly enhance the economics of the project.

Recent feedback from potential Chinese customers suggests dry magnetic separation at up to a size of 60mm of the run of mine ore following crushing may be able to improve the grade of the shipping ore grade by up to 5%. Testwork has been commissioned to better define what this very low cost option might achieve on the Cairn Hill magnetite.

Over the quarter Goldstream has intensified its discussions and negotiations with potential customers. To date, seven potential customers have tested Cairn Hill samples and the feedback has been positive on the quality and ease of processing. Securing a funding and off take deal through a definitive heads of agreement with a Chinese group or syndicate remains a top priority for the coming quarter as this will allow the long lead time items, like the rail wagons, to be ordered.

Logistics are key to the success of the project and significant progress has been made in terms of identifying potential partners who we believe can assist Goldstream deliver the project in a timely and cost effective manner. Goldstream is looking to select partners shortly to optimise the logistics processes and interfaces.

Goldstream has lodged an application to conduct trial mining to collect a bulk magnetite sample and to determine the optimal slope for the sand and gravel overburden. It is hoped the permit will be in place to allow trial mining to commence late Q2 or early Q3. The equipment for the trial mining will be sourced from Coober Pedy as far as possible.

The mining approval process is anticipated to be complete in Q3. Work continues on areas such as hydrology and mine planning for the Mining and Rehabilitation Plan (MARP) documentation that will be required before final grant of the mining licence can be made.

Mt Woods Regional Program

In March, four exploration rotary mud holes were drilled. The holes were designed to test previously identified palaeochannels, with the aim of understanding sediment packages and uranium potential. Data is currently being assessed and assays are awaited. The rotary mud rig is currently drilling water bores for the hydrological assessment required for the Cairn Hill MARP.

Goldstream is still attempting to identify a suitable diamond rig with a capacity of 1,200m to drill two holes at Mt Paisley, which is a large coincident magnetic and gravity feature with similarities to Olympic Dam. Sourcing a rig of this specification has proved to be very difficult, but Goldstream will continue the search.

*Unusually high
metal recoveries*

*Strong customer /
investor interest*

*Looking to
work with
alliance partners
to optimise
logistics*

An 810 km² detailed airborne helimag survey is planned over the northern portion of the Mt Woods Inlier. The survey will provide detailed coverage over the remainder of the 18km of the Cairn Hill magnetic ridge and other prospective stratigraphy (Figure 3).

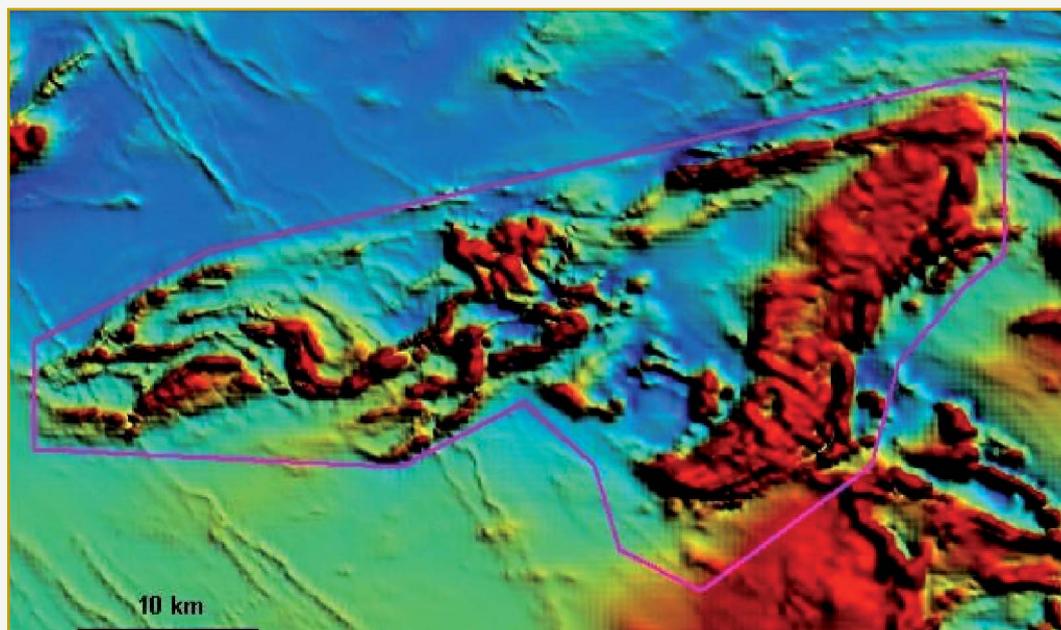


Figure 3 - Planned Mt Woods Detailed Aeromagnetics

NORTHERN TERRITORY

Arunta Nickel-Copper Project (Goldstream 100%)

No field work was undertaken.



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TANZANIA

Nachingwea Nickel-Copper Project (Goldstream 100%)

No field work was undertaken - see Corporate

Luwumbu Project (Goldstream reducing to 27%, Albidon reducing to 3%, Lonmin earning 70%)

Goldstream, in joint venture with Lonmin Plc (Lonmin), is exploring for Platinum Group Element (PGE) mineralisation at Luwumbu in southern Tanzania. The Luwumbu Joint Venture enables Lonmin to earn a 70% interest from both Goldstream (90%) and Albidon (10%) by funding all exploration to the completion of a feasibility study.

Lonmin has elected to continue to sole fund exploration activities on the Luwumbu Joint Venture for the Operating Year commencing on 1 April 2007. The Luwumbu Joint Venture Committee has approved a scope of work and budget for the 2007/2008 Project Year of US\$4.2 million (A\$5.3m).

Goldstream chose to relinquish operatorship of the Luwumbu Joint Venture to Lonmin to concentrate on its Australian projects where it believes it can add most value for shareholders. The change of operatorship to Lonmin will occur on 1 April 2007.

In the forthcoming field season at Luwumbu, the Joint Venture plans to drill up to 15,000m of diamond core drilling to evaluate the targets identified in the auger sampling program, and expand on drill results obtained last year. The program is designed to work towards defining an Indicated Mineral Resource.

Mibango Project (Goldstream 100% - Lonmin earning 65%)

The Mibango Project is a joint venture between Goldstream and Lonmin which enables Lonmin to earn a 60% interest from Goldstream by funding all exploration to the completion of a feasibility study and a further 5% by arranging Goldstream's share of development finance.

Lonmin has elected to continue to sole fund exploration activities on the Mibango Joint Venture for the Operating Year commencing on 1 April 2007. The Mibango Joint Venture Committee has approved a scope of work and budget for the 2007/2008 Project Year of US\$2.5 million (A\$3.2m).

Goldstream chose to relinquish operatorship of the Mibango Joint Venture to Lonmin to concentrate on its Australian projects where it believes it can add most value for shareholders. The change of operatorship to Lonmin will occur on 1 April 2007.

Exploration at Mibango will commence with a helicopter - borne electromagnetic survey (VTEM) to extend the current coverage over sulphide mineralisation in the Ubendian basement and Kapalagulu intrusion. Following specialist interpretation, the identified VTEM conductors will be evaluated by ground EM surveys to determine drill targets.



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OTHER PROJECTS

Morogoro, Muipa, Kondoa

No field work was undertaken.

INDIA

No field work was undertaken pending processing and granting of tenements.

CORPORATE

Nachingwea Nickel-Copper Project (Goldstream 100%)

As announced in an ASX release on 1st February 2007, Goldstream intends to spin off the Nachingwea Nickel - Copper Project into Continental Nickel Limited (CNI), a TSXV listed, Canadian special purpose vehicle. After careful consideration of the available options, the Board believes this is the best option for creating value for the majority of Goldstream shareholders while maintaining control of the asset.

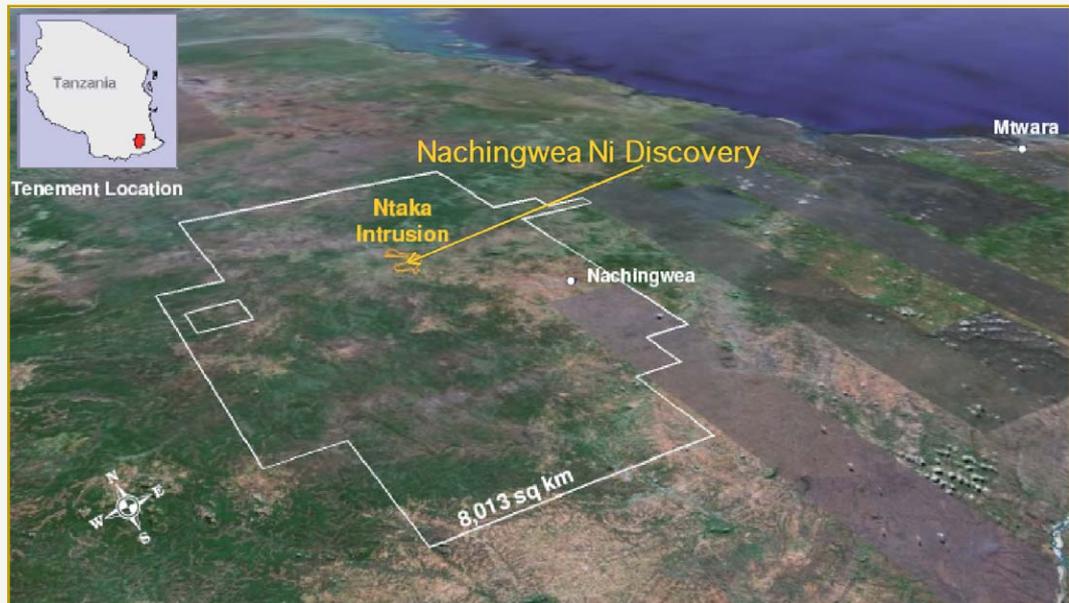


Figure 4 - Location of the Nachingwea tenements

The new Canadian vehicle, CNI, currently a wholly owned subsidiary of Goldstream, will be applying to list on the TSX Venture Exchange in Canada, following an IPO where it will seek to raise between Cdn\$12 million and Cdn\$15.5 million (A\$13.0 million to A\$16.8 million), with a minimum expenditure commitment to the Nachingwea project of Cdn\$8m over two years.

Upon completion of the IPO, Goldstream will own a minimum of 51% of CNI and will retain a 30% direct free carried interest which reduces on the completion of a feasibility study or when CNI incurs a minimum level of expenditure. Goldstream also intends to provide CNI the right to acquire other early stage nickel prospects in Tanzania and Mozambique. Neither Goldstream's Luwumbu or Mibango projects, which are the subject of joint ventures with Lonmin Plc, are included in this spin off.



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In addition to having the funding for the programs at Nachingwea, Goldstream is very pleased by the caliber of the team which blends large and small company corporate experience, including significant in-country African knowledge. Management will consist of Craig MacDougall (President & CEO) and Patti Tirschmann (VP - Exploration) - both are former Falconbridge employees with extensive nickel experience, including at the Kabanga nickel project, in Tanzania.

The proposed CNI Board consists of Elaine Ellingham (a geologist with extensive regulatory experience with TSX), Geoff Wallace (current Goldstream director), and two additional high caliber Canadian directors with significant junior exploration company and public markets experience.

The spin off will be subject to the TSX Venture Exchange approving CNI's application to list on its exchange. ASX approval of the spin-off has been received after due consideration of the Listing Rules. The IPO is anticipated in Q2 2007 following the filing of the necessary regulatory documents and completion of other statutory requirements.

EL2874 - Four Mile Uranium Project

Alliance Resources announced on 2 April 2007 that its joint venture partner in EL2874 in South Australia, Quasar Resources Pty Limited (an affiliate of Heathgate Resources Pty Ltd, the operator of the Beverley Uranium Mine), "has appointed an engineering and environmental consultancy firm to conduct a Scoping Study on the Four Mine Uranium Project". Further, Alliance has announced that a mineral resources estimate for the higher grade zone at Four Mile West is well advanced and they expect the scoping study to lead to Pre-Feasibility Study and Mining Lease applications in 2007. Goldstream holds a 1% Net Smelter Royalty (NSR) over all minerals produced from EL2874.

Investments

Goldstream's listed investments now stand at \$58.1m at the end of the quarter, with the 33m shares that Goldstream holds in Uranex being now valued at \$57.9m (based on a Uranex share price of \$1.755 per share).

At the end of the quarter Goldstream has \$9.6m in cash.

DUNCAN McBAIN
MANAGING DIRECTOR

Information in this report relating to exploration results is based on data compiled by Bianca Manzi who is a Member of the Australian Institute of Geoscientists, and who is a full-time employee of the Company. Bianca Manzi has sufficient relevant experience to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Bianca Manzi consents to the inclusion of the data in the form and context in which it appears.