



# GDM

## Goldstream Mining NL

ABN 67 009 129 560

### Report for the Quarter Ended 30 June 2007

## HIGHLIGHTS

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### Corporate

- > Continental Nickel Limited (CNI) lodged a preliminary prospectus in Canada based on GDM's Nachingwea Ni-Cu project in Tanzania

### Operations

#### **Australia**

- > Cairn Hill indicated and inferred JORC resource upgraded to 15.2mt @ 48.1% Fe, 0.3% Cu & 0.1g/t Au on a diluted basis (approximates shipping grade)
- > QC work indicated Fe grades may be underestimated by up to 2% above a 40% Fe grade
- > Low cost dry magnetic separation testwork indicates increases in Fe grades by up to 8% achievable – likely to be in 2-3% range to minimise Cu loss
- > Recent detailed helimagnetics confirm a minimum 18km strike extent for the Cairn Hill horizon

#### **Tanzania**

- > Anomalous PGE mineralisation intersected at Anomaly 9, approximately 1km to the west of Kangaroo Dam
- > Two new Nkenja PGE targets identified from auger drilling at the Luwumbu project in Tanzania. Up to 1.99g/t Pt+Pd+Au intersected in NAG1475
- > Diamond drilling has commenced at Nkenja with the arrival of 3 diamond drill rigs

## OPERATIONS REVIEW

### AUSTRALIA

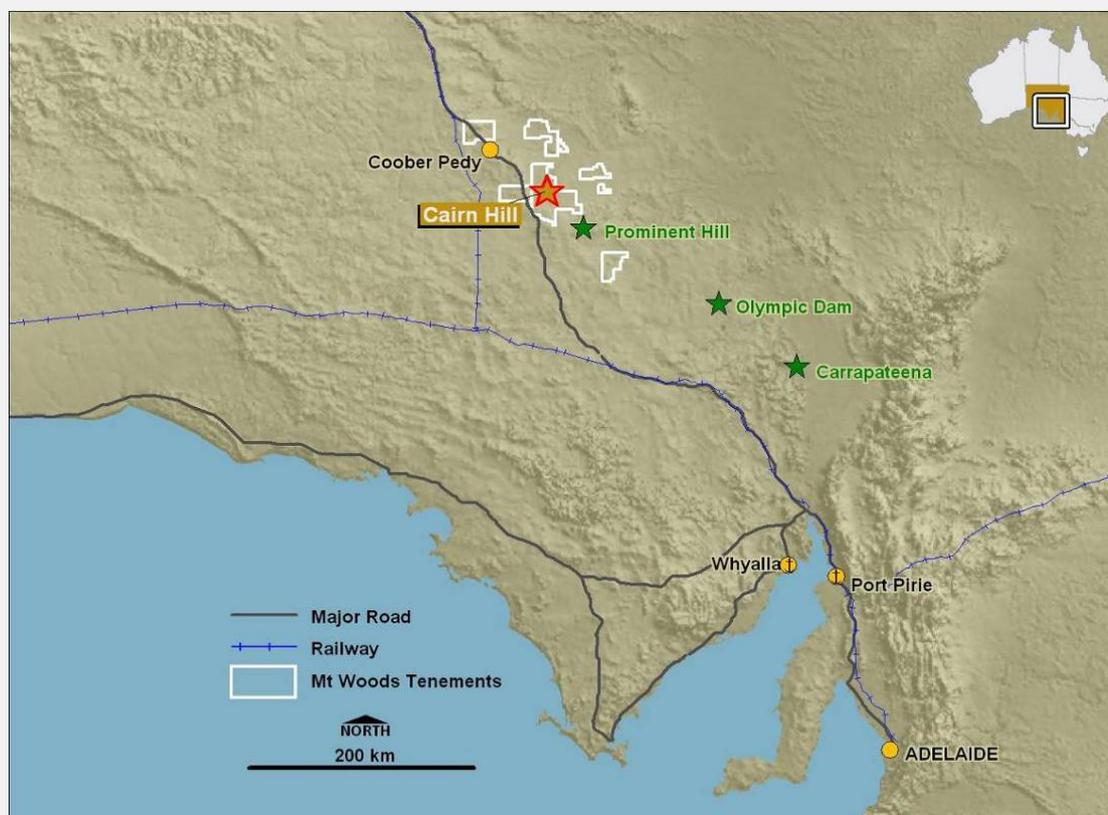
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#### SOUTH AUSTRALIA

#### Mt Woods Project - Coober Pedy (Goldstream 100%)

#### Cairn Hill Magnetite / Copper-Gold Project

The major items for the feasibility study of the unique Cairn Hill Magnetite Iron/Copper-Gold Project, located adjacent to the Stuart Highway and 55km south east of Coober Pedy in South Australia, are substantially completed, with optimisation of the various components currently being undertaken. Comments have been received from Department of Primary Industries and Resources of South Australia (PIRSA) on the draft Mining Lease Application (MLA) and a final draft has now been submitted for further review and stakeholder comment. Based on PIRSA's timetable the Mining Lease should be approved in this quarter.





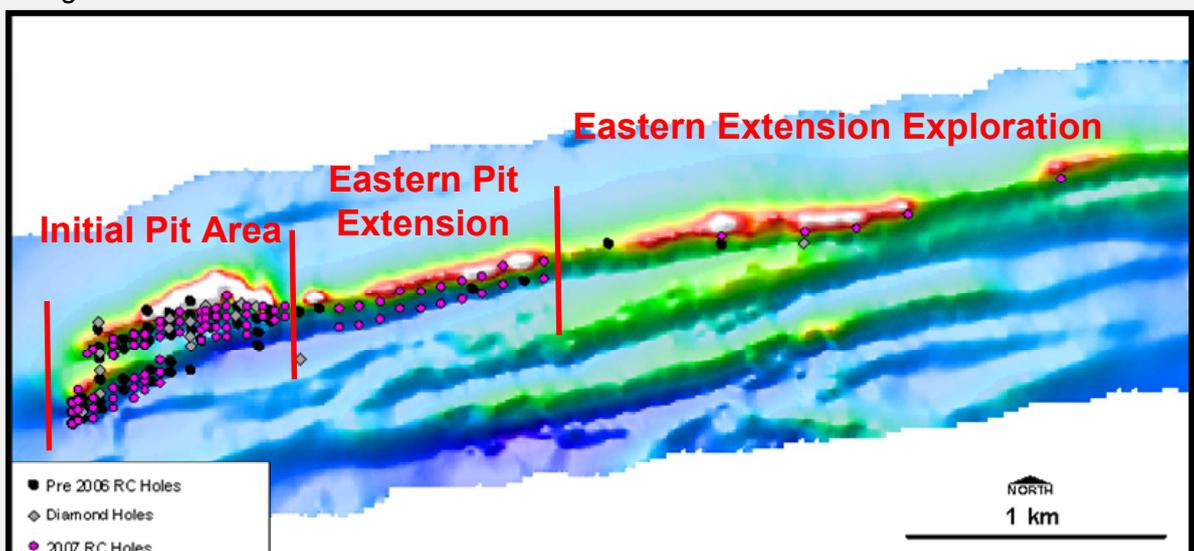
Snowden Mining Industry Consultants (Snowden) has recently completed an updated JORC resource based on the drilling up to the end of February 2007 (ASX:28/06/2007), the combined Indicated and Inferred JORC Resource for the Initial Pit area, on a diluted basis, is **11.4Mt at 49.5% Fe, 0.4% Cu and 0.1g/t Au**. with an additional Inferred Resource of **3.8Mt at 43.8% Fe** within the Eastern Pit Extension, giving Cairn Hill a Total Resource of 15.2.Mt to a depth of 150m (Table 1, Figure 2) on a diluted basis.

Table 1. Summary of Cairn Hill – In situ and Mineral Resources (above a 40% Fe equivalent cut-off)

		Tonnage (Mt)	Fe (%)	Cu (%)	Au (g/t)	Si (%)	Al (%)	P (%)	S (%)
<b>In Situ (Undiluted)</b>									
<b>Initial Pit</b>	Indicated	10.0	51.9	0.40	0.12	5.94	1.11	1.06	1.61
	Inferred	0.8	48.3	0.18	0.05	7.13	1.93	0.80	0.61
	<b>Indicated + Inferred</b>	<b>10.8</b>	<b>51.6</b>	<b>0.38</b>	<b>0.11</b>	<b>6.03</b>	<b>1.17</b>	<b>1.04</b>	<b>1.54</b>
<b>Eastern Pit Extension</b>	Inferred	3.5	47.5	0.01	0.00	8.21	1.99	0.52	0.1
<b>Total</b>	<b>Indicated + Inferred</b>	<b>14.3</b>	<b>50.6</b>	<b>0.29</b>	<b>0.09</b>	<b>6.56</b>	<b>1.37</b>	<b>0.91</b>	<b>1.18</b>
<b>Diluted</b>									
<b>Initial Pit</b>	Indicated	10.5	50.0	0.39	0.12	6.98	1.36	1.02	1.58
	Inferred	0.9	43.8	0.18	0.05	9.58	2.45	0.73	0.61
	<b>Indicated + Inferred</b>	<b>11.4</b>	<b>49.5</b>	<b>0.37</b>	<b>0.11</b>	<b>7.19</b>	<b>1.45</b>	<b>0.99</b>	<b>1.50</b>
<b>Eastern Pit Extension</b>	Inferred	3.8	43.8	0.01	0.00	10.2	2.41	0.48	0.1
<b>Total</b>	<b>Indicated + Inferred</b>	<b>15.2</b>	<b>48.1</b>	<b>0.28</b>	<b>0.09</b>	<b>7.94</b>	<b>1.69</b>	<b>0.87</b>	<b>1.15</b>

Quality control (QC) data, indicates that Fe grades over 40% appear to be underestimated by up to 2% due to a low bias in the analysis method used for the estimation of Fe. In the context of the in situ (undiluted) grade this has the potential to increase the grade of the indicated resource from 51.9% to around 53.9%, an exceptional grade for a magnetite.

Figure 2. Cairn Hill Mineral Resource Locations





This latest resource has converted over 88% of the previous Inferred Resource (ASX: 13/03/2007) within the Initial Pit area to an Indicated Resource category.

The Initial Pit area covers the westernmost 800m of the Cairn Hill massive magnetite mineralisation within a well defined 18 km magnetic anomaly, and will now be the subject of detailed mine planning.

Two versions of the Mineral Resource were estimated. The first reports an in situ Mineral Resource which includes some internal dilution, while the second presents a Diluted Mineral Resource calculated by adding a 0.5 metre wide envelope of edge dilution to the in situ Mineral Resource, as an approximation of a mining grade. The resource has been divided into two parts based on the different characteristics of the mineralisation, the Initial Pit Area containing a mixture of both magnetite and copper / gold mineralisation and the Eastern Pit Extension area which contains only magnetite mineralisation (Figure1).

The Mineral Resource has been classified and reported above a 40% metal equivalent Fe cut-off grade using the JORC Code (2004) guidelines. The equivalence equation is based on three year average metal prices of US\$53.62/dmtu Fe, US\$2.03/lb Cu and US\$490/oz Au and metal recovery factors of 88% for Fe, 95% for Cu and 89% for Au. The recovery factors are estimates derived from the results of metallurgical test work conducted by Goldstream. The Fe metal equivalent grade was calculated using the following formula.

$$\text{Fe \% eq} = \frac{(\text{Fe}\% \times 0.5362 \times 0.88) + ((\text{Cu}\% / 100) \times 2.03 \times 2204.62 \times 0.95) + (\text{Auppm} / 31.10 \times 490 \times 0.89)}{(\text{Fe}\% \times 0.5362 \times 0.88)} \quad * \text{Fe \%}$$

The Eastern Pit Extension area, covering the next 800m of strike to the east of the Initial Pit area, has a diluted Inferred Resource of **3.8Mt at 43.8% Fe** and confirms the strike continuity and high grade nature of the main northern lode magnetite horizon.

As part of the feasibility study, GDM has investigated the options for processing the Cairn Hill magnetite iron – copper – gold mineralisation. Conventionally the main processing options for such mineralisation are:

1. Magnetic separation to produce a magnetite concentrate, then separation by flotation of a copper – gold concentrate from the non-magnetic fraction
2. Magnetic separation to produce a magnetite concentrate, with reverse flotation to clean up the concentrate (particularly to remove sulphur), then separation by flotation of a copper – gold concentrate from the non-magnetic fraction
3. Flotation to produce a copper – gold – sulphur concentrate with magnetic separation of the tails to produce a magnetite concentrate.



After testing the various separation methodologies, the testwork has shown that a series of flotation steps with extended flotation times followed by magnetic separation can produce a premium grade magnetite iron concentrate at a very coarse grind size of 150 microns. The main focus of the testwork has to been to reduce the sulphur in the magnetite concentrate to less than 0.5%, to make a premium Fe product which can be accepted by most steel mills.

Table 2. Summary of Metallurgical Testwork to Produce a Magnetite Concentrate

Ore Zones & Waste P <sub>80</sub> 150 μ	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	SiO <sub>2</sub> %	Au g/t	Cu %	Fe %
Head Grade	2.15	1.24	2.11	13.8	0.17	0.62	<b>51.46</b>
Magnetic Separation Only	0.47	0.01	0.85	0.35	0.04	0.02	<b>71.09</b>
Extended Flotation ➤ Magnetic Separation	0.49	0.01	0.36	0.68	0.04	0.01	<b>71.24</b>
Extended Flotation + Pull ➤ Davis Tube	0.40	0.01	0.19	0.31	0.04	0.01	<b>71.50</b>

Testwork has been conducted on a mixture of fresh and weathered mineralised zones as well on 0.5m waste from each mineralised boundary.

Metallurgical recoveries from the testwork are exceptional with up to 91.2% Fe recovered into the magnetite concentrate. Up to 98.2% of the copper can be recovered into an initial 8% Cu concentrate at 150 microns. In contrast, a 76 micron grind recovers over 90% of the copper into a higher grade 17.2% Cu concentrate. Further grind test work is being undertaken to ascertain the optimal grind size to enhance copper grade and recoveries into the final concentrate. Detailed test work conducted by internationally recognised Chinese institutes on behalf of potential customers, has confirmed the ease of processing, and the high quality and recoveries of the Cairn Hill magnetite product.

Following a suggestion from a potential customer, recent metallurgical testwork using dry magnetic separation on coarsely crushed mineralised samples, has shown that the Fe grade of the product can be significantly beneficiated. This testwork indicates that it is possible to increase the shipped Fe grade by 8%, using dry magnetic separation, however there is a significant loss of copper in the shipped material with nearly 44% of the copper lost to waste during the upgrade. Further tests have shown that it is possible to reduce the copper lost during upgrading to 12%, while still increasing the Fe grade by 2-3%.

Additional testwork will be undertaken to better understand the options for dry magnetic separation to maximise the Fe upgrade and minimise Cu loss. Clearly this is an area where there are significant economic benefits to be made in producing a higher value product while also reducing dead freight. The optimisation study will be on-going.



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In the Eastern Pit Extension area, where there is no significant copper mineralisation, GDM considers maximising the Fe shipping grade to be the best option. Further test work will be conducted on the mineralisation, specifically from the Eastern Pit Extension area, to examine a range of iron upgrade options, including the possibility of producing an intermediate or final concentrate.

A prime focus for GDM has continued to be to finalise a definitive Heads of Agreement (HOA) term sheet for funding and off take, with one of the five investor / customer groups with whom final negotiations are in progress. Seven potential customers have tested Cairn Hill samples and the feedback has been positive on the quality and ease of processing. GDM is working to conclude negotiations in order to maintain the momentum of the project and enable the ordering of long lead time items, such as rail wagons, and to optimise the production to suit the processor of the ore during the statutory Mining & Rehabilitation Plan (MARP) process to minimise time delays and additional costs.

Logistics are the key to the success of the project. GDM has taken the approach of appointing preferred contractors with whom it will work to optimise logistics. For the off-road haulage contract GDM has appointed KBD Haulage, a specialist Kalgoorlie based off-road haulage contractor, while for the rail haulage, heads of agreement are being negotiated with the preferred rail contractor. GDM believes that by working with these specialists, their knowledge and experience can be utilised to optimise the whole logistics process and ultimately reduce costs.

In the same manner GDM is working with a preferred mining contractor, JMS / MCC Mining JV, to finalise the mine planning and working in collaboration to optimise mining costs and site operations.

Following advice by PIRSA, GDM will lodge an Early Works MARP to cover proposed trial mining. The material required for this Early Works MARP is largely available from the MLA documentation with the additional material mainly relating to the proposed operations. The MARP for the trial pit will be approved following the grant of the Mining Lease. With PIRSA's view now that a Mining Lease is required prior to trial mining, rather than being allowable on the current Mineral Claims it is now anticipated that trial mining will commence late in Q3 or early Q4. The equipment for the trial mining will be sourced from Coober Pedy.

Native title clearance surveys for the mining lease area have been completed with the two native title claimant groups. This is the first stage in the process of finalising a native title agreement to cover the whole of the mining lease area.

GDM proposes to have the Cairn Hill workforce based in Coober Pedy to the maximum extent possible. Where necessary, key skilled personnel will be on fly-in / fly-out rosters however it is believed that the GDM preferred contractor's will largely be able source their employees from Coober Pedy. GDM believes this will be a win-win situation where having a locally based workforce will significantly benefit the local community, and the Cairn Hill operation.



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Key elements of the feasibility study are now substantially complete, with costings and designs having been received from the various consultants involved in the study. The final report is currently being compiled and assessed. Simultaneously, GDM is optimising the capital and operating costs to ensure that the costings are reflective of the sort of operation envisaged, and looking at a range of alternative suppliers. As part of the HOA funding package most of the Chinese investor groups are interested in supply of capital equipment to Australian specifications for the project, and this will be factored into the capital and operating costs.

The recently completed detailed helicopter magnetic survey over the Cairn Hill area confirms an estimated additional 16 kilometres of strike to the east of the current resources (which cover approximately 2 kilometres of strike). This survey has highlighted the potential upside of the Cairn Hill operation and GDM will move to define additional resources as soon as possible with the objective of increasing the size and life of the project.

### **Kangaroo Dam (PGE)**

Anomalous palladium and platinum mineralisation was identified from exploration RC drilling completed in the Kangaroo Dam area late in 2006. Drillhole MWRC012 targeting Anomaly 9, approximately 1 kilometre to the west of the previous Kangaroo Dam PGE intersection, returned a best composite result of **4m @ 0.74g/t Pd+Pt+Au** from 56m in logged magnetite gneiss. The platinum-palladium ratio of the intersection is 4:1.

The drill programme was designed to target a complex, high amplitude magnetic anomaly with modelled depths of approximately 100m. Only a single hole for 162m, of a proposed 3 hole traverse was completed due to drilling difficulties.

This intersection enhances the PGE prospectivity of the Kangaroo Dam area, and is being assessed in conjunction with the recently completed detailed helimagnetics in order to refine targeting for further exploration drilling.

### **Black Hills (IOCG)**

No field activities were conducted during the quarter.

### **Uranium**

Four reconnaissance style rotary mud holes for 674m were drilled to test palaeochannel sediment packages to the west and northwest of Cairn Hill with the dual purpose of testing their water potential for mining operations, and determining the suitability of the strata to host sandstone roll-front uranium deposits. All holes intersected sands and gravels of the Cadna-Owie Formation followed by thick sequences of clays, sands, claystones, mudstones of unknown associations to the end of holes.



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Although no anomalous signatures indicative of proximal uranium mineralisation were detected, the drilling has confirmed the presence of gravity interpreted palaeochannels, and significant thicknesses of potential sedimentary host packages. Future exploration will focus on identifying suitable targets with proximal source rocks.

### **Mt Woods Regional Program**

During the quarter a 10,800 line kilometre helimagnetic survey was completed over the northern portion of the Mt Woods Inlier. Flown at 100m line spacing, the survey has provided high quality detailed data over the Mt Woods Inlier and the various GDM prospects including Cairn Hill. Processing is underway to refine drill targets for planned drilling programmes in the coming quarter.

GDM 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. During the quarter there have been a couple of promising leads which may lead to a rig being made available to drill these holes.

### **NORTHERN TERRITORY**

#### **Arunta Nickel-Copper Project (Goldstream 100%)**

No field work was undertaken.

## **TANZANIA**

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#### **Nachingwea Nickel-Copper Project (Goldstream 100%)**

Field work commenced on the Nachingwea project with the construction and establishment of a field camp. The camp will house field crews during planned ground EM and drilling programs. In addition a water bore is being drilled to provide water for the diamond drilling later in the field season.

It is anticipated that an airborne VTEM survey will commence around the end of July.

At quarters end GDM retained 100% ownership of the Nachingwea nickel-copper project, pending a spin off of the project into Continental Nickel Limited (CNI) which will list on the TSX Venture Exchange in Canada during the next quarter (see Corporate).



**Luwumbu Platinum Group Elements (PGE) 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.

In preparation for the field season Lonmin, as manager of the Luwumbu Joint Venture, mobilised personnel to Makete and commenced field operations. Despite rain delays, a total of 15 drill pads have been constructed for the 3 Tandril diamond drill rigs which arrived on site in late June. Diamond drilling has now commenced testing PGE auger anomalies identified during the 2006 field season.

Throughout the extended wet season, exploration continued at the Nkenja PGE project with two motorised auger crews completing 290 shallow holes for 2,282 metres. This auger program successfully intersected anomalous PGE's (Table 3) over a number of traverses and defined new PGE targets in the lower Nkenja Valley and the upper Lindengere Valley. A best result of **1.99g/t Pt+Pd+Au (PGE)** was intersected in NAG1475 in saprolitic clays from the lower Nkenja valley and will be further tested by future diamond drilling.

Table 3. Nkenja Auger Drilling PGE Intersections >0.5g/t

Hole	East	North	From (m)	Interval (m)	Ni (%)	Au (g/t)	Pd (g/t)	Pt (g/t)	PGE (g/t)
NAG1435	611639	8989660	1.0	1.0	0.28	0.02	0.48	0.88	<b>1.37</b>
NAG1437	611721	8989780	2.0	1.0	0.35	0.01	0.18	0.35	0.54
NAG1450	611730	8989510	4.0	1.0	0.24	0.05	0.66	0.33	<b>1.03</b>
NAG1451	611794	8989536	0.0	1.0	0.40	0.03	0.41	0.18	0.62
NAG1453	611890	8989604	3.0	1.0	0.28	0.07	0.67	0.37	<b>1.10</b>
NAG1458	612041	8989786	5.0	1.0	0.26	0.09	0.50	0.38	0.98
NAG1470	612005	8989480	3.0	2.0	0.16	0.11	0.47	0.22	0.80
			8.0	1.0	0.18	0.04	0.41	0.16	0.61
NAG1473	612112	8989570	3.0	3.0	0.09	0.12	0.47	0.20	0.78
			10.0	1.0	0.26	0.05	0.42	0.14	0.61
NAG1474	612147	8989606	3.0	5.0	0.09	0.05	0.45	0.20	0.70
			9.0	1.0	0.17	0.69	0.21	0.14	<b>1.03</b>
NAG1475	612192	8989646	3.0	5.0	0.21	0.20	0.76	0.32	<b>1.27</b>
			11.0	1.0	0.28	0.55	0.85	0.59	<b>1.99</b>
NAG1476	612221	8989688	9.0	1.0	0.25	0.07	0.28	0.24	0.59
NAG1479	612322	8989782	5.0	1.0	0.24	0.02	0.80	0.32	<b>1.14</b>
NAG1531	612610	8989212	4.0	1.0	0.19	0.05	0.38	0.27	0.70
NAG1730	611452	8991532	5.0	1.0	0.01	0.00	0.67	0.00	0.68



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## **Mibango Platinum Group Elements (PGE) - Nickel 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.

During the quarter, Lonmin reopened the Mibango camp and commenced site works on the Kapalagulu airstrip to repair damage caused by the wet season rains. An airborne geophysical survey is expected to commence early in the next quarter.

### **Other Projects**

#### **Morogoro, Kondo, Buhemba**

No field work was undertaken.

## **INDIA**

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

## **CORPORATE**

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### **Nachingwea Nickel-Copper Project (Goldstream 100%)**

Continental Nickel Limited (CNI) has lodged a preliminary prospectus in Canada to raise between Cdn\$13.5m to Cdn\$16.5m as a prelude to listing on the TSX Venture Exchange in Canada (TSXV).

Following listing on TSXV, GDM will retain 51% of CNI on a partially diluted basis, assuming the exercise of the over-allotment shares, broker and advisor warrants. In addition GDM will retain a 30% interest in the joint-venture company, Ngwena Limited, which will hold the Nachingwea tenements. CNI has the right to earn an additional 5% by funding a feasibility study, with a further 5% after spending Cdn\$15m on Nachingwea. The board believes that spinning off the Nachingwea nickel - copper tenements into a new TSXV listed subsidiary is the best method of delivering value for GDM shareholders.



It is expected that the final minor comments from the Ontario Securities Commission will shortly be resolved, and the Canadian prospectus can be finalised. This will trigger the lodgement of the Australian prospectus which covers the Cdn\$3.85m priority pool to GDM shareholders and will be posted out to all GDM shareholders following the expiry of the statutory exposure period.

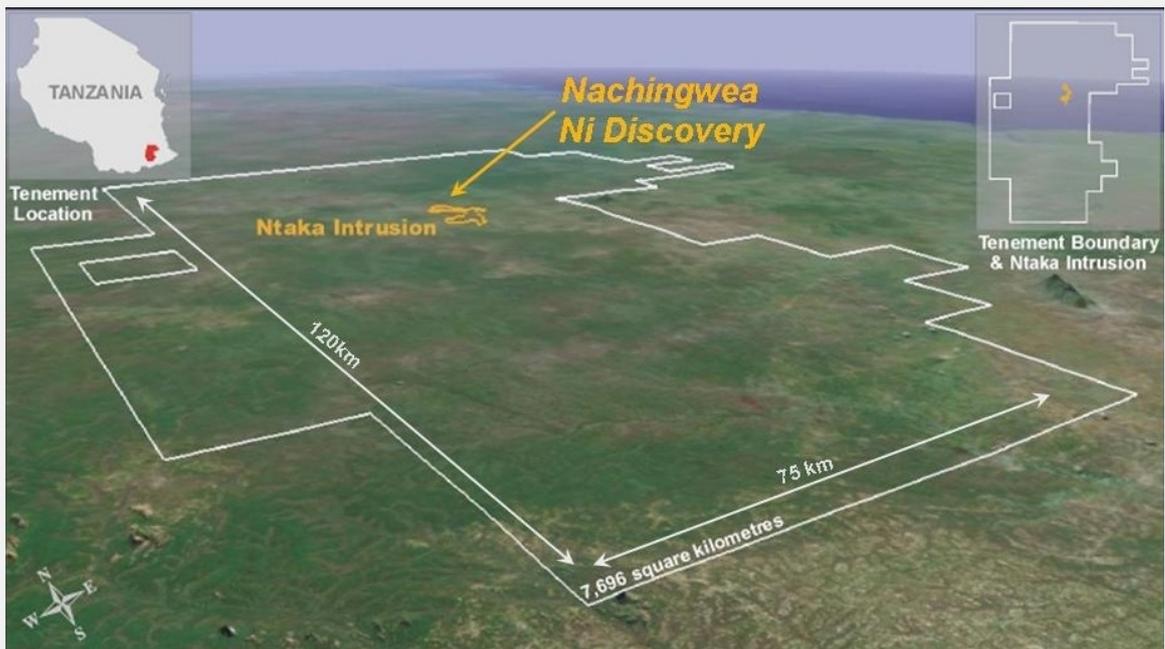


Figure 3 - Location of the Nachingwea tenements

### **EL2874 – Four Mile Uranium Project**

Alliance Resources (Alliance) announced on 2 April 2007 a JORC Inferred Resource of 3.9mt @ 0.37%  $U_3O_8$  containing 15,000 tonnes (32 million lbs) of  $U_3O_8$  for its Four Mile West Uranium Deposit in EL2874 in South Australia, where it is in joint venture with Quasar Resources Pty Limited (an affiliate of Heathgate Resources Pty Ltd, the operator of the Beverley Uranium Mine).

More recently Alliance has announced high grade intersections at Four Mile East of high grade mineralised intersections similar to Four Mile West, where it expects to have an JORC resource prior to the end of 2007.

Goldstream holds a 1% NSR over all minerals produced from EL2874.



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## Investments

Goldstream's listed investments now stand at \$63.3m at the end of the quarter, with the 33m shares that Goldstream holds in Uranex being now valued at \$60.0m (based on a Uranex share price of \$1.91 per share).

This excludes the value of the GDM holding in CNI, which on listing on TSXV are expected to be worth in the order of \$16m without the see-through value of the 30% joint venture company holding in Nachingwea.

At the end of the quarter Goldstream has \$7.5m 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.