



**GDM**  
Goldstream Mining NL

## Report for the Quarter Ended 30 September 2007

### HIGHLIGHTS

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#### Corporate

- > New Chairman and Board appointments add depth and diversity of experience to drive new phase of growth
- > Continental Nickel Limited listed on TSX-V in Canada giving a see through valuation to Goldstream of the shares in the Nachingwea Ni-Cu JV holding of \$42.5m
- > Value of listed investments stand at \$62.5m, plus \$7m cash equates to 42.3 cents per share

#### Operations

##### **Australia**

- > Cairn Hill mining licence expected within the next quarter
- > Optimising initial mining pit to maximise early cashflow through maximising copper grades and minimising stripping
- > Advanced negotiations proceeding with several potential Chinese partners
- > Anticipate drilling 1500m hole at Mt Paisley for an Olympic Dam style target later this quarter or early 2008

##### **Tanzania**

- > Nachingwea 2007 drilling program proceeding well – no assays received
- > VTEM survey to commence at Nachingwea in mid October
- > Nearly 7,000m of diamond drilling completed at Luwumbu
- > Auger program at Luwumbu indicating more potential targets
- > Helimag survey completed at Mibango
- > VTEM survey at Mibango 76% complete – indicating several targets for ground EM follow up



## 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 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 being undertaken on an ongoing basis. Comments from the stakeholder consultations have been received and are being addressed in a further submission to the Department of Primary Industries and Resources of South Australia (PIRSA). PIRSA will then be in a position to formally consider the grant of the mining lease. It is envisaged that could happen midway through the coming quarter.

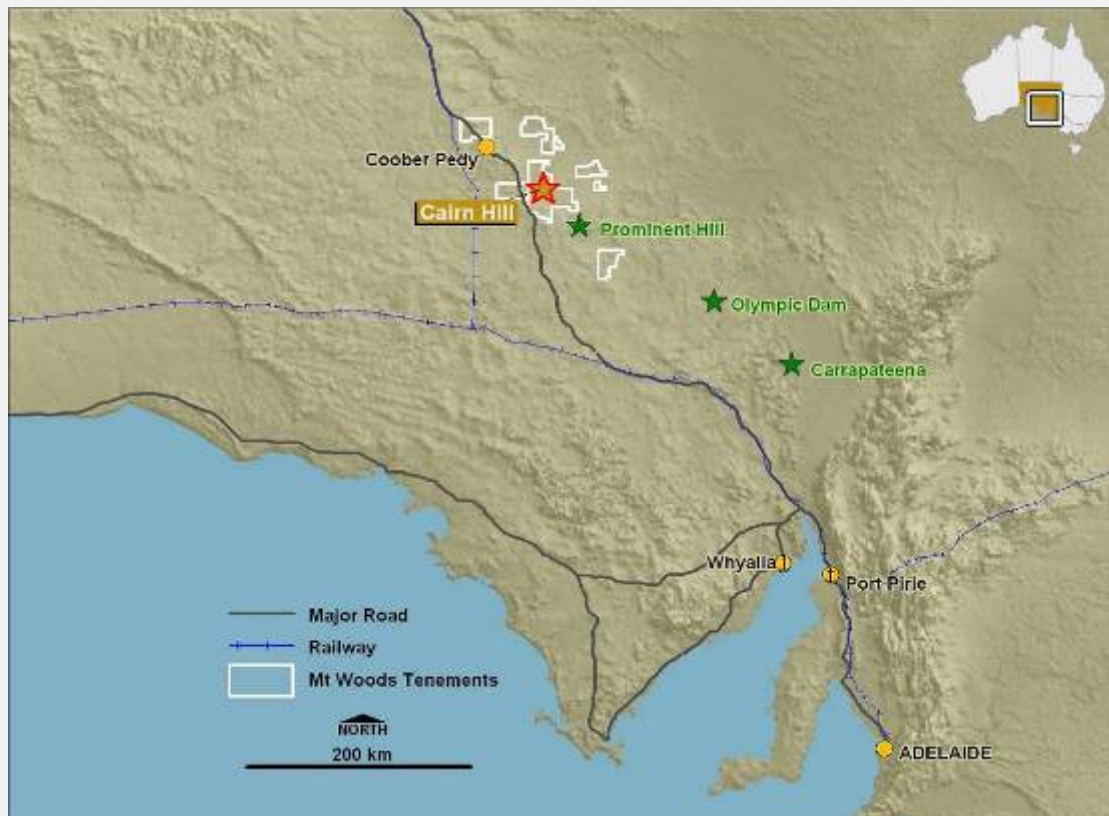


Figure 1 - Cairn Hill Magnetite / Copper-Gold Project location

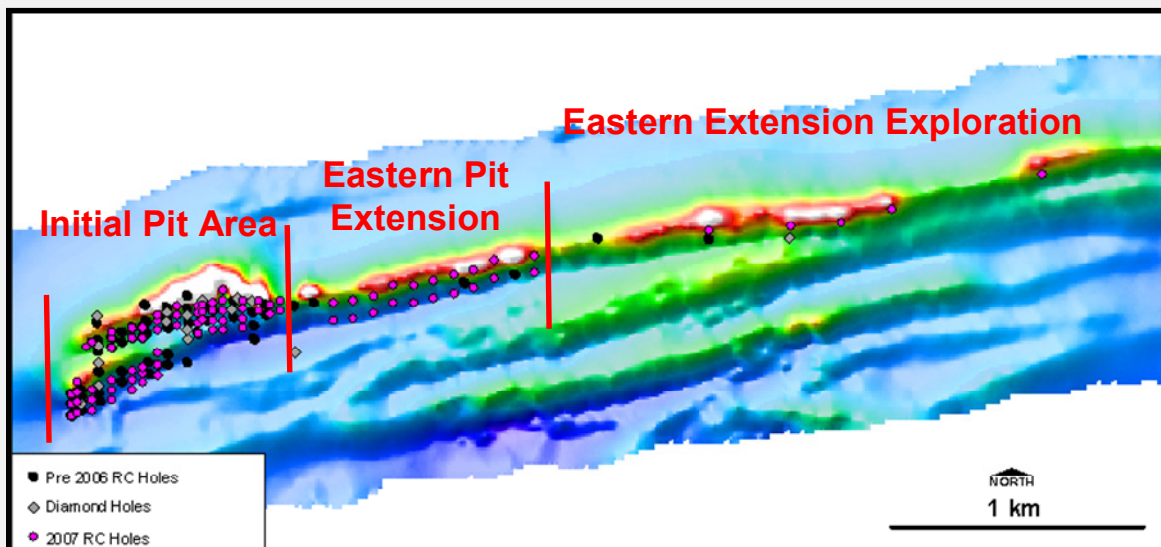


Figure 2. Cairn Hill Mineral Resource Locations

The detailed mine planning looked at several options for the mining of the Initial Pit Area. The focus was on minimising the overall strip ratio, while at the same time looking to reduce the stripping requirements and maximise the Cu grade in the early years to generate early returns in what looks like being a strong price environment. It is envisaged that the optimised pit design will recover in the order of 70-80% of the JORC Indicated Resource covering approximately the first 5.5 years of production. Three options are being considered for the extension of the mine life; mining deeper using a slot mining technique, mining the mineralisation along strike to the east or moving the mining operations to an area of mineralisation within the 18 km strike extension area should superior mineralisation be discovered by the planned exploration program over the next 3 years.

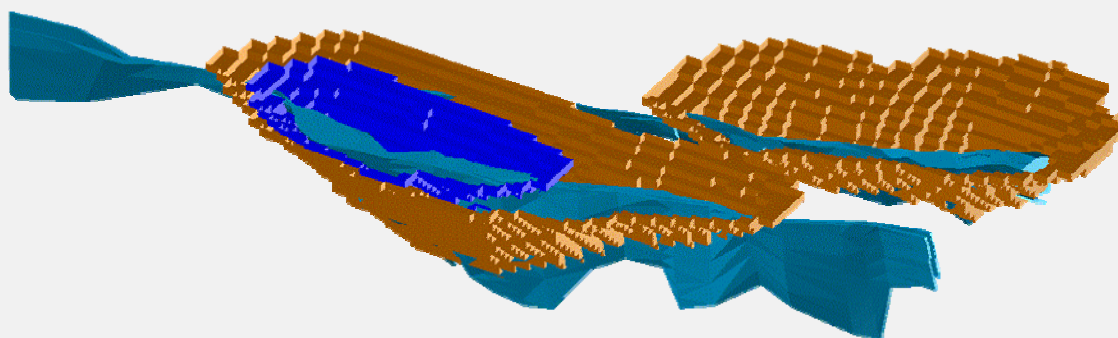


Figure 3: Initial Pit Area - Core Pit Design (looking from NE)



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Additional testwork has been undertaken on composited RC chips from across the eastern pit extension area. The preliminary testwork demonstrates that a high grade concentrate with over 70% Fe can be produced by wet magnetic separation with low levels of S and P. No flotation is required which simplifies and significantly reduces the cost of processing. Further work needs to be undertaken on the dry magnetic separation which showed that it was possible to produce an intermediate 58.8% Fe concentrate, but this will require core or a bulk sample for the testwork.

In addition to the testwork conducted by Goldstream, the test results from three independent well respected Chinese institutes conducted on behalf of potential off-take partners, have been received. These results confirm the Goldstream testwork and flowsheet.

A considerable amount of effort has gone into finalising negotiations for a definitive Heads of Agreement (HOA) term sheet for funding and off-take. The process has turned out to be more protracted than envisaged with the mixture of magnetite and copper / gold being a complicating factor. Ensuring sufficient value recognition for each component of the revenue stream has been an important part of the negotiating process.

Goldstream has commenced direct dialogue with two of the major construction and equipment supply organisations in China to evaluate the potential savings that may be available by using Chinese engineering and equipment, and to develop a better understanding of their capabilities, especially on the EPCM (engineering, procurement, construction, management) front.

The Early Works MARP is being finalised to cover the proposed trial mining. The MARP for the trial pit will be approved following the grant of the Mining Lease. A decision has to be made whether to conduct the trial mining before or after the Christmas break. The equipment for the trial mining will be sourced from Coober Pedy.

Negotiations on the native title agreement to cover the mining lease area and transport route is progressing with both native title claimant groups.

The feasibility study optimisation is now substantially complete using Australian costs. Chinese costings for equipment and services should be available soon from our dialogue with two of the major construction and equipment supply organisations in China. These costings are from Chinese investor groups interested in the supply of capital equipment to Australian specifications for the project, and will be factored into the capital and operating costs.

It is anticipated that further drilling will take place on the 16km eastern extensions of the Cairn Hill project in the current quarter. The detailed helicopter magnetic survey over the Cairn Hill area has highlighted the potential upside of the 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.



**Mt Paisley**

Goldstream is in negotiations for a diamond drill-rig to drill the 1,500m deep Mt Paisley target, which is a large coincident magnetic and gravity feature which has been geophysically modelled as an Olympic Dam style target. It is anticipated that the hole will be drilled later this quarter or Q1 2008

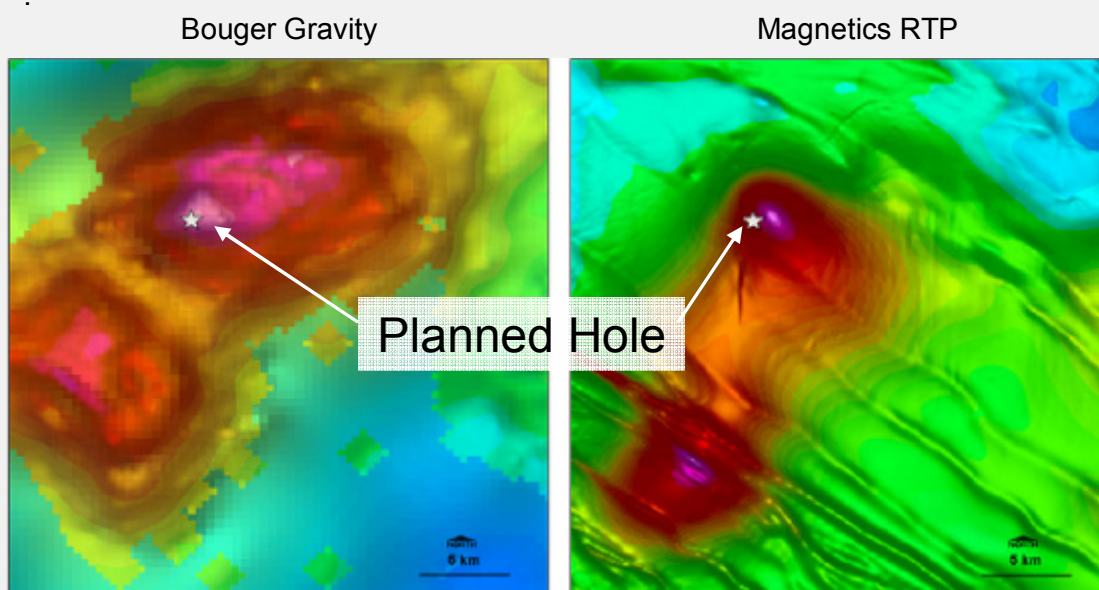


Figure 4: Planned drillhole location overlaid on gravity and magnetics

Based on the geophysical interpretation of the geophysics and the intensity of the responses the following comparison has been drawn between Olympic Dam and Mt Paisley to illustrate the potential for Mt Paisley

	Olympic Dam	Mt Paisley
<b>Gravity Anomaly</b>	12 mgal	7mgal
<b>Magnetic Anomaly</b>	700nT	400nT
<b>Cover Depth</b>	~350m	~1000m
<b>Footprint</b>	2 km	> 2km
<b>Mineralisation</b>	IOCG - U	IOCG?
<b>Resource (underground)</b>	3,810mt @ 1.1% Cu & 0.4kg/t U3O8	?

**Kangaroo Dam (PGE)**

No field activities were conducted during the quarter. RC drilling is planned for next quarter to follow up the previous drilling and as a result of targeting from the detailed helimagnetics.



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

No field activities were conducted during the quarter.

RC drilling is planned for next quarter to follow up the previous drilling and as a result of targeting from the detailed helimagnetics.

### **Mt Woods Regional Program**

Following up on the helimagnetic survey, covering 10,800km<sup>2</sup>, which was completed over the northern portion of the Mt Woods Inlier in Q2 2007, processing is nearing completion with targets to be selected for the Q4 RC drilling program.

## **NORTHERN TERRITORY**

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

No field work was undertaken.



**TASMANIA**

**NW Tasmania Nickel Project (Goldstream 96%)**

Five exploration licences, covering 681 km<sup>2</sup>, were granted in north west Tasmania during the quarter, with a further single application covering 164 km<sup>2</sup> being processed.

Goldstream applied for the licences based on a re-interpretation of the geology and some rock chip sampling, and believes it has potential to host nickel bearing rock types.

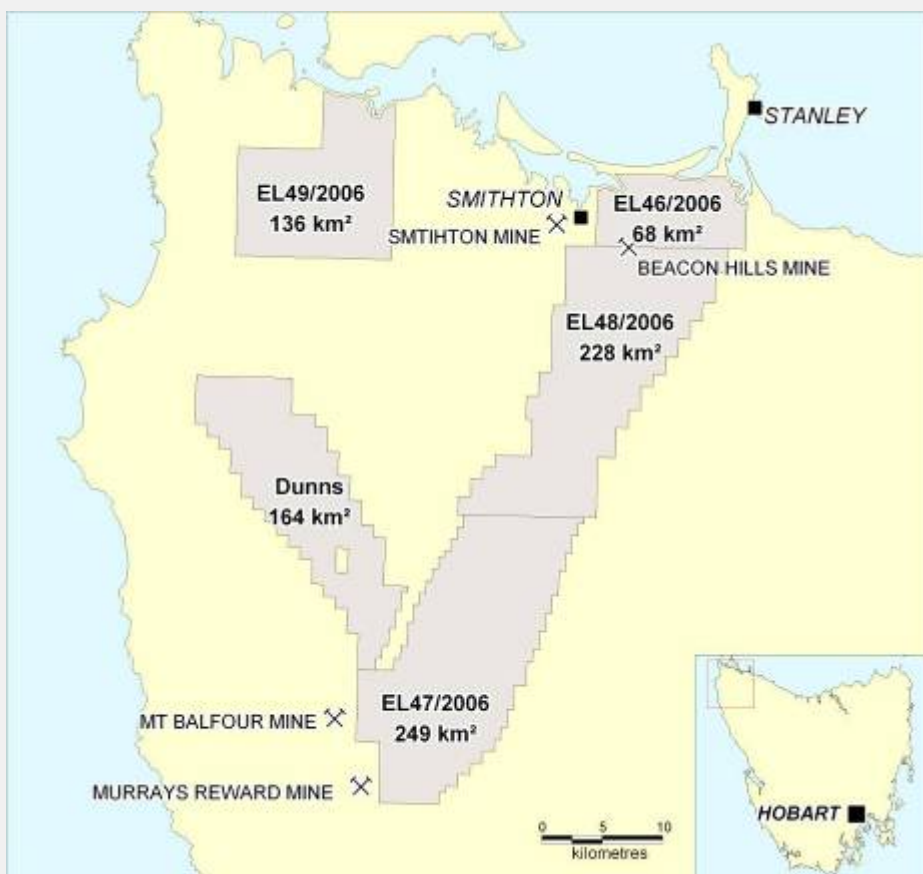


Figure 5: NW Tasmania Nickel Project Tenements



## TANZANIA

### Nachingwea Nickel-Copper Project (Goldstream 30%)

Following the successful listing of Continental Nickel Limited on TSX-V on 7 August, Goldstream's direct ownership of the Nachingwea project, through its ownership in the Tanzanian JV company Ngwena Ltd was diluted to 30%.

Diamond drilling commenced on the planned 10,000m program in early August with two rigs committed to the program. To date 17 holes have been drilled for a total of 3,300m, no assay results have been received. The drilling so far has concentrated in the Ntaka area.

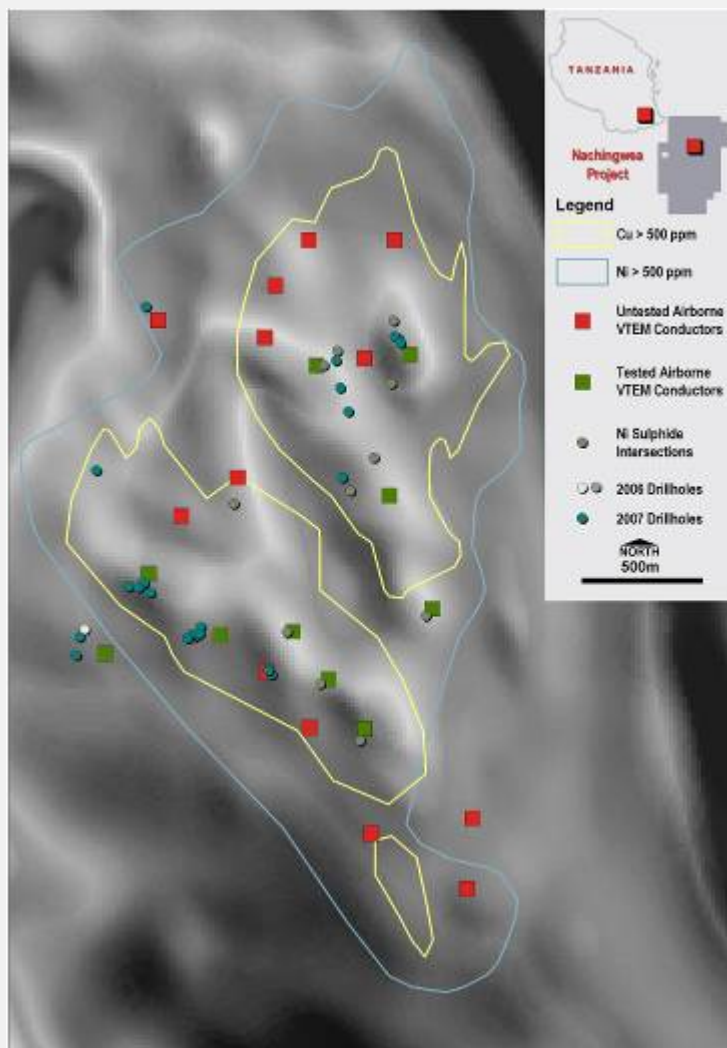


Figure 6: Nachingwea 2007 drilling





A 75-100 line km of large loop ground based TDEM commenced in early August. The equipment being used this year is defining new conductors that were not evident during the 2006 ground EM survey, these new conductors are providing new targets for the drilling.

The VTEM crew has been delayed due to damage to the helicopter and extended surveys by other clients, including the Lonmin / Goldstream Mibango JV. The VTEM crew are now expected in site in mid October to commence the 5,600 line km program, when the survey at Mibango is completed.

Sufficient water has been found for drilling through the dry season and for camp requirements. Water, even early during the 2006 field season, was a problem for drilling in the past.

**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. 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.

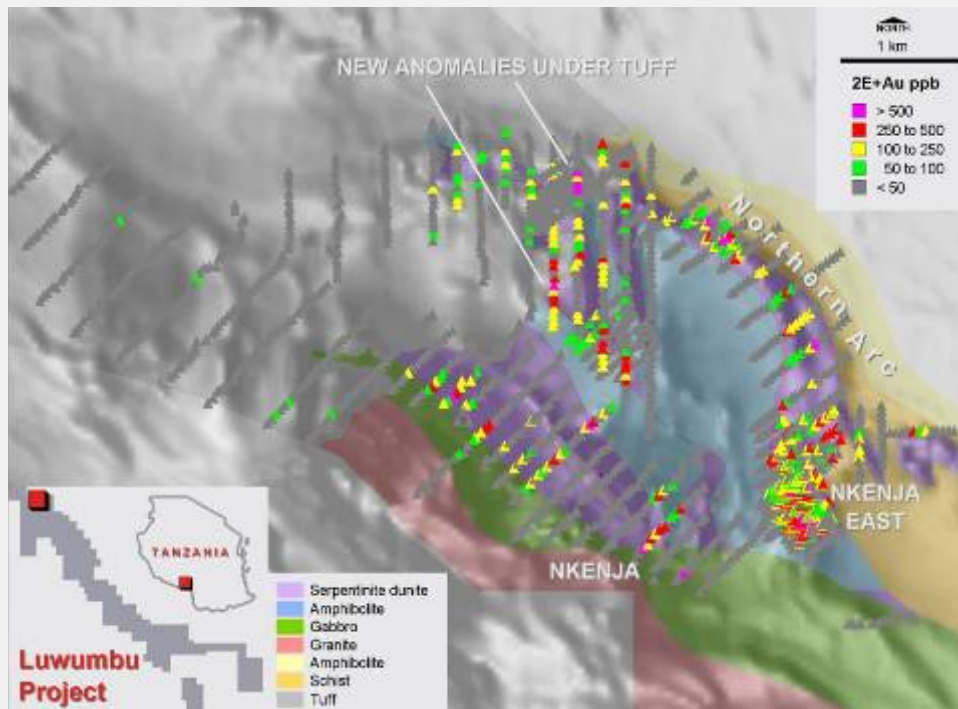


Figure 7: Elevated 2PGE + Au bedrock sample values from auger drilling



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The auger program continues to provide excellent bedrock geology and geochemistry which are proving useful for the targeting of diamond drill holes. Several anomalous 2PGE+Au trends are emerging in addition to the previously identified Northern Arc.

A total of 22 diamond holes for 6,930m have been completed to the end of the quarter.

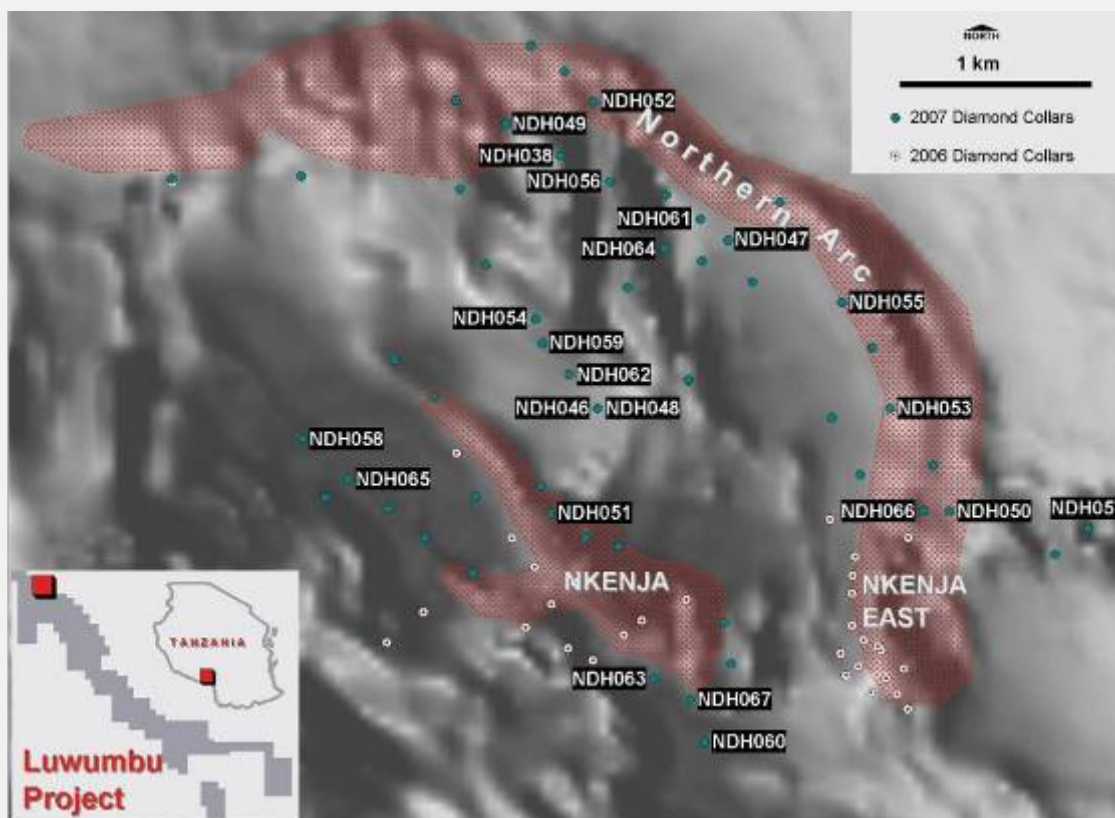


Figure 8: 2007 Diamond drill holes

Laboratory turnaround times remain a problem with preliminary PGE assays having been received for 1,101 samples, including final assays received for 957 samples out of a total of 3,605 diamond core samples and standards submitted.

Best diamond drillcore PGE assay results (>0.5g/t 2PGE+Au) received to date are:

Hole Number	From (m)	To (m)	Width 2PGE+Au (m)	2PGE+Au ppm	Pt ppm	Pd ppm	Au ppm
NDH047	301.00	302.00	1.00	0.81	0.23	0.56	0.02
NDH051	123.00	124.00	1.00	0.53	0.15	0.34	0.04
NDH051	151.00	153.00	2.00	0.81	0.17	0.61	0.03



Hole Number	From (m)	To (m)	Width (m)	2PGE+Au ppm	Pt ppm	Pd ppm	Au ppm
<b>NDH053</b>	<b>206.00</b>	<b>210.00</b>	<b>4.00</b>	<b>0.79</b>	<b>0.19</b>	<b>0.58</b>	<b>0.03</b>
incl	206.00	207.00	1.00	1.17	0.17	0.95	0.05
incl	207.00	208.00	1.00	1.01	0.22	0.75	0.04
incl	208.00	209.00	1.00	0.45	0.16	0.29	0.01
incl	209.00	210.00	1.00	0.55	0.20	0.34	0.01

There have been some issues over the use of the roads from the base camp at Makete to Nkenja and around the project area due to the conditions of the roads.

**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.

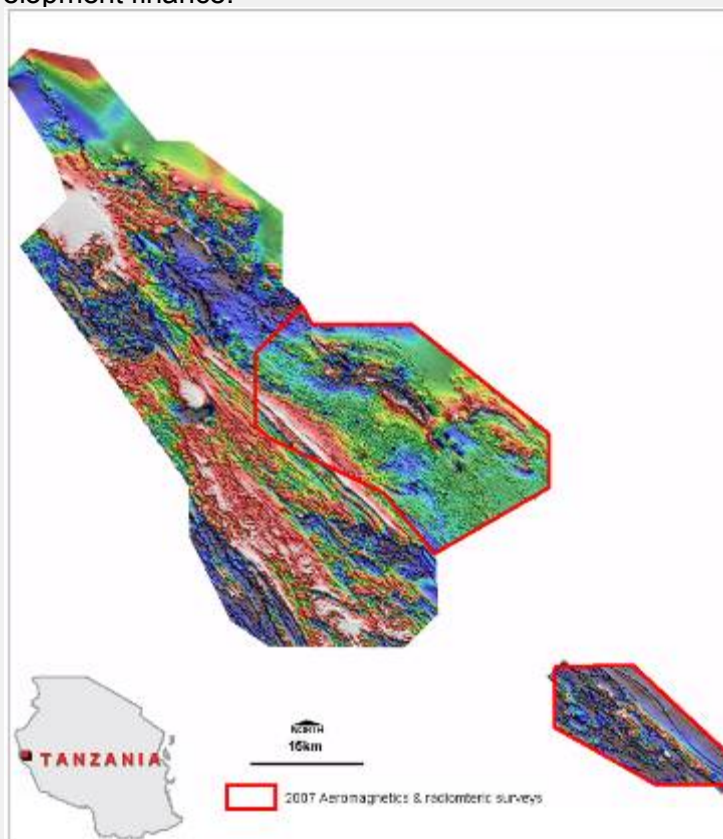


Figure 9: Helimagnetics & radiometrics survey areas flown



During the quarter 11,308 line kilometres of helicopter borne detailed magnetics and radiometrics was flown which identified possible intrusions and assisted in the selection of areas for the VTEM survey

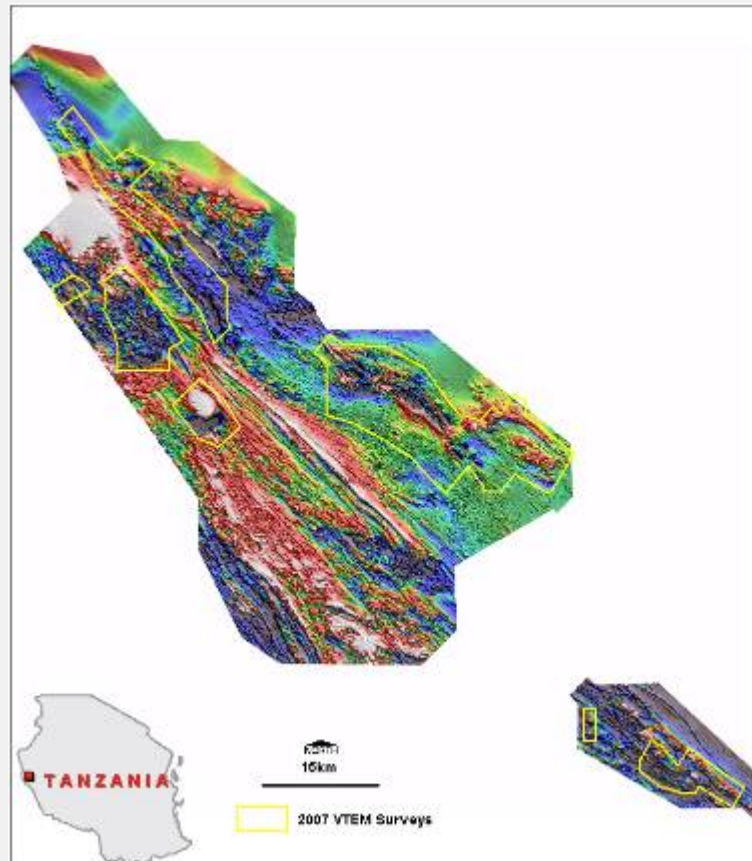


Figure 10: Mibango 2007 VTEM survey on 2007 detailed helimagnetics

The VTEM survey is 76% complete, with 3,831.4 line kms already flown of a planned 5,040 line km survey.

Follow-up ground EM geophysical work has started with the arrival of a replacement SMARTTEM receiver.

### **Other Projects**

#### **Morogoro, Kondoa, Buhemba**

No field work was undertaken.



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## **MOZAMBIQUE**

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### **Mozambique Nickel-Copper-PGE Project (Goldstream 100%)**

A total of 15 prospecting licences covering 3,670 km<sup>2</sup> were granted during the quarter, with a further 3 prospecting licence applications covering 750 km<sup>2</sup> being processed, in northern Mozambique targeting nickel – copper – PGE mineralisation.

During the December quarter field mapping, rock chip sampling and ground truthing will be undertaken, and follow-up stream sediment sampling programmes planned as required.

## **INDIA**

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



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## **CORPORATE**

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### **Continental Nickel Limited (Goldstream 53%)**

The spin-off of the Nachingwea nickel – copper tenements into a special purpose vehicle, Continental Nickel Limited, in Canada was determined as the best option for maximising value for Goldstream shareholders. The decision will allow the project to capitalise on 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.

At listing on TSX-V on 7 August 2007, Goldstream retained 53% in Continental Nickel (after exercise of over allocations, but prior to the exercise of the warrants and options), after raising Cdn\$18.9 million at Cdn\$1.50 per share. This capitalised the Company at the equivalent of A\$44.7 million. Continental Nickel's major asset is a 70% interest in the Nachingwea nickel – copper tenements in Tanzania, held through a Tanzanian joint venture company, Ngwena Limited, in which Goldstream retains a 30% interest. Goldstream's holding can be diluted to 20% in Ngwena if Continental Nickel spends Cdn\$15 million and completes a feasibility study.

Goldstream has assembled a well-credentialed Board and management team with a balance of technical expertise and small company corporate experience. This includes significant on-the-ground experience and knowledge in Africa, to run Continental Nickel. To maximise efficiency and value, it is intended Continental Nickel will be run as an independent company as far as practical.

Upon listing Continental Nickel delivered a see through valuation for Goldstream of Cdn\$37.8 million (A\$42.9 million). This is represented by GDM's holding in Continental Nickel which is worth Cdn\$21.4 million (A\$23.7 million), plus the flowthrough valuation of Cdn\$17.3 million (A\$19.2 million) for GDM's 30% holding in the joint venture company, Ngwena, that holds 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<sub>3</sub>O<sub>8</sub> containing 15,000 tonnes (32 million lbs) of U<sub>3</sub>O<sub>8</sub> 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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## Board Changes

On 3 July Geoff Wallace stepped down from the Goldstream Board to assume the position of Managing Director with Uranex NL (Goldstream 39.5%). The Board wishes Geoff all the best with his new role.

The Goldstream Board has been strengthened by the appointment of Johann Jacobs as the Non-Executive Chairman and Stephen Hunt as a Non-Executive Director. These appointments bring depth and diversity of experience to the Company, which will be important in the ongoing evolution and development of the company.

## Investments

Goldstream's listed investments now stand at \$62.5m at the end of the quarter, with the 33 million Uranex shares held by Goldstream valued at \$38.8m (UNX:ASX price \$1.175 per share), and the 14.3m Continental Nickel shares held by Goldstream valued at \$23.5m (CNI:TSXV price Cdn\$1.45 per share).

This valuation excludes the A\$19.0m see-through value of the 30% held by Goldstream in the joint venture company holding Nachingwea.

At the end of the quarter Goldstream has \$7.0m 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.