



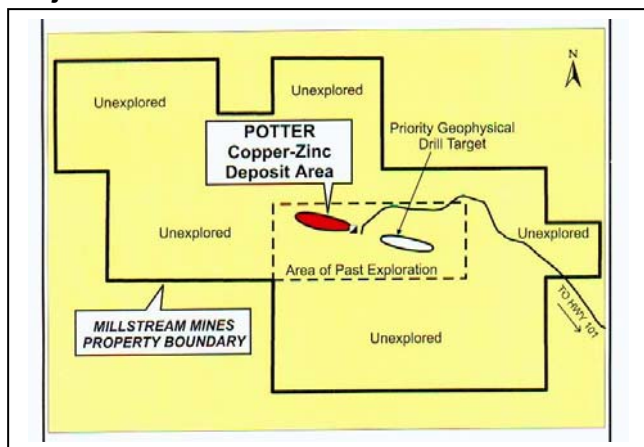
Symbol (Germany)	NJD
WPKN (Germany)	A0CAG0
Symbol (Canada)	MLM
Shares outstanding	59.6 million
Price (25.05.07)	CAN\$ 0.45
Market Capitalization	CAN\$ 27 million
RATING	SPECULATIVE BUY

Millstream Mines Ltd. (TSX: MLM, Frankfurt: NJD) is a junior exploration company with several advanced exploration projects in North America. The company's most advanced project is the **Potter Mine** in the Abitibi greenstone belt in Ontario which is one of Canada's most mineral-rich regions. The mine has already produced copper, silver and gold in the late 60ies of the last century and was closed in 1972. Also several other properties in the area have produced copper, zinc, gold and asbestos. Besides that Millstream has 100% interest in 46 mining claims in Falconbrigde Township. The so-called **Airport** property is also located in a prospective mining region in Sudbury famous for its nickel mines. Currently the company is in the process to perform first exploration drillings for nickel, copper and platinum mineralization at the project. In May 07 the company announced the acquisition of 100% interest in the **Tamarack** Mine property in Montana. This is a former producing high-grade gold operator. The mill has already been refurbished and upgraded to achieve a capacity of 100 t per day. Also the company has secured a 50% ownership in the Uncle Sam Property nearby which should hold significant gold mineralization to feed the mill with enough ore.

Key Investment Highlights

- Potter mine is located in one of the most mineral-rich areas in Canada
- Drillings at Potter show massive sulphide intersection and may confirm a VMS deposit
- Significant further exploration upside on Potter property
- Exploration starts at Airport property
- Advanced gold project in the US
- Focus on properties with past production or nearby existing mines
- Base metals are still in a bull market
- Experienced management team
- Correction in the junior mining sector might be over
- Comparatively low valuation

Projects



At the **Potter** mine a total of 327,007 t of ore were produced between 1967 and 1970. This resulted in 9.8 million pound of copper, 36,883 ounces of silver and 422 ounces of gold before it was closed. However, exploration has not stopped after the close of the mine and before Millstream Mines started its current drilling program several other exploration programs have been performed. Especially the previous underground working is showing massive to disseminated sulphides occurring in a number of ore bodies containing intersections of more than 5% copper.

To establish a resource at the Potter Millstream is aggressively performing a drilling program which should define the ore-bodies for potential future mining operation. In addition deeper holes should check out whether the so far confirmed mineralized zones are interconnected in depth. If this would be the case the project may host a very big ore body. The **Airport** project is located outside the Sudbury

Basin close to the past producer Norduna Mina. The geology is similar to the typical Sudbury structures and may host nickel mineralization. So far two major faults were identified on the property. On the basis of surface sampling and geomagnetic work Millstream will commence with a drilling program shortly and a third party drilling company has already been hired. With the acquisition of the remaining interest in the **Tamarack** gold property in Montana (US) the company is on track to become a small gold producer. The mill at the property is able to process 100 t per day and ore should be delivered from the Tamarack property as well as from the nearby Uncle Sam project, in which the company has secured already a 50% ownership.

Management

Millstream Mines is headed by an experienced team of professionals. Director and President Ernest W. Harrison controls app. 7 million shares of the company and brings in over 40 years of experience in the mining industry worldwide. As a member of the Harrison Group of companies he was in leading positions in different mining businesses. CFO Robert J. Chase brings in more than 10 years of experience in the financial industry including senior positions at Nova Scotia, and Scotia McLeod. Executive Vice President Marty Martinello has more than 30 years of experience in the Natural Resources industry worldwide.

Summary and Recommendation

Millstream Mines Ltd. is a fairly advanced junior exploration company with a core focus on promising projects in North America. The most advanced project is the Potter mine in Ontario, Canada, which hosted an operating mine in the late 60ies of the last century. Millstream is currently performing an aggressive drilling program at the Potter project totalling approximately 11,000 m this year of which only 2,000 m have been drilled currently. So far the company reported several drill holes with impressive intersections, such as S-07-06 including 6.7 m of 2.16% copper, 1.48% zinc, 0.043% cobalt, and 0.49 ounces/t silver or S-07-04 including 26.15 m of 1.96% copper, 1.55% zinc, 0.05% cobalt, and 0.44 ounces/t silver. Most recently the company reported at drill hole S-07-07 a 47 m intersection of massive sulphides which further confirms that the Potter property may contain a potentially rich volcanogenic massive sulphide (VMS) mineral deposit. According to the current drilling information it looks like that the Potter property may contain four different mineralized zones which may be interconnected at depth. Consequently the company will perform further deep drilling to test this hypothesis. If this is true the project may host a major ore body. Otherwise the project has still the potential to become a base metal mine. Besides the expected news-flow from further drilling at the Potter investors may also get surprises from drilling at the Airport property. Especially in the current environment with an exploding interest for nickel properties, drilling results from this property may add further substantial upside to the company. With a current market capitalization of CAN\$ 27 million Millstream Mines is still a relatively low valued advanced base metal exploration company with promising projects in Canada and the US. While the gold project in Montana gives a downside protection to shareholders, the short and mid term upside for the stock results from further drilling results at Potter and Airport. With the addition of further good intersections at Potter, it may become obvious that this previous mine would be re-opened. In case that the drillings confirm the hypothesis of an interconnection of the mineralized zones in depth the project may host a major deposit. If drillings at Airport hit significant nickel intersections valuation may change overnight. The major risks of an investment into shares of Millstream Mines are from our point of view disappointing drilling results, a not yet established NI 43-101 compliant resource calculation, and a general correction in the metal markets. However, we expect that the share price will further accelerate in parallel to drilling results. **We initiate coverage with a SPECULATIVE BUY rating and a price target over the next 6 months of CAN\$ 0.75 per share.** If the company comes up with good drilling results at Airport and at depth at Potter we may re-consider an even higher price target.

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