



GLADSTONE PACIFIC NICKEL LTD

ACN 104 261 887

31 March 2008

INTERIM RESULTS FOR THE SIX MONTHS TO 31st DECEMBER 2007

Gladstone Pacific Nickel Limited (AIM Code: GPN) today released their unaudited interim results for the six months ended 31st December 2007 and confirmed the Company remains on-track to deliver a world-class US\$3.656 billion nickel project in the industrial port of Gladstone, Australia.

Gladstone Pacific Nickel Limited's ("the Company" or "GPNL") Chief Executive Officer John Downie said GPNL was pleased with the progression of the Project and the numerous activities currently underway to bring the refinery into construction.

"The interim results were in-line with the expectation of the Company at this stage of development. The last six months saw substantial progress achieved across a number of ongoing issues and activities." Mr Downie said.

The Company reported interim revenue from Ordinary Activities of A\$1,213,342 (£532,900*) and Expenses of A\$2,819,678 (£1,238,402*). The loss for the period (after Income Tax Expense) was A\$3,563,935 (£1,565,280*) representing a loss of A\$0.095/share (£0.04/share*). Shareholder equity at 31 December 2007 stood at A\$86,417,824 (£37,954,708*).

Exploration and evaluation expenditure for the period of A\$8,684,493 (£3,814,229*) was capitalised to deferred exploration and evaluation costs. Cash on hand as at the end of the period was A\$31,093,645 (£13,656,329*).

Highlights

- Re-focussed strategy to concentrate on the Asia-Pacific region. Delisted from the Toronto Stock Exchange.
- Signed Joint Venture Agreement with Société Minière Georges Montagnat that provides GPNL a 49% interest in Nickel ore tenements in New Caledonia.
- Completed drilling program to substantiate historical results on the Joint Venture tenements and commenced an 8,000 metre drilling program in February 2008.
- The Environmental Impact Statement completed and Supplement is under consideration by Queensland's Coordinator-General.
- GPNL finalised a A\$33 million Land Purchase Agreement with the Queensland Government.
- Feasibility Study results
- A change in board composition to provide additional strength and skill to fast track the Project to construction.
- Appointment of General Manager, China to further GPNL's interest in the country.
- Management projections based on global nickel market trends, indicate that at current nickel prices the project would be extremely profitable.

Toronto Stock Exchange (TSX)

GPNL's shares were listed on the TSX on 31 July 2007 following the completion of a private placement which raised US\$40 million. The TSX was chosen as it was seen as a market favourably disposed to investing in mining development projects such as the Gladstone Nickel Project. The listing was successfully completed; however the on-going interest from the TSX market was disappointing. GPNL re-focussed its strategy to concentrate on the Asia-Pacific region following the change in board composition. The combination of these factors led to a strategic decision to delist from the TSX and the delisting occurred on 22 February 2008.

Mining Joint Venture & Access to Mining Tenements

The Company's strategy of accessing ores in the South West Pacific region was realised in August 2007 following the signing of a Joint Venture Agreement with Société Minière Georges Montagnat (SMGM), a highly regarded New Caledonian mining company. GPNL will have a 49% interest in the Joint Venture which will own four tenements in the south east region of New Caledonia.

A drilling program consisting of 19 drill holes for a total of 708 metres has been completed on the Joint Venture tenements to substantiate historical drilling results (160 holes drilled for 4,147 metres). Based on this information the Company has set an exploration target of 50 million tonnes of nickel laterite containing 500,000-600,000 tonnes of nickel at a nickel grade range of 1.0% to 1.2%. An 8,000 metre drilling program commenced in February 2008 with some 1,250 metres completed by the end of March 2008.

Environmental Impact Statement (EIS)

The Environmental Impact Statement was approved for public release and comment by Queensland's Coordinator-General in April 2007. A number of agencies and private individuals provided submissions during the public process and GPNL has completed further studies and investigations to deal with the issues raised. The Company is currently working through the final stages of the EIS process, with the public review process now completed.

An EIS Supplement which addresses the submissions made by agencies and individuals has been prepared and submitted to the Queensland Coordinator General's office. The final stage of the process is the Coordinator-General's Assessment Report which will take into account the comments raised on the EIS by all interested parties and the responses provided by the Company. This is expected to be completed by the end of May 2008.

Land Acquisition

GPNL finalised an approximate A\$33 million Land Purchase Agreement with the Queensland Government's Minister for Industrial Development. This agreement secures the land required for the Company's proposed Gladstone Nickel Project and is conditional on GPNL meeting several requirements including securing sufficient debt and equity to fund the Project's development.

The land acquired comprises approximately 200 hectares in the Yarwun Precinct for the proposed nickel refinery and associated facilities and 1800 hectares in the Aldoga Precinct to meet residue storage requirements.

Feasibility Study - Final Capital and Operating Cost Estimates

The indicative capital and operating cost estimates were announced following the completion of the Feasibility Study in Q4 2007 and updated in January 2008 when the final study results were announced. They indicated a C1 cash operating cost of US\$2.71 per pound of nickel, net of by-product credits, at full production of 63,000 tonnes of nickel and 6,200 tonnes of cobalt per year. Based on the Brook Hunt 2006 Nickel Industry Cost Study, the Project is very favourably in the 2nd quartile of the expected 2013 C1 cash costs across the industry.

The Capital cost of Stage 1 was revised to US\$3.656 billion (as a result of changes in exchange rates), and comprises a two autoclave plant at Gladstone producing nickel and cobalt metal from Marlborough ores blended together with ore imported from New Caledonia.

The feasibility study confirmed a net present value ("NPV") of US\$4.322 billion for the project using an 8 % discount rate and spot prices and exchange rates current in January 2008.

Board Composition

In December 2007 founding directors Mr R Pearce and Mr P Matheson sold their shares in the Company to Professor Clive Palmer and Transocean Securities. Mr R Pearce and Mr P Matheson, as well as two other directors, Mr A Daley and Mr P Watson subsequently resigned from the Board. Messrs Clive Palmer, Geoff Smith, Domenic Martino and Benjamin Hill were appointed to the Board. The Board believes that Prof. Palmer's success in developing major resource projects with Chinese partners will facilitate the development of the Gladstone Nickel Project.

Prof. Palmer, aged 53, has over 25 years experience in the Australian resource industry, and is Chairman of Mineralogy Pty Ltd. ("Mineralogy"), a successful, private Australian company. Mineralogy holds one of the world's major iron ore deposits in the Pilbara region of Western Australia.

Domenic Martino, aged 51, is the Chairman of Australasian Resources Limited ("ARH"), an ASX-listed company. Under Mr Martino's chairmanship the market capitalisation of ARH has increased from approximately A\$30 million to over A\$200 million today. He is active in the Australian resource industry and is, or has been, a Director of a number of Australian public companies and is a former Chief Executive Officer of Deloitte Touche Tohmatsu Australia.

Benjamin Hill, aged 32, is a qualified lawyer having graduated in Law with Honours in 1997. He has been employed by RAB Capital Plc since its IPO in 2004. Mr Hill has worked predominantly on the RAB Special Situations (Master) Fund Limited, an absolute return fund that has approximately US\$2.2 billion under management. The RAB Special Situations (Master) Fund Limited is GPNL's largest shareholder, currently holding approximately 38% of the Company.

Geoffrey Stephan Smith, aged 52, has 28 years experience as a lawyer and a senior partner in the prominent Queensland legal firm, Bell Legal Group. Mr Smith has extensive experience in commercial litigation, intellectual property and corporate work throughout his long career. Mr Smith retired as a principal of his legal practice to take up his appointment as Managing Director Legal in Mineralogy Pty Ltd.

General Manager Appointment in China

Further underlining the Company's commitment to the Asia Pacific region, Mr Wang (Gordon) Gongping, has been appointed as General Manager for Beijing. He has a strong economic and business background and holds qualifications from the Beijing Foreign Trade Economic Management Institute.

Mr Gongping has considerable experience in the Non Ferrous metals industry having previously been Deputy Director of China National Nonferrous Metal Import & Export Group (CNIEC), a subsidiary of China National Metals Industry Holding Corporation (CNNC). He commenced his role with on 1 January 2008 and is responsible for ensuring GPNL's activities in China are coordinated so that management initiatives are implemented in a timely and effective manner.

Nickel Markets

Cash nickel prices reached unprecedented levels in early 2007 but weakened somewhat in the second half of the year. Nickel supplies appeared to be increasing and demand easing, partly as a result of substitution of nickel in the production of some stainless steel products later in 2007. London Metal Exchange (LME) stocks further reflect the easing in the nickel market with higher stock levels currently around 49,000 tonnes.

Significant production growth from new developments worldwide remains limited in the short term. It is the Directors belief that should the Goro, Ravensthorpe and Ambatovy projects come on-stream over the next 3 years, together with production of nickeliferous pig-iron, a proportion of the current built-up demand will be absorbed with latent demand for production capacity satisfied by the GPNL Project over the medium to long term.

It is reported that nickeliferous pig-iron has a production cost of US\$11-12/lb, consequently this source of nickel would not be sustainable at lower nickel prices reducing the supply of nickel in the market.

The Gladstone Nickel Project is profitable even at prices below those required by the nickeliferous pig-iron producers. With forecast global demand for nickel remaining strong especially in China and now India, powered by the demand for stainless steel 'quality of life' products, the Gladstone Nickel Project is well placed to make a substantial contribution to the World's nickel supply well into the future.

John Downie
Chief Executive Officer
Gladstone Pacific Nickel Limited

*Exchange rate used A\$1:£0.4392

The interim results for the six months ended 31 December 2007 will be posted to shareholders and are available on the Company's website www.gladstonepacific.com.au

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Condensed Income Statement for the 6 months ended 31st December 2007

	Notes	Consolidated	
		Dec-07 (\$A)	Dec-06 (\$A)
Interest Income		1,213,342	454,064
Profit on Sale of Investment		-	-
REVENUES FROM ORDINARY ACTIVITIES		1,213,342	454,064
Foreign Exchange Loss		465,422	2,500
Offshore Evaluation Costs		211,301	223,077
Directors' Fees/ Remuneration		433,000	220,000
Professional Fees		320,036	125,054
Travel and Accommodation		191,647	112,433
Wages and Oncosts		445,376	163,491
Office Rental		174,071	54,771
Public relations and Ongoing list fees		123,676	101,052
IT and Communication		84,805	31,029
Marketing		62,689	
Depreciation		48,059	26,952
Other		259,595	157,168
EXPENSES FROM ORDINARY ACTIVITIES		2,819,678	1,217,526
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		(1,606,336)	(763,462)
INCOME TAX (EXPENSE) / BENEFIT		(1,957,599)	179,402
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(3,563,935)	(584,060)
EARNINGS PER SHARE (CENTS PER SHARE)	3		
Basic earnings (loss) per share (cents per share)		(9.55)	(1.94)
Diluted earnings (loss) per share (cents per share)		(8.58)	(1.94)

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Condensed Balance Sheet for the 6 months ended 31st December 2007

Notes	Consolidated		
	Dec-07 (\$A)	Jun -07 (\$A)	Dec-06 (\$A)
CURRENT ASSETS			
Cash assets	31,093,645	37,563,730	11,702,658
Receivables	6,919,266	706,580	293,250
Other current assets	39,599	33,363	23,631
Other financial assets	-	-	-
TOTAL CURRENT ASSETS	38,052,510	38,303,673	12,019,539
NON CURRENT ASSETS			
Property, Plant and Equipment	733,747	592,810	172,268
Deferred evaluation and exploration costs	44,246,532	35,562,039	28,870,682
Construction in Process	3,789,557	-	-
Borrowing Costs	3,789,557	-	-
Receivables	2,637,175	575,415	263,404
Deferred tax assets	9,260,557	-	5,977,043
TOTAL NON CURRENT ASSETS	64,457,125	36,730,264	35,283,397
TOTAL ASSETS	102,509,635	75,033,937	47,302,936
CURRENT LIABILITIES			
Trade and other payables	2,583,728	2,728,963	812,983
Provisions	84,206	98,345	66,628
TOTAL CURRENT LIABILITIES	2,667,934	2,827,308	879,611
NON CURRENT LIABILITIES			
Trade and other payables	860,333	770,979	801,409
Deferred tax liabilities	12,375,895	1,233,720	8,178,396
Provisions	187,649	176,549	176,549
TOTAL NON CURRENT LIABILITIES	13,423,877	2,181,48	9,156,354
TOTAL LIABILITIES	16,091,811	5,008,556	10,035,965
NET ASSETS / LIABILITIES	86,417,824	70,025,381	37,266,971
EQUITY			
Contributed equity	83,320,272	70,943,008	37,942,416
Reserves	9,483,116	1,904,003	247,465
Retained earnings / (Accumulated losses)	(6,385,564)	(2,281,630)	(922,910)
TOTAL EQUITY	86,417,824	70,025,381	37,266,971

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Condensed Cash Flow Statement for the 6 months ended 31st December 2007

	Notes	Dec-07 (\$A)	Consolidated Dec-06 (\$A)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,603,639)	(980,147)
Payments for exploration and evaluation		(14,780,292)	(7,104,908)
Interest received		1,191,000	461,472
NET CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES	4	(18,192,931)	(7,622,863)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(188,997)	(57,316)
NET CASH FLOWS USED FROM INVESTING ACTIVITIES		(188,997)	(57,316)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Issue of Converting Shares		42,000	
Proceeds from Issue of Ordinary Shares and warrants		11,368,588	
Proceeds from conversion of Director Options		1,144,000	
Cost of raising Funds		(177,323)	
NET CASH FLOWS FROM (USED) FINANCING ACTIVITIES		12,377,265	-
Net increase / (decrease) in cash held		(6,004,663)	(7,680,179)
Net Foreign Exchange Differences		(465,422)	
Opening cash brought forward		37,563,730	19,382,837
CLOSING CASH CARRIED FORWARD		31,093,645	11,702,658

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Condensed Statement of Changes in Equity for the 6 months ended 31st December 2007

Consolidated	Notes	Issued Capital	Special Warrants	Retained Earnings	Other Reserves	Total
As at 30/06/06		37,942,416	-	(338,850)	217,991	37,821,557
Share based payment		-	-	-	29,474	29,474
Profit / (Loss) for 6 months to 31/12/06		-	-	(584,060)	-	(584,060)
As at 31/12/06		37,942,416	-	(922,910)	247,465	37,266,971

Consolidated		Issued Capital	Special Warrants	Retained Earnings	Other Reserves	Total
As at 30/06/07		58,757,554	12,185,454	(2,281,630)	1,904,003	70,025,381
Ordinary Shares Issued during period		24,444,722	(12,185,454)	-	-	12,259,269
Converting Shares Issued during period		42,000	-	-	-	42,000
Tax effect of Share Issue Costs		75,996	-	-	-	75,997
Profit / (Loss) for 6 months to 31/12/07		-	-	(3,563,935)	-	(3,563,935)
Share Based Payment		-	-	-	7,579,114	7,579,114
As at 31/12/07		83,320,272	-	(6,385,565)	9,483,117	86,417,824

Notes to the Financial Statements for the 6 months ended 31st December 2007

1. CORPORATE INFORMATION

The financial report of Gladstone Pacific Nickel Limited for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 31 March 2008.

Gladstone Pacific Nickel Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Ordinary Shares of Gladstone Pacific Nickel Ltd were listed and posted for trading on the Toronto Stock Exchange ("TSX") on 31st July 2007. The Company's shares were traded on the TSX and AIM under the symbol "GPN" as at 31 December 2007. The Company de-listed from the TSX on 22nd February 2008.

The registered office of the Group is Level 7, 380 Queen Street, Brisbane, Queensland, Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half year report

The half year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and activities of the consolidated group as the full financial report. This report is to be read in conjunction with the Gladstone Pacific Nickel Ltd Annual Report for the Year ended 30th June 2007. The financial statements for the period to 31st December 2007 are unaudited.

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain assets and liabilities.

The financial statements are presented in Australian dollars.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

The accounts have been prepared using the going concern assumption. This assumes that the Group will be able to settle all debts as and when they fall due in the ordinary course of business. Management and the directors monitor the forecast cash flows to ensure that sufficient funds exist to cover overheads, retain title to mineral properties and to progress the Integrated Definitive Feasibility Study.

There have not been any changes in accounting policies since June 2007.

(b) Statement of Compliance

The half year financial report complies with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

The following Australian Accounting Standards, applicable to the group, have recently been issued or amended but are not yet effective and have not been adopted for the reporting period ended 31 December 2007.

Reference	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2007-1	Amending standard issued as a consequence of AASB Interpretation 11 AASB 2 – <i>Group and Treasury Share Transactions</i> .	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB 2007-3	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 <i>Segment Reporting</i> .	1 July 2009

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Reference	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2007-6	Amending standard issued as a consequence of revisions to AASB 123 <i>Borrowing Costs</i> .	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 January 2009
AASB 2007-7	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB 2007-8	Amending standard issued as a consequence of revisions to AASB 101 <i>Presentation of Financial Statements</i>	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 July 2009
AASB 8	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 101 (revised)	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Refer to AASB 2007-8 above.	1 July 2009
AASB 123 (revised)	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 4 (revised)	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008
AASB Interpretation 11	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled	1 March 2007	Refer to AASB 2007-1 above.	1 July 2008

	transactions under AASB 2. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.			
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¹ Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to the Group and therefore have no impact:

AASB	Affected Standard(s)
2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12- Service Concession Arrangements. [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]
AASB Interpretation 13	Customer Loyalty Programmes
AASB Interpretation 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
AASB Interpretation 129	Service Concession Arrangements: Disclosures (refer 2007-2 above)
AASB Interpretation 1003	Australian Petroleum Resource Rent Tax

(c) *Significant Accounting Judgements Estimates and Assumptions*

The carrying amounts of certain assets and liabilities are often determined based on judgements estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Significant Accounting Judgements

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for restoration. The Group estimates its mineral resources and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC code')*. The information on mineral and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code. In compliance with the Ontario Securities Commission requirements, the group has filed a technical report (43-101) which describes and confirms the groups mineral resources determined in accordance with the JORC Code.

Significant Accounting Estimates and Assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for Senior Manager Options is determined using a Binomial model and for converting shares by reference to the fair value of awards issued.

Rehabilitation and Restoration Provision

The Group reviews rehabilitation requirements for its exploration and tenements on an annual basis by undertaking an in house analysis of the costs to rehabilitate its sites.

Impairment

Carrying values of property plant, equipment and deferred exploration and evaluation expenditure are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired

Taxation

The Group's accounting policy for taxation requires managements judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets including those arising from unrecouped tax losses, capital losses and temporary differences are recognised only where it is considered more likely than not that they will be recovered which is dependent on the generation of future taxable profits. Assumptions about the generation of future taxable profits depend on managements estimates of future cash flows. These depend on future production and sales volume, operating costs, restoration costs capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a

possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment resulting in a corresponding credit or charge to the income statement.

Estimate of Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition the condition of the assets is assessed at least once per year and considered against the remaining useful life.

Recovery of Deferred Tax Asset

Deferred Tax Assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:
Revenue is recognised when the Group's right to receive payment is established.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) *Basis of consolidation*

The financial statements of the Gladstone Pacific Nickel Limited Group, comprises Gladstone Pacific Nickel Limited (the parent company) and all entities that Gladstone Pacific Nickel Limited controlled from time to time during the year and at reporting date, being Marlborough Nickel Pty Ltd, Gladstone Nickel Pipeline Pty Ltd, Gladstone Nickel Project Pty Ltd, Gladstone Nouvelle Caledonie Pty Ltd, Gladstone Solomon Islands Pty Ltd.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(f) *Recoverable amounts*

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amounts, the expected cash flows have been discounted to their present value using a market determined risk adjusted discount rate specific to the asset.

(g) *Cash and Cash Equivalents*

Cash and short term deposits in the Balance Sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) *Trade and Other Receivables,*

Receivables, which generally have a 30-60 day term are recognised at fair value. Collectability of receivables is reviewed on an ongoing basis at an operating unit level. Debts which are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

(i) *Evaluation, Exploration Costs*

Costs carried forward

Evaluation and exploration expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditure comprises net direct costs and appropriate portion of related overhead expenditure. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not at balance date, reached a stage to allow reasonable assessment of the existence of economically recoverable reserves.

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Accumulated costs in relation to an area of interest abandoned are written off in full in the financial period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment of Assets

The Group determines whether Deferred Exploration and Evaluation Costs are impaired at least on an annual basis. If an impairment trigger is identified this requires an estimation of the recoverable amount of the cash generating units to which these asset groups belong.

Amortisation

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area on a production output basis.

Restoration Costs

Provisions are raised for rehabilitation and restoration as soon as the disturbance is made, with the cost included as part of the related assets, in respect of any estimated costs of dismantling and removing the assets and restoring the site on which they are located. Rehabilitation provision is estimated at current cost. These expenditures include cost of labour, materials and equipment required to rehabilitate disturbed areas.

(j) *Income Tax*

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of the asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The tax effects of items attributable to equity are recognised in equity.

(k) *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the net GST component of cash flows arising from all activities, which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST that may become recoverable from, or payable to, the taxation authority.

(l) *Trade and other payables*

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) *Interest-bearing liabilities*

All interest bearing liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised.

(n) *Employee leave benefits*

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in payables in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave

All on-costs, including payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions. Annual leave and the current portion of long service leave and workers' compensation provisions are measured at their nominal amount, based on remuneration rates which are expected to be paid when the liability is settled.

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided to employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(o) *Foreign Currencies*

Functional and Presentation currencies

Both the functional and presentation currency of Gladstone Pacific Nickel and its Australian and foreign subsidiaries are Australian Dollars (\$). Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Translation of foreign currency transactions

Transactions in foreign currencies of entities with the Gladstone Pacific Nickel Limited Group are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the Gladstone Pacific Nickel Limited Group that are outstanding at the reporting date and are denominated in foreign currencies are translated at the spot rate at the balance sheet date.

All resulting exchange differences arising on settlement or restatement are brought to account in determining the net profit or loss for the financial year.

(p) *Contributed equity*

Ordinary shares are classified as equity.

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received, net of tax.

Converting Shares.

Converting shares do not carry rights to participate in the profits or assets of the Company (whether surplus or otherwise) except in a winding up where there is a right to payment of an amount equal to face value being \$A41,999.

(q) *Investments and other Financial Assets*

Available for Sale Investments

Available for Sale Investments are those non-derivative financial assets that are designated as available for sale. After initial recognition Available for Sale Investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(r) *Land, Property, Plant and Equipment*

Cost – Land, Improvements and Equipment is measured at cost.

Depreciation:

Depreciation is calculated on a straight line basis over the estimated useful life of the specific assets as follows :

Construction in Progress- Not depreciated

Land – Not depreciated

Improvements – over 20 years

Site vehicles -over 5 years (2006: over 5 years.)

Communications and IT equipment –3-5 years (2006: over 3-5 years).

(s) *Earnings per share (EPS)*

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) *Comparatives*

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(u) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as a borrowing cost.

(v) *Share-based payment transactions*

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions').

There are currently five arrangements in place to provide benefits:

- (i) Director Options
- (ii) General Options
- (iii) Senior Manager Option Plan
- (iv) Broker Options
- (v) Converting Shares

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the grant date fair value of the award (ii) the extent to which the vesting period has expired and (iii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The charge to the income statement, Deferred Expenditure, Borrowing Costs and Construction in progress accounts for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity settled awards granted by Gladstone Pacific Nickel Ltd to employees of subsidiaries are recognised in the parent's financial statements as an additional investment in the subsidiary with a corresponding credit entry to equity. As result the expense recognised by Gladstone Pacific Nickel Ltd in relation to equity settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the group is the total expense associated with all such awards.

If the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity settled award is cancelled it is treated as if it had vested at the date of cancellation and any expense not yet recognised for the award is recorded immediately. However if a new award is substituted for the cancelled award and designated as a replacement award on the date it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(w) *Impairment*

The Group determines whether Deferred Exploration and Evaluation Costs are impaired at least on an annual basis. If an impairment trigger is identified, an estimation of the recoverable amount of the cash generating units to which the asset belongs is required.

(x) *Financial Risk Management Objectives and Policies*

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to manage the finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk and foreign currency risk.

During evaluation activities, the Group has had some transactional currency exposures, principally to the US Dollar, New Caledonian XPF and the Solomon Islands \$. Such exposure arises from capital raisings and purchases in currencies other than the Group's functional currency. The Group has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure. The Group manages its exposure to key financial risks, to support the delivery of the Group's financial targets whilst protecting future financial security. As a result of capital raising, the Group's balance sheet can be affected by movements in the US\$/A\$ exchange rate. The Group seeks to mitigate the effect of its foreign currency exposure by only maintaining foreign currency amounts required for ongoing commitments.

(y) *Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(z) *Segment reporting*

The Group operates only in the mineral evaluation business within Australia and south-west Pacific region. The Group's primary reporting segment is by geographical segment. The Group's only reportable geographical segment is Australia. The Group has other operations in New Caledonia and the Solomon Islands. The activities of the group in the south-west Pacific are not of a size and nature to currently meet the reporting standards as required under AASB 114 – Segment Reporting.

(aa) *Borrowing Costs*

Borrowing Costs are recognised as an expense when incurred. Borrowing costs associated with qualifying assets are capitalised

GLADSTONE PACIFIC NICKEL LTD

3. EARNINGS PER SHARE

	Consolidated	
	Dec-07 (\$A)	Dec-06 (\$A)
Net profit (loss)	(3,563,935)	(584,060)
Earnings used in calculation of diluted earnings per share	(3,563,935)	(584,060)
Weighted Average number of ordinary shares on issue used in the calculation of basic earnings per share	37,281,551	30,042,293
Weighted Average number of ordinary shares on issue used in the calculation of diluted earnings per share	41,536,977	30,042,293
Basic earnings per share (cents per share)	(9.55)	(1.94)
Diluted earnings per share (cents per share)	(8.58)	(1.94)

	Consolidated	
	Dec-07 (\$A)	Dec-06 (\$A)
4. RECONCILIATION OF OPERATING PROFIT / (LOSS) AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS		
Operating profit/(loss) after tax	(3,563,935)	(584,060)
<i>Adjusted for</i>		
Provision for employee entitlements	(14,139)	3,000
Depreciation	48,059	26,952
Loss on Foreign Exchange	465,422	-
Movement in reserves	7,579,114	29,474
<i>Changes in Assets and Liabilities</i>		
(Increase)/decrease in receivables	(262,122)	98,911
(Increase)/decrease in other current assets	(6,236)	(4,753)
(Increase)/decrease in deferred evaluation costs	(14,635,057)	(6,331,620)
(Increase)/decrease in deferred tax asset	-	(179,402)
(Increase)/decrease in non-current receivables	(9,640,874)	93,518
Increase/(decrease) in payables	(145,235)	(773,288)
Increase/(decrease) in non-current payables	89,354	(31,007)
Increase/(decrease) in non-current provisions	11,100	29,412
Increase/(decrease) in deferred tax liability	1,181,618	
Net cash flow used from operating activities	(18,192,931)	(7,622,863)
<i>Reconciliation of cash</i>		
Cash balance comprises		
Cash at bank and on short term deposit	31,093,645	11,702,658
Closing Cash Balance	31,093,645	11,702,658

5. COMMITMENTS AND CONTINGENCIES

Expenditure Commitments

In August 2007 the Group entered into an agreement with Société Minière Georges Montagnat SARL and its shareholders for the establishment of a Joint Venture in the South east region of New Caledonia. The agreement is conditional on various shareholder and government approvals and the group demonstrating sufficient funding for Stage 1 of the Gladstone based High Pressure Acid Leach Project. Satisfying these conditions will result in the Group owning 49% of a joint venture that will own and mine a number of nickel laterite rich tenements in the area. As part of the agreement, \$US5 million has been placed in an escrow account, which forms part of the purchase price for the 49% interest in the JV. The remainder of the purchase price is 12 million ordinary shares in the Company, adjusted for the GPNL share price at the date of issue. The ore to be mined from the areas owned by the joint venture will be supplied exclusively to the Group for processing at the Group's Gladstone based High Pressure Acid Leach Plant.

In September 2007, the Group entered into a conditional land purchase agreement with the Minister for Industrial Development of Queensland for the Nickel Process Refinery site at Yarwun and the Residue Storage Facility site at Aldoga in the GSDA. Settlement of the contract is contingent upon GPNL raising sufficient equity capital and debt funding to enable the Project to proceed.

Transocean Group Pty Ltd (Transocean) a related party of Director Mr James Henderson, is entitled to a success fee of \$1 million payable by the issue of shares in the Company at an issue price of £1.20, following the signing of the MOU with the China Metallurgical Construction (Group) Corporation ("MCC") and a success fee of \$2 million payable by the issue of shares at and issue price of £1.20, following the signing of financing and construction agreement.

On 7th December 2007, GPNL subsidiary Marlborough Nickel Pty Ltd ("MNPL") issued a total of 21,000,000 converting shares in MNPL to Egidia Pty Ltd and 20,999,999 converting shares in MNPL to Dasines Pty Ltd (entities associated with Chairman Professor Clive Palmer). Upon completion of four milestones the shares are to convert to ordinary shares in MNPL. The issue of the

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convertible shares is in the nature of an equity settled share based payment. The cost is recognised using straight line method over the vesting period.

The milestones are

- Execution of Memorandum of Understanding (Finance) between GPNL and a Chinese owned government party.
- Execution of Memorandum of Understanding (Construction) between GPNL and a Chinese owned government party.
- Execution of a Construction Loan Facility.
- Execution of a Turn Key Construction Contract between GPNL and a Chinese owned government party.

As at 31st December 2007 expenditure commitments, not recognised as liabilities, are as follows:

Expenditure Commitments	Consolidated	
	Dec-07 (\$A)	Dec-06 (\$A)
Within 1 year:		
SMT option payments	1,425,000	-
Egidia Pty Ltd and Dasines Pty Ltd – Share based Payment	66,607,504	-
Transocean Group (1,142,250 shares @ GBP 1.20)	3,000,000	-
	69,050,504	-
After 1 year but not more than 5 years		
SMT -Option payments, drilling test work, ore analysis, mining and port engineering development	12,575,000	14,000,000
SMGM (12,000,000 shares est @ US\$5.4166 @ \$US.90: A\$1.00)	72,222,222	-
Minister for Industrial Development of Queensland – Yarwun Land Purchase Contract settlement	31,538,058	-
Dasines Pty Ltd – Share based Payment	35,320,196	-
	151,637,475	-
After 5 years	-	-

6. EVENTS AFTER BALANCE DATE

7.

In January 2008 the Group executed an MOU for the development of its \$3.65 billion Gladstone Nickel Project (the "Project") with one of China's largest conglomerates. The MOU with MCC was signed by the Company's Chairman Professor Clive Palmer and MCC President Mr. Shen Heting. Under the agreement MCC will provide a commercial offer for construction and financing of the Project, with the potential to establish an off-take agreement. GPNL will be responsible for operations of the Project. As provided for in the Share Subscription Agreement announced on 11 December 2007, a related party of Chairman Professor Palmer, Egidia Pty Ltd, will earn a 33% interest in the ordinary shares of GPNL subsidiary Marlborough Nickel Pty Ltd as a result of the execution of this MOU, though this will be diluted to 25% on the securing of financing arrangements for the Project. Transocean Group Pty Ltd (Transocean), a related party of Director Mr Henderson, is entitled to a success fee of \$1 million payable by the issue of shares in the Company at an issue price of £1.20 following the signing of the MOU and a success fee of \$2 million payable by the issue of shares at and issue price of £1.20, following the signing of financing and construction agreement. Pursuant to the above agreements, on the 11th February, 2008 Marlborough Nickel Pty Ltd issued 21,000,000 ordinary shares to Egidia Pty Ltd and on the 8th February, 2008 Gladstone Pacific Nickel Ltd issued a total of 380,750 shares to Transocean Group Ltd and its nominees.

The Group has de-listed its ordinary shares from the Toronto Stock Exchange (the "TSX") effective at the close of trading on 22 February 2008. The Company's shares continue to be listed on the AIM Market of the London Stock Exchange. Shareholders holding shares listed on the TSX at the effective de-listing date will be able to trade their shares on AIM. The decision to de-list the Company's shares from the TSX was based on several factors including the Company's limited market following in Canada, the costs and management resources involved in maintaining the TSX listing and the recent shift to Asian sources of financing with the signing of the MOU with MCC.