

news release

For immediate release: 31 August 2005

Gladstone Pacific Nickel Ltd

DRILLING REPORT

Gladstone Pacific Nickel Ltd ("Gladstone" or "the Company"), the AIM-listed company developing a fourth generation high-pressure acid leach ("HPAL") plant and cobalt and nickel laterite mine in Queensland, Australia, is pleased to announce some recent drilling results from tests being undertaken during this phase of the Project.

Drilling at Marlborough Mining Leases

The drilling programme is successfully underway with 2 exploration rigs operating, improving and expanding the known nickel cobalt resource. To date over 9,000 metres of a planned 30,000 metre infill and step-out drilling programme have been completed.

Best Drill Intersections To Date

Drill Hole	From (m)	To (m)	Metres	% Ni	% Co
SLP018	0 (surface)	10	10	0.77	0.04
SLP054	8	31 Including	23 11	0.89 1.05	0.03 0.03
SLP062	0 (surface)	25 Including	25 18	1.00 1.14	0.02 0.03
SLP069	40	53	13	0.95	0.13
SLP071	2	18	11	0.81	0.07
SLP076	5	15	10	0.87	0.06
SLP095	17 47	26 60	9 13	0.73 0.87	0.08 0.02
SLP096	19	28	9	0.95	0.11
SLP097	21	36 Including	15 13	1.19 1.28	0.15 0.15
SLP098	37	44 Including	7 4	1.09 1.49	0.08 0.09
SLP110	6 25	19 32	13 7	1.11 0.86	0.05 0.03
SLP122	23	40	17	1.10	0.07
SLP129	8	14	6	0.96	0.06
SLP247	18	30 Including	12 5	0.86 1.07	0.10 0.17
SLP253	8	23 Including	15 7	0.89 1.02	0.07 0.13

- These results are consistent with the orebody's previous owner's results and are expected to allow conversion of Inferred Resources into Indicated Resources in this area. Furthermore, the grades, thicknesses and depths of the mineralisation indicate excellent prospects for extension of the open pit mining areas and a positive impact on ore reserves.
- All the drill holes in the above table are infilling part of the Inferred Resource at Slopeaway, one of the orebodies owned by the Company. Assay results for the first 50 holes have been received thus far. Only those 15 holes showing substantially thick intersections (6 metres or more) are listed here.
- 21 of the other 35 holes also intersected ore grades (above 0.7% Ni), but were of less significance.

Executive Chairman Robert Pearce commented:

"The Company is making progress in all areas of its business. In particular, these drilling results give the Board confidence that the results of previous drilling campaigns of the resource are reliable. The drilling campaign is moving ahead steadily, metallurgical testwork is underway and we expect to report further progress with our preliminary results in September."

Metallurgical Testwork

70 x (600kg ea) bulka bags of 900mm diameter Caldwell Bucket Rig ore samples have been despatched to SGS Lakefield Orestest (SGSLO) in Perth, Western Australia. These ore samples, representing the suite of ores to be mined in the first 5 years from Marlborough, will undergo ore variability beneficiation and pressure leaching testwork in a metallurgical programme (expected to be completed early in the 1st quarter 2006). This will provide the final process design criteria for the Stage 1 Definitive Feasibility Study, which is due to commence within the next 4 – 6 weeks.

Ends:

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BACKGROUND NOTES:

AIM Listing

The Company's issued share capital began trading on AIM on 17 March 2005 after successfully completing a placing to raise £11 million. AIM Ticker Code: GPN

The Definitive Feasibility Study

The Definitive Feasibility Study ("DFS") will cover the design and engineering for the development of the High Pressure Acid Leach (HPAL) plant at Gladstone for Stage One of the project, together with some further work on delineating and beneficiating the nickel deposits at Marlborough. Stages two and three, a preliminary feasibility study for which will be included in the DFS, envisage the importation of nickel ore from the Pacific Rim countries, which contain much of the world's known nickel laterite deposits.

The Marlborough Deposits

The previous owner of the Deposits, Preston Resources Limited, spent some A\$30 million on the Marlborough Deposits, including a bankable feasibility study. The Marlborough Deposits are estimated to contain within only four of the ten principal orebodies owned, 96.1Mt of ore at 0.79% Ni and 0.05% Co, including a Measured and Indicated resource of 74.6Mt at 0.81% Ni and 0.06% Co. The Proved and Probable open pit reserves within the Marlborough area are estimated at 72.4Mt averaging 0.82% Ni and 0.06% Co. Note that, apart from the drilling completed by BHP and Inco in the 1970's, no significant work has yet commenced on the remaining 6 orebodies. The Company is planning to beneficiate the ore on site before transporting via slurry pipeline to Gladstone.