

news release

18 September 2006

GPNL SIGNS HEADS OF AGREEMENT TO SECURE SOURCES OF NICKEL ORE

Gladstone Pacific Nickel Limited (ACN 104 261 887) ("GPNL" or the "Company") is pleased to report the signing of a binding Heads of Agreement that secures substantial long-term limonite nickel ore supply from New Caledonia. GPNL has entered into the Heads of Agreement with Société des Mines de la Tontouta ("SMT"), a company that owns nickel ore mines and numerous nickel ore tenements on the east coast of New Caledonia.

Initially GPNL will have the obligation to purchase 600,000 to 800,000 wet metric tonnes of limonite nickel ore per annum at an average grade of 1.45% nickel and 0.16% cobalt from SMT's existing mines. Concurrently Gladstone will participate in the development of a new mine to provide for a substantial increase in ore supply that will be required for the proposed high-pressure acid leach ("HPAL") plant at Gladstone.

Within the option period to 31 December 2010, GPNL will be required to demonstrate that the construction of the proposed plant at Gladstone has commenced and is fully financed.

SMT will hold 51% of the equity in the capital of a new company to be set up to operate the mine with GPNL providing all development costs and start-up costs by way of shareholder loans. GPNL will be required, at its own option, to pay a minimum of approximately US\$11 million in developing the mine over the option period. A shareholders' agreement will cover, inter alia, pricing, management, long term ownership, rights and obligations between the parties to the agreement. Further details will be announced when the contract is finalised.

GPNL has had access to the preliminary drilling results in the area of the new mine already completed by SMT. Whilst not enough drilling has been completed to report to JORC standards, the Directors believe that there are sufficient results to indicate substantial limonite ore tonnages of acceptable nickel and cobalt grade to supply GPNL's proposed plant for many years. GPNL will immediately commence an appropriate drilling program to establish JORC standard reserve/resources and develop a mining plan.

The various approvals from the authorities and discussions with the local communities required for the development of the mine, the port handling operation and export of limonite nickel ore will be sought during the option period.

The Heads of Agreement outlined above for off-shore ore supply coupled with the recently announced plans of the Queensland Government and the Central Queensland Port Authority ("CQPA") to proceed with the development of the new Wiggins Island export/import terminal in Gladstone, provides GPNL with the opportunity to accelerate its plans to process a blend of New Caledonian high grade ore and Marlborough ore from "day one" of its production plan.

The combination of this decision with the outcome of the Company's metallurgical test program results shows that, subject to the results of the DFS below, an increased production rate of up to 60,000 tonnes per annum (tpa) nickel metal and 4,800 tpa cobalt should be achievable by the completion of the ramp up period after commissioning starts in 2010.

Robert Pearce, Chairman of GPNL commented:

"These developments together with the other announcements made with the release on the Preliminary Financials illustrate the solid progress the Company is making. This particular agreement with SMT ensures the long term substantial supply of high grade ore to complement the lower grade ore available at Marlborough and we are in further negotiations with other suppliers."

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About Gladstone Pacific Nickel:

Gladstone Pacific Nickel Limited (GPNL) is an Australian mining development company presently undertaking a Definitive Feasibility Study (DFS) for the Gladstone Nickel Project (GNP). The company's vision is to build a major long-life nickel cobalt refinery at the deepwater port at Gladstone, in Central Queensland, Australia, treating abundant high grade nickel laterite ores from around the south west Pacific region, underpinned by beneficiated ores from its own Marlborough deposits. The refinery will have the capacity to ultimately produce some 8 -10% of global nickel demand.

GPNL was listed on the Alternative Investment Market (AIM) (Trading Code: GPN) of the London Stock Exchange on 17 March 2005 after raising £11million.

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