

**GLADSTONE PACIFIC NICKEL LIMITED**  
(ACN 104 261 887)

**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2007**

CHAIRMAN'S STATEMENT and CHIEF EXECUTIVE OFFICER'S REVIEW

The past year was a significant one for the Gladstone Pacific Nickel Ltd ("GPNL") Project. A number of critical milestones have been completed and agreements concluded to secure substantial additional offshore ore supplies. As such the project, is now poised for the next implementation phase. The achievement of these goals is the result of a dedicated team of personnel and consultants lead by the new CEO, John Downie, who has achieved an enormous amount since he started early this year.

During the year the nickel market price continued to rise to unprecedented highs (+US\$24/lb). Major socio-economic development taking place in the significant economies of China and India, as well as the increasing investment in infrastructure in countries such as Russia, Eastern Europe, South Africa, Brazil and Indonesia will help to provide a platform for the growth in demand for metals. Supply shortages in the nickel business and forecasts of continued increases in price and demand for the metal in both traditional and new uses are driving the industry pipeline for major capital expansion.

Our strategy is unique, creating value from our own Marlborough ore deposits as well as ore from second tier deposits in the various Islands in the Pacific. These ore bodies would otherwise be too small to justify a standalone processing plant in their own right, for the benefit of the owners, communities, governments and international nickel markets. With our refinery located in the Queensland Government's designated regional industrial zone at the Gladstone deep water port, the Project will be able to import ores, process them into high-grade metal product and dispose of process residues in an environmentally-safe storage facility. This approach offers those Pacific Island nations a long-term, low impact environmental solution and significant incremental social benefits. Additionally, pre-approved Australian environmental permits will provide GPNL shareholders with a shortened delivery time to nickel metal revenue and a repeatable model for growth.

Significant progress was also made this past year in the areas of handling and processing of ore. This is in preparation for the implementation phase of the GPN project. Our thanks go to Gavin Becker, Project Manager, and his energetic team in achieving the goals set in the timeframes allowed.

Your company has continued to act responsibly in relation to environmental, community and societal obligations.

- The Environmental Impact Statements (EIS) has completed the public display and review stages in relation to Stages 1 and 2 of the processing and refinery development and Supplementary EIS work is underway to reinforce and clarify aspects of our plans and ensure GPNL's responsible interaction with the Gladstone community;
- Relationships have been built, respected and managed with the traditional land owners of the site of the Marlborough resource. An Indigenous Land Use Agreement has been signed and registered by the National Native Title Tribunal;
- Gladstone Nouvelle Calédonie (GNC) has developed and communicated to the community our social commitments, focussing on opportunities relating to legacy and long term relationships
- A Village Awareness Management Program was undertaken and successfully completed in regard to our Solomon Island activities.

The plant's location at Gladstone provides unique opportunities for synergies with other adjacent major industrial facilities, including co-disposal of acidic residues with alkaline red mud produced in the vicinity and as such is a springboard for growth. Further expansion of Rio's Gladstone Alumina refinery is well underway and other industry developments such as the massive Santos coal seam gas conversion plant are proposed for the area. The size and scale of Stage 1 of the GPNL Project is consistent with the technical and economic scale currently in favour within the industry.

The estimated capital cost of the Project, whilst having increased, benchmarks well against similar projects in the industry. The capital cost is readily supported by a better understanding of the value of the business given high quality ore supplies and an improved long term view of the nickel price. The Project offers sufficient cash flow to support an optimized financing structure and excellent returns at manageable risk to shareholders and equity partners. There is great upside potential as the market for lower grade laterites develops and adequate quantities of suitable materials are identified to support two- or four-fold expansion of the Gladstone refinery complex.

The recruitment of senior staff has been challenging at a time of unprecedented resource industry developments. We are pleased to announce that key members have been recruited, providing an experienced and enthusiastic management team well prepared for the next implementation phase of the project.

2007 has been a year of intense activity and rapid change and the outlook for 2008 is a continuation of this trend. GPNL has achieved all its immediate milestones and has developed a business plan which positions the Company to meet its objectives.

This coming year the Company and your Board will actively oversee the following activities:-

- Finalisation of the Integrated Definitive Feasibility Study IDFS towards the end of 2007;
- Continuing the pursuit of further limonitic high grade nickel ore resources to further enhance the already substantial resource base;
- Conversion of existing resources to JORC reserves and further exploration drilling on existing tenements;
- Assessment of the identified processing and refining options to achieve best shareholder outcome;
- Appointment of suitable international advisors to assist the Company in developing an equity and financing package.
- Timetable and budget, including confirmation of project scope, development engineering and commitments for long lead time items
- Commencement of the equity raising in 2008.

Our challenge will be to manage the rising capital cost resulting from the high escalation, increasing contractor profit margins and increased pricing of risk being experienced on all major projects. Value engineering will continue as we progress through the detailed engineering phase of the project. The Stage 1 plant has been designed to be flexible and able to suit a range of potential partner expectations.

It is satisfying being able to witness over the year this significant undertaking as the GPN Project emerges as planned, with the various goals achieved, obstacles overcome and timetables met. We take this opportunity to offer sincerest thanks to the personnel and consultants of GPNL for their untiring efforts this past year; to thank the Board for its dedication and focus, and to thank you our shareholders for your continued support. We look forward to an equally successful 2008 as we now move to transforming GPNL into a producer and exporter of Nickel metal from the Gladstone site.

Robert Pearce  
Chairman  
9 October 2007

John Downie  
Chief Executive Officer

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## Income Statement for the year ended 30 June 2007

	Notes	Consolidated		Parent	
		Jun-07 (\$A)	Jun-06 (\$A)	Jun-07 (\$A)	Jun-06 (\$A)
Interest Income		896,699	1,211,738	878,254	1,187,498
Foreign Exchange Gain		-	4,736	-	4,736
Other		2,768	-	2,768	-
<b>REVENUES FROM CONTINUING OPERATIONS</b>		<b>899,467</b>	<b>1,216,474</b>	<b>881,022</b>	<b>1,192,234</b>
<b>OTHER INCOME</b>					
Profit on Sale of Investments		-	4,558,806	-	4,558,806
Evaluation Costs		433,063	253,022	311,758	253,022
Foreign Exchange Loss		300,809	-	284,165	-
Directors' Fees/ Remuneration		649,038	344,012	649,038	344,012
Directors' Option Expense		353,200	127,400	353,200	127,400
Professional Fees		149,845	174,555	141,457	173,855
Travel and Accommodation		229,477	170,624	224,728	170,624
Wages and Oncosts		442,888	235,928	438,823	235,928
Office Rental		136,151	84,038	128,039	84,038
Public relations and Ongoing listing fees		227,056	218,622	227,056	218,622
Depreciation		54,656	35,035	51,217	30,535
Other		400,391	248,208	391,010	238,976
<b>EXPENSES</b>		<b>3,376,574</b>	<b>1,891,444</b>	<b>3,200,491</b>	<b>1,877,012</b>
<b>PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>(2,477,107)</b>	<b>3,883,836</b>	<b>(2,319,469)</b>	<b>3,874,028</b>
<b>INCOME TAX (EXPENSE) / BENEFIT</b>		<b>(5,673)</b>	<b>(1,248,676)</b>	<b>483,869</b>	<b>(1,201,644)</b>
<b>PROFIT / (LOSS) AFTER INCOME TAX EXPENSE</b>		<b>(2,482,780)</b>	<b>2,635,160</b>	<b>(1,835,600)</b>	<b>2,672,384</b>
<b>EARNINGS PER SHARE (CENTS PER SHARE)</b>					
Basic earnings (loss) per share (cents per share)	2	(8.13)	8.77		
Diluted earnings (loss) per share (cents per share)		(8.13)	8.77		

## Balance Sheet for the year ended 30 June 2007

	Consolidated		Parent	
	Jun-07 (\$A)	Jun-06 (\$A)	Jun-07 (\$A)	Jun-06 (\$A)
<b>CURRENT ASSETS</b>				
Cash assets	37,563,730	19,382,837	37,163,764	19,222,922
Trade and other receivables	706,580	392,161	342,034	301,435
Other current assets	33,363	18,878	31,415	18,878
<b>TOTAL CURRENT ASSETS</b>	<b>38,303,673</b>	<b>19,793,876</b>	<b>37,537,213</b>	<b>19,543,235</b>
<b>NON CURRENT ASSETS</b>				
Property plant and equipment	592,810	141,904	104,044	126,131
Investment in subsidiaries	-	-	73,016	10
Deferred evaluation and exploration costs	35,562,039	22,539,062	1,423,082	-
Trade and other receivables	575,415	356,922	26,404,374	18,282,191
Deferred tax asset	-	-	8,640,273	4,101,449
<b>TOTAL NON CURRENT ASSETS</b>	<b>36,730,264</b>	<b>23,037,888</b>	<b>36,644,789</b>	<b>22,509,781</b>
<b>TOTAL ASSETS</b>	<b>75,033,937</b>	<b>42,831,764</b>	<b>74,182,002</b>	<b>42,053,016</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	2,728,963	1,586,271	630,743	1,391,799
Provisions	98,345	63,628	85,514	46,476
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,827,308</b>	<b>1,649,899</b>	<b>716,257</b>	<b>1,438,275</b>
<b>NON CURRENT LIABILITIES</b>				
Trade and other payables	770,979	832,416	-	-
Deferred tax liabilities	1,233,720	2,380,755	-	-
Provisions	176,549	147,137	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>2,181,248</b>	<b>3,360,308</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>5,008,556</b>	<b>5,010,207</b>	<b>716,257</b>	<b>1,438,275</b>
<b>NET ASSETS</b>	<b>70,025,381</b>	<b>37,821,557</b>	<b>73,465,745</b>	<b>40,614,741</b>
<b>EQUITY</b>				
Contributed equity	70,943,008	37,942,416	70,943,008	37,942,416
Reserves	1,904,003	217,991	1,904,003	217,991
Retained earnings / (Accumulated losses)	(2,821,630)	(338,850)	618,734	2,454,334
<b>TOTAL EQUITY</b>	<b>70,025,381</b>	<b>37,821,557</b>	<b>73,465,745</b>	<b>40,614,741</b>

## Cash Flow Statement for the year ended 30 June 2007

	Notes	Consolidated		Parent	
		Jun-07 (\$A)	Jun-06 (\$A)	Jun-07 (\$A)	Jun-06 (\$A)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(1,879,498)	(1,994,730)	(1,223,240)	(1,012,962)
Payments for exploration and evaluation		(11,880,288)	(12,335,168)	(2,184,145)	-
Interest received		913,547	1,259,652	911,061	1,203,455
<b>NET CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES</b>	3	<b>(12,846,239)</b>	<b>(13,070,246)</b>	<b>(2,496,324)</b>	<b>190,493</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of land/equipment		(519,948)	(87,468)	(29,130)	(85,642)
Purchase of investment in subsidiaries		-	(370,329)	(73,004)	(370,330)
Sale of investments		-	5,717,687	-	5,717,687
<b>NET CASH FLOWS( USED) FROM INVESTING ACTIVITIES</b>		<b>(519,948)</b>	<b>5,259,890</b>	<b>(102,134)</b>	<b>5,261,715</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of ordinary shares and warrants		31,847,889	-	31,847,889	-
Advances to subsidiaries		-	-	(11,024,424)	(13,348,106)
<b>NET CASH FLOWS FROM (USED) FINANCING ACTIVITIES</b>		<b>31,847,889</b>	<b>-</b>	<b>20,823,465</b>	<b>(13,348,106)</b>
Net increase / (decrease) in cash held		18,481,702	(7,810,356)	18,225,007	(7,895,898)
Net foreign exchange differences		(300,809)	-	(284,165)	-
Opening cash brought forward		19,382,837	27,193,193	19,222,922	27,118,820
<b>CLOSING CASH CARRIED FORWARD</b>		<b>37,563,730</b>	<b>19,382,837</b>	<b>37,163,764</b>	<b>19,222,922</b>

## Statement of Changes in Equity for the year ended 30 June 2007

Consolidated	Issued Capital	Special Warrants	Retained Earnings	Other Reserves	Total
As at 01/07/05	37,942,416	-	(2,974,010)	200,708	35,169,114
Net Gains on Available for Sale Investments	-	-	-	(200,708)	(200,708)
Share based payment – employees and directors’ options	-	-	-	217,991	217,991
Profit / (Loss) for year	-	-	2,635,160	-	2,635,160
As at 1/7/06	37,942,416	-	(338,850)	217,991	37,821,557
Ordinary shares issued during the year	20,100,232	-	-	-	20,100,232
Special warrants issued during the year	-	11,747,658	-	-	11,747,658
Share based payment – employees and directors’ options	-	-	-	803,558	803,558
Share based payment – broker options	-	-	-	882,454	882,454
Share Issue Costs ( tax effected)	714,906	437,796	-	-	1,152,702
Profit/Loss for the year	-	-	(2,482,780)	-	(2,482,780)
<b>As at 30/6/07</b>	<b>58,757,554</b>	<b>12,185,454</b>	<b>(2,821,630)</b>	<b>1,904,003</b>	<b>70,025,381</b>

## Notes to the Financial Statements for the year ended 30 June 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

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, except for available for sale assets which have been measured at fair value. The financial statements are presented in Australian dollars. 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. Where the results of the Integrated Definitive Feasibility Study (IDF) indicate the opportunity to advance the project, the directors will review the need for a further capital raising.

#### (b) Statement of Compliance

Except for the amendments to AASB 101 *Presentation of Financial Statements* and AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007.

### 2. EARNINGS PER SHARE

	Consolidated		Parent	
	Jun-07 (\$A)	Jun-06 (\$A)	Jun-07 (\$A)	Jun-06 (\$A)
Net profit (loss)	(2,482,780)	2,635,160		
Earnings used in calculation of basic and diluted earnings per share	(2,482,780)	2,635,160		
Weighted Average number of ordinary shares on issue used in the calculation of basic earnings per share	30,501,062	30,042,293		
Weighted Average number of ordinary shares on issue used in the calculation of diluted earnings per share	30,787,177	30,161,844		
Basic and Diluted earnings per share	(0.08)	0.09		

Options on issue are not considered dilutive.

### 3. RECONCILIATION OF OPERATING PROFIT / (LOSS) AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

Operating profit/(loss) after tax	(2,482,780)	2,635,160	(1,835,600)	2,672,384
<i>Adjusted for</i>				
Provision for employee entitlements	34,717	55,691	39,038	46,476
Net profit on Available for Sale Assets	-	(4,558,806)	-	(4,558,806)
Loss on Foreign Exchange	300,809		284,165	
Depreciation- charged to operations	54,656	35,035	51,217	30,535
Interest expense	-		-	-
Movement in share option reserve	1,686,012	217,991	1,686,012	217,991
<i>Changes in Assets and Liabilities</i>				
(Increase)/decrease in receivables	(314,419)	(164,265)	(40,599)	(165,783)
(Increase)/decrease in deferred evaluation costs	(13,022,977)	(12,559,145)	(1,423,082)	-
(Increase)/decrease in other assets	(14,489)	(246,835)	(12,532)	(9,913)
(Increase)/decrease inter-company receivable	-	-	-	3,699,220
(Increase)/decrease in deferred tax asset/ liability	5,673	1,248,676	(483,869)	(2,497,595)
(Increase)/decrease in non-current receivables	(218,493)	(19,937)	-	-
Increase/(decrease) in payables	1,142,681	223,978	(761,074)	755,984
Increase/(decrease) in non-current payables	(61,428)	(79,926)	-	-
Increase/(decrease) in non-current provisions	29,412	142,137	-	-
Net cash flow used from operating activities	(12,846,239)	(13,070,246)	(2,496,324)	190,493
<i>Reconciliation of cash</i>				
Cash balance comprises				
Cash at bank and on short term deposit	37,563,730	19,382,838	19,222,922	19,222,922
Closing Cash Balance	37,563,730	19,382,837	19,222,922	19,222,922

4. A copy of the Annual Report for the year ended 30 June 2007 will be sent to shareholders in due course.