25 October 2007

Gladstone Nickel Project Feasibility Study – Capital and Operating Cost Estimates

BRISBANE- Queensland: 25 October 2007 - Gladstone Pacific Nickel Ltd (GPNL) is pleased to report on the initial results of the Stage 1 feasibility study for the Gladstone Nickel Project (GNP).

These results indicate a C1 cash operating cost of US$2.19 per pound of nickel[1], net of by-product credits, at full production of 63,000 tonnes of nickel and 6,200 tonnes of cobalt per year. This positions the Project very favourably in the 2nd quartile of the expected 2013 C1 cash costs across the industry as reported by Brook Hunt in its 2006 Nickel Industry Cost Study.

Capital cost of Stage 1 is estimated at US$3.4 billion[2], and comprises a two autoclave plant at Gladstone producing nickel and cobalt metal from Marlborough ores blended together with substantial tonnages of ore imported from New Caledonia.

GPNL's vision is to build the world's largest nickel and cobalt refining centre, treating South West Pacific nickel laterite ores at its site in Queensland, Australia. The Stage 2 project involves expansion to four (4) autoclaves whereupon the Gladstone Nickel Project (GNP) will produce approximately 120,000 annual tonnes of nickel and 10,000 annual tonnes of cobalt.

The capital cost compares favourably with the previously estimated US$2.8 Billion (announced in the Company's December 2006 half yearly report), taking into consideration foreign exchange movements and escalation rates over the past year.

This fourth generation High Pressure Acid Leach (HPAL) Plant is planned to be fully integrated, with a metals refinery, enhanced saprolite leach circuit, two mining operations with ore beneficiation and a dedicated acid plant. Significant capital is also associated with ore handling in New Caledonia and Gladstone. It is expected that the common user facilities at Gladstone Port, the preassembled module yard and transit corridor, currently included in the project costs, will become important infrastructure developments for future projects in Gladstone.

GPNL remains convinced that there are unique benefits to locating the facility at Gladstone where there is supporting infrastructure, a cooperative State government, a favourable environmental scenario, and the ability to attract and retain a capable workforce for construction and operation.

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[1] *Operating costs calculated using long term exchange rate forecast of US$0.7 = A$1.0 and after cobalt and other credits. N.B. Both UBS and ABN AMRO are forecasting exchange rates of 0.70/0.71 respectively after the 2009 financial year.*

[2] *Capital cost calculated as at August 2007 using medium term exchange rate forecast of US$0.8 = A$1.0*

Historically, capital intensive nickel processing plants have been developed adjacent to a dedicated ore resource; however GPNL's strategy with the Gladstone Plant is to exploit ore sources that cannot justify a major capital investment in their own right either due to their size or their location. Australia remains an economic and politically stable environment in which to make an investment of this magnitude,

Operating Costs

The Stage 1 IDFS is based on the Gladstone plant being supplied with a blend of Marlborough ore (~30%) and east coast New Caledonian ore (~70 %). Marlborough is a key element of the Project, providing secure local ore supply and risk mitigation for any foreign ore supply disruptions, however unlikely. Detailed mine plans and costs have been completed at the Marlborough deposits. Overseas ore costs include the direct purchase of 800,000 tonnes of ore from 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. The balance of the overseas ore required for the plant is expected to be obtained from a Joint Venture between Société Minière Georges Montagnat ("SMGM") and the Company on an arm's length laterite ore purchase arrangement (as announced on the 13 August 2007).

The consumption rates of reagents and consumables have been estimated by Aker Kvaerner as part of completing the IDFS. Prices for key reagents such as sulphur, anhydrous ammonia, and limestone, flocculent and quick lime have been based on either long term market prices or supplier quoted long term contract prices. In addition shipping costs have been calculated based on 10 year long term shipping contract rates provided by industry experts.

A full labour list has been developed for the proposed operations with an estimated 530 employees required at the Gladstone plant. Labour rates have been based on Industry Surveys in the Gladstone region.

Maintenance material costs for the refinery are estimated at US$45.5 million per year based on percentages of direct capital costs of plant, equipment and infrastructure. Additional mine maintenance estimates were provided by our mining consultants IMC and SRK for both Marlborough and New Caledonia respectively.

Average expected feed grades from the mines has been used to estimate the nickel metal production of 63,000 tonnes per annum and cobalt metal production of 6,200 tonnes per annum which is a slight increase from previously announced tonnages.

The Gladstone Nickel Project is expected to have a C1 cost, according to Brook Hunt definitions, at full production of US$2.19/lb in 2007 dollars. This positions the Project very favourably in the 2nd quartile as compared to the expected 2013 C1 cost cash costs across the industry reported by Brook Hunt in its 2006 Nickel Industry Cost Study.

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