



GLADSTONE PACIFIC NICKEL LTD

20 June 2008

GLADSTONE PACIFIC NICKEL LTD  
ACN (104 261 887)  
("Gladstone" or "the Company")

UPDATED FEASIBILITY STUDY FINANCIAL RESULTS

**Gladstone Nickel Project Feasibility Study shows an NPV of US\$2.331 billion at current prices with an updated Profit after Tax and Interest in first year of full production of US\$538 million.**

The Managing Director of the Company, Mr John Downie, announced today the updated financial results of the Feasibility Study for Stage 1 of the Gladstone Nickel Project ("the Project") ("IDFS").

"The Company regularly monitors the effect of changes in key input assumptions, such as Nickel, Cobalt and Sulphur prices and exchanges rates, on the financial results and will provide updated financial results to the market where the effect is significant" he said.

As a result of this monitoring the Company believes that recent changes to these key inputs would have a significant effect on the IDFS financial results and therefore the results announced on 18<sup>th</sup> January 2008 have been revised.

In spite of the negative effects of lower nickel prices and a stronger Australian dollar the project financials remain strong. Gross Revenue in the first year of full production, assuming a two year ramp up, is expected to be US\$2,043 million per year, US\$374 million lower than previously announced whilst EBITDA is US\$1,019 million, down US\$354 million. Projected profit after tax and interest in the first year of full production has been revised from US\$635 million to US\$538 million in real terms at a gearing ratio of 70% debt for a 10 year loan period and an interest rate of 8.5%.

Cash operating cost for the Project has been revised from US\$2.77 to US\$2.38 per pound of nickel net of by product credits, due to nickel price, cobalt price and exchange rate movements. The Project net present value ('NPV') is US\$2,331 million (*\*see note below*) using an 8% discount rate and commodity prices and exchange rates as at 30 May 2008. This compares to an NPV of US\$4,322 million reported in January.

The capital cost, also reported in the 18<sup>th</sup> January 2007 market release has been revised to US\$3,840 million from US\$3,656 million. The Directors believe that the Company's association with China Metallurgical Construction (Group) Corporation ("MCC"), based on MCC's prior experience, will reduce the capital cost.

These changes are not expected to affect planned production and the plant can expect to produce up to 64,753 tonnes of nickel and 6,164 tonnes of cobalt in the first year of full production which is expected to be 2015.

*(Note: Refer background table of financial outputs, KPI's and major input variables.)*

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*This news release includes certain statements that may be deemed "forward-looking statements". All statements in this news release, other than statements of historical facts, that address future exploration drilling, exploration activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include metal prices, exploration success, continued availability of capital and financing, and general economic, market or business conditions.*

## **Background**

<b>Outputs from Financial Model</b>	<b>Unit</b>	<b>Current</b>
Real NPV @ 8% Discount Rate, 100% equity after Tax	US\$M	2,331
IRR	%	13.42%

## **KPI's in First Year of Full Production**

Nickel Production	tonne	64,753
Cobalt Production	tonne	6,164
C1 cash cost after credits	US\$/lb	2.38
Free Cash Flow	US\$M	751
EBITDA	US\$M	1,019

## **Major Input Variables (as at 30 May 2008)**

Nickel Price	US\$/lb	9.96
Cobalt Price	US\$/lb	47.25
AUD:USD	AUD:USD	0.9564
Sulphur Price (FOB Vancouver)	US\$/tonne	420
Capital Cost at relevant exchange rates	US\$M	3,840

The consumption rates of reagents and consumables have been estimated by Aker Kvaerner Australia Pty Ltd as part of their role in completing the IDFS. Prices for key reagents have been based on current prices in January 2008. In addition, shipping costs have been calculated based on 10 year long term shipping contract rates provided by industry experts.

A comprehensive 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 were estimated at US\$40 million per year based on percentages of direct capital costs of plant, equipment and infrastructure. Additional mine maintenance estimates were provided by mining consultants IMC Consultants Pty Ltd and SRK Consulting Pty Ltd for both Marlborough and New Caledonia respectively.

Average expected feed grades from the mines are expected to produce nickel metal of 63,952 tonnes per annum and cobalt of 6,114 tonnes production per annum for the first 10 years of full production in Stage 1.