



GLADSTONE PACIFIC NICKEL LTD

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

FEASIBILITY STUDY FINANCIAL RESULTS USING LONG TERM  
ASSUMPTIONS

**Gladstone Nickel Project shows an NPV of US\$1,168 billion at long term prices**

The Chief Executive Officer 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") using long term assumptions, revising the results announced on 20<sup>th</sup> June 2008.

"Given the current state of both capital and commodity markets it is important that investors understand the strong economics of the Project using long term assumptions. It is the Directors' belief that the current share price of the Company does not highlight the underlying value of the Project. Capital markets and commodity prices are generally under pressure but our Project continues to show its economic viability at both current and long term pricing."

Gross Revenue in the first year of full production, assuming a two year ramp up, is expected to be US\$1,332 million per year, US\$711 million lower than previously announced whilst EBITDA is US\$712 million, down US\$307 million. Projected profit after tax and interest in the first year of full production has been revised from US\$538 million to US\$297 million in real terms at a gearing ratio of 70% debt for a 15 year loan period and an interest rate of 8.5%.

Cash operating cost for the Project has been revised from US\$2.38 to US\$2.13 per pound of nickel due to a lower nickel price, exchange rate movements and sulphur price assumptions offset by a reduction in cobalt credits due to a lower cobalt price. The Project net present value ('NPV') is US\$1,168 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\$2,331 million reported in June.

The capital cost, also reported in the 20<sup>th</sup> June 2008 market release has been revised to US\$3,518 million from US\$3,840 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.

The Project shows a nominal IRR on equity of 17.8% and a nominal NPV of US\$979 assuming a 12% discount rate and a gearing ratio of 70% debt for a 15 year loan period and an interest rate of 8.5%.

These changes are not expected to affect planned production and the plant can expect to produce, in its first year of full production, up to 64,753 tonnes of nickel and 6,164 tonnes of cobalt in 2014 following a 3 year construction program and 2 year ramp up of operations.

*(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	1,168
Real IRR	%	11.2%

## **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	2.13
Free Cash Flow	US\$M	551
EBITDA	US\$M	712

## **Major Input Variables**

Nickel Price	US\$/lb	7.60
Cobalt Price	US\$/lb	15.00
Construction AUD:USD average	AUD:USD	0.8275
Operations AUD:USD average	AUD:USD	0.7500
Sulphur Price (FOB Vancouver)	US\$/tonne	50
Capital Cost at relevant exchange rates	US\$M	3,518

**N.B. All prices and assumptions are quoted in real 2008 terms unless otherwise stated. The long term price forecasts are directors' estimates.**

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 long term pricing assumptions. 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.