

# Gladstone Nickel Project

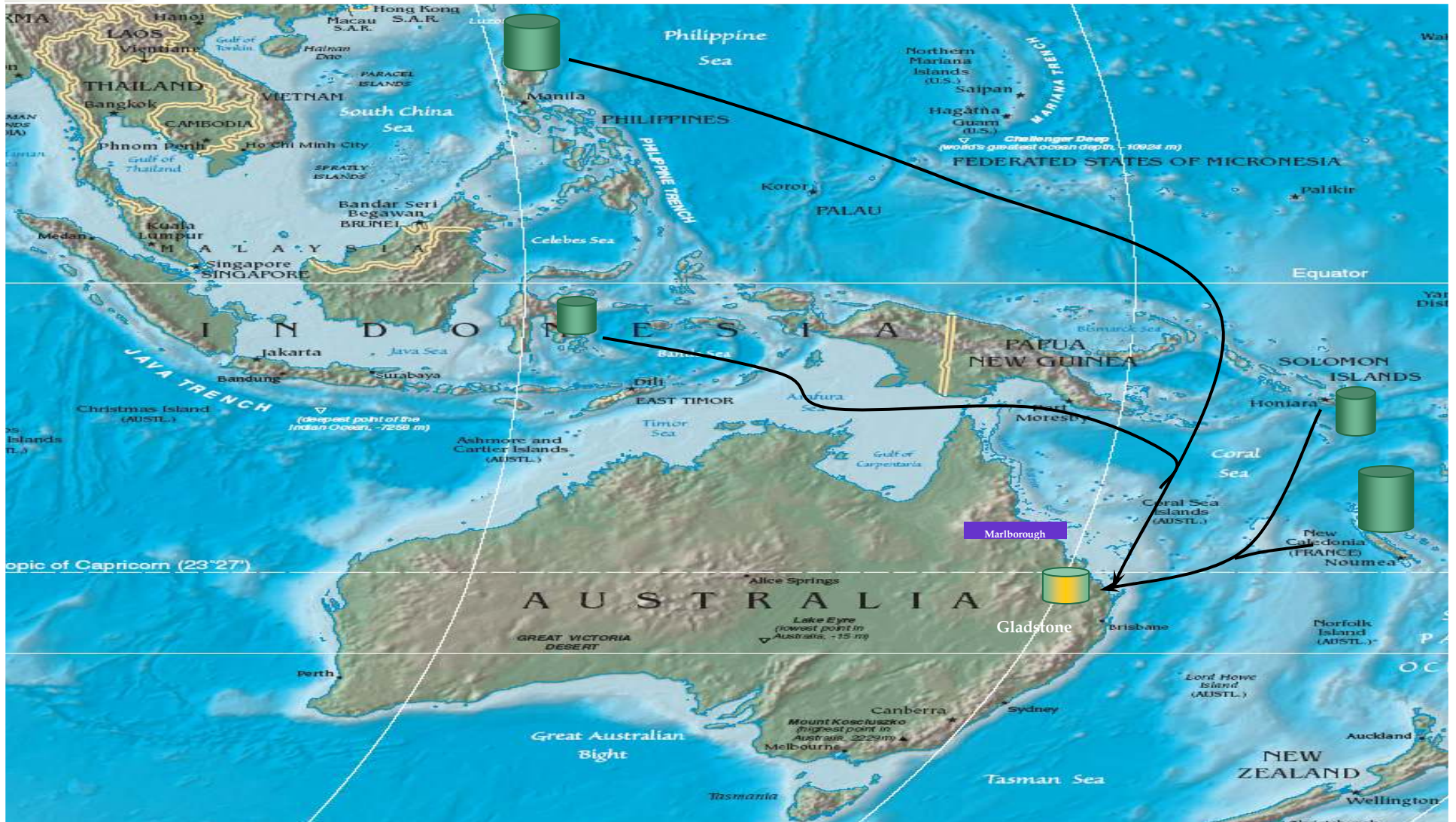
A Major New  
Future Nickel Producer



GLADSTONE PACIFIC NICKEL LTD



# Establishing A New Major Regional Nickel and Cobalt Processing Centre



# Marlborough and Gladstone Locations in Queensland



# Gladstone is one of the most advanced Nickel projects in the World



- 60,000 t of nickel required each year to meet demand.
- Entry time for approvals, resource development, is 3 to 5 year for next new HPAL project.
- Gladstone has strategic land, resources and turn key construction MOU in place and start up in 2011



# Global Nickel Demand Projected to Remain In Excess of Supply for Foreseeable Future

- Nickel is demand driven primarily by growing stainless steel consumption
- Stainless steel growth is steady and strong in Europe, China and India
- Growth in sulphides limited with few new major hard rock nickel mines being developed
- Major % of new nickel supply must come from lateritic ores
- Very few 1<sup>st</sup> Tier nickel laterite mines available (logical to aggregate ore bodies with one process facility)



# Building a Modern Large Scale Nickel and Cobalt Metal Production Operation

- Stage 1
  - 2 autoclaves 63,000 tpa (~140 Million lb) nickel metal and ~6,000 tpa cobalt metal
  - Ore supplies from Marlborough and from New Caledonia
- Stage 2
  - expansion to 4 autoclaves
  - Ore supplies expanded regionally (Indonesia, Philippines, etc)
- Residue storage facility (RSF) has capacity for ~40 years
- Current Environmental Impact Study (EIS) covers both of these stages, allows guaranteed expansion opportunity without “green-tape”



# Ownership of Project's Ore Supplies, Secure and Growing

- Current resource based on 120,000 metres (~400,000 ft) of drilling to date.
- Marlborough has JORC compliant geological ore resource (measured, indicated and inferred) of 71Mt @ 0.91% Ni (0.7% cog) (i.e. 1.4 Billion lb contained nickel) with only 5 of 13 deposits at evaluated.
- Total potential resource of +300 Mt @ 0.7% Ni (0.5% cog)
- Resource able to be beneficiated up to 1.2% Nickel

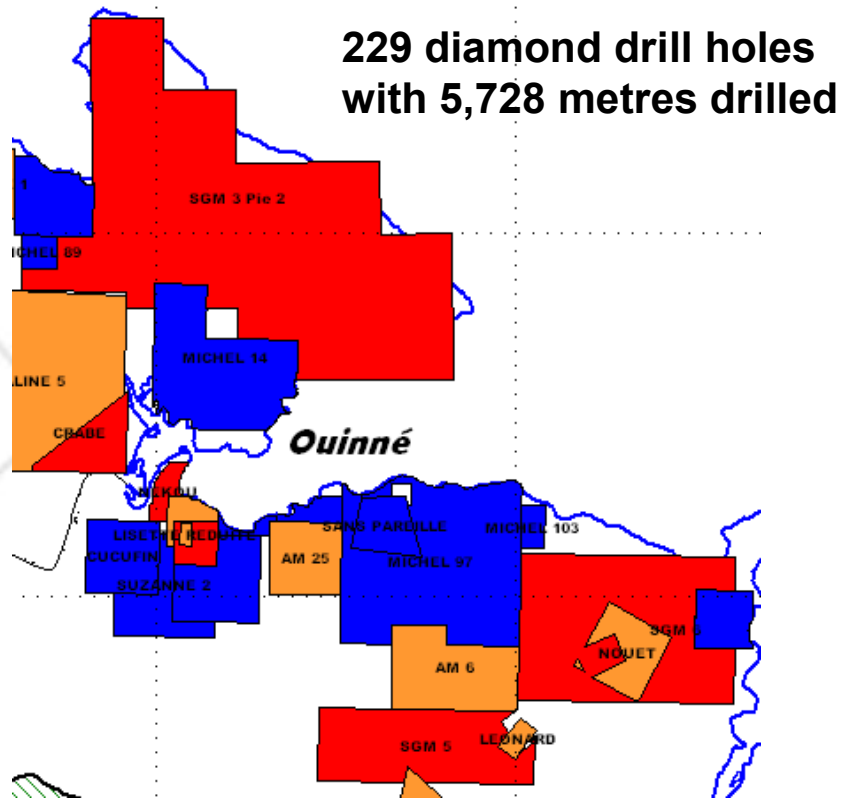


# Ownership of Project's Ore Supplies, Secure and Growing

- **Joint Venture Agreement with Société Minière Georges Montagnat in the south east region of New Caledonia. (Ouinne)**
  - 50Mdt resource drilling underway to JORC compliance @1.41% Nickel and 0.14% Cobalt (this immediate resource contains 1.55 billion lbs of nickel and 154 million lb of Cobalt.)
  - 100 new exploration blocks available in the region and will provide significant upside and management expect that an additional 150Mdmmt is available at similar grades.
- **Additional Ore body in the Solomon Islands confirmed June 08 (43Mdmmt for 1.26 billion lbs Nickel contained)**



# SMGM JV Agreement Completed New Caledonian Partnership



# Recent Milestones Accomplished

- Board restructure with development track record
- MOU signed with China Metallurgical Company “MCC” (for turnkey construction & financing)
- Metallurgical Testwork Complete
  - Imported ore testwork confirms blending of ores
- Supplementary Environmental Impact Statement with Government for sign off. No fatal flaws.
- Marlborough Indigenous Land Use Agreement registered by National Native Title Tribunal 13 July 07
- US\$62M spent on engineering and resource confirmation



# Current Project Timetable

- Feasibility Study completed Dec 2007
- EIS Federal Government, final approval May 2008
- JORC resource in New Caledonia March 2008
- Finalise Chinese Commercial proposal July 2008
- Commence construction October 2008
- Complete turn-key construction April 2011
- Stage 1 ramp-up to full production over 2 years
- Stage 2 to be developed as markets dictate



# Table of Financial Outputs, Key Performance Indicators and Major Input Variables

<b>Outputs from Financial Model</b>	<b>Unit</b>	<b>Current</b>
Real NPV @ 8% Discount Rate, 100% equity after Tax	US\$M	4,752
IRR	%	18.20%
<b>KPI's in First Year of Full Production</b>		
Nickel Production	tonne	64,753
Cobalt Production	tonne	6,164
C1 cash cost after credits	US\$/lb	2.51
Free Cash Flow	US\$M	1050
EBITDA	US\$M	1,447
<b>Major Input Variables (Real basis Jan 2008)</b>		
Nickel Price	US\$/lb	13.17
Cobalt Price	US\$/lb	48.63
AUD:USD	AUD:USD	0.9166
Sulphur Price (FOB Vancouver)	US\$/tonne	420
Capital Cost at relevant exchange rate	US\$M	3,715

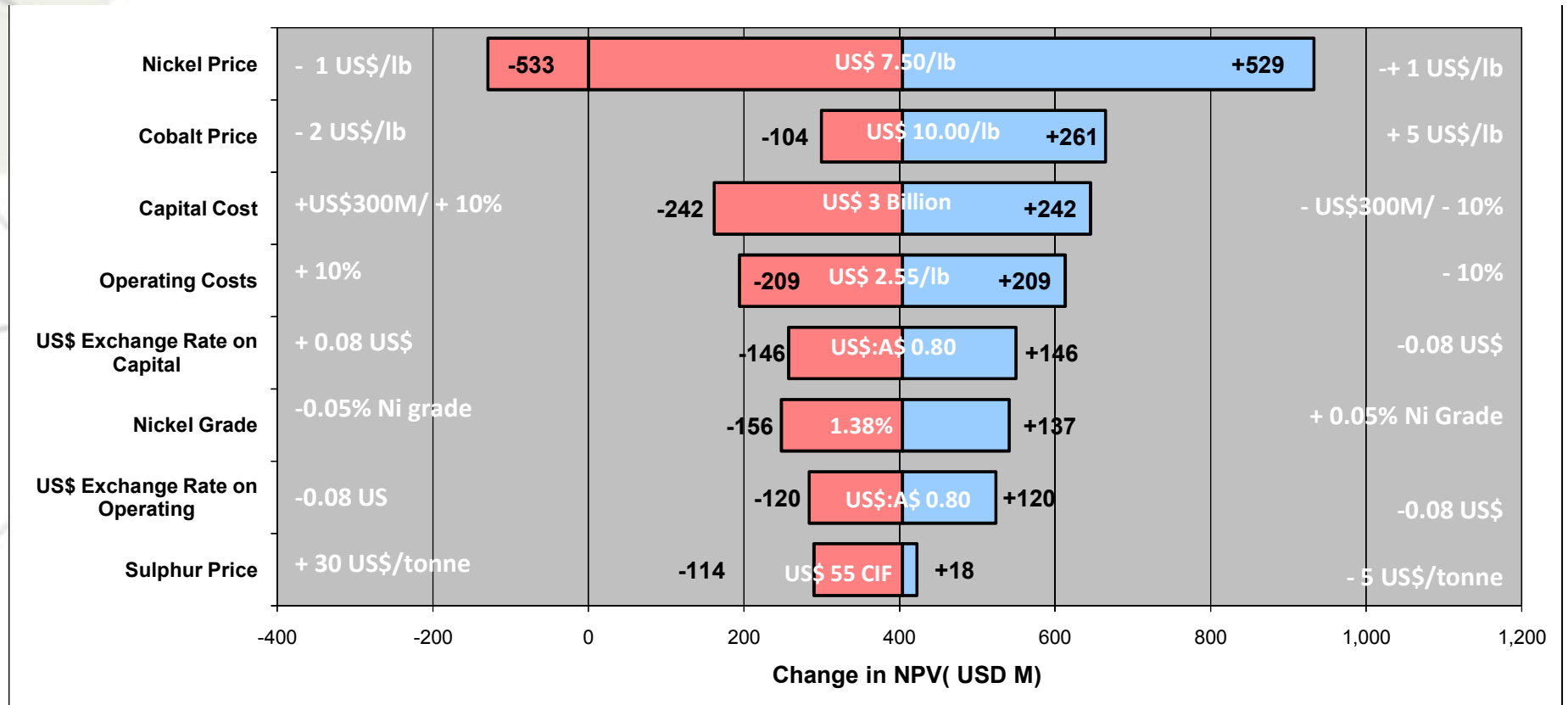


# Financial Returns on Project

Assumption	Amount	Output	Amount
Nickel Price	US\$7.50	NPV	US\$ 404 M
Cobalt Price	US\$10.00	IRR	11.6%
Capital Cost	US\$3.0 B	FCF at full production Yr 3	US\$ 506 M
Construction period	4 years	Payback period	6 years
FX rate	0.80 US\$:A\$	Unit Cost after Credits	US\$ 2.55 lb
Sulphur cost CIF	US\$55 tonne	Nickel Production Average	62,163
Nickel Grade	1.38%	Cobalt Production Average	5,931
Cobalt Grade	0.14%		
Discount rate	10%		
100 % Equity before financing and after tax			



# Sensitivity – NPV (USD M)



# Comprehensive Memorandum of Understanding

- MCC has confirmed its intention to provide a turn-key Engineering, Procurement and Construction (EPC) offer for the Project. (bid documents being prepared)
- MCC and GPNL to prepare a legally binding proposal for the turn-key construction of the entire Project by 21<sup>st</sup> July 2008.
- The target date for construction to commence in Australia is 31<sup>st</sup> October 2008 with an expected completion of construction by 30<sup>th</sup> April 2011.



# Comprehensive Memorandum of Understanding (cont)

- MCC has agreed to consider coordination of the sale and off take of nickel in China.
- MCC has also offered to finance or assist in arranging finance sufficient to fund the Project.
- Upon execution of the turn-key EPC construction contract for the Project, MCC intends to invest equity (in an amount to be agreed) in the shares of Gladstone.
- MCC has an exclusive right to negotiate and finalise financing and construction agreements until September 2008.



# China Metallurgical Company ‘MCC’

MCC is a major driving force behind the growth of China’s steel industry, and a major contractor on a number of key projects both in China and the Asia Pacific region. The company is a leading investor, licensed by the Chinese government, in natural resources exploration.

MCC has to date invested as much as US\$1 billion in mining resources abroad, including production facilities and interests in mineral deposits. MCC is one of the largest equipment manufacturers in China and has total assets of RMB83 billion and over 50,000 technical and managerial employees.



## Infrastructure in place

- Residue storage area in GSDA - enough for ~40 years for 1<sup>st</sup> stage; plus waste synergies with Rio Alumina.
- Efficient residue storage
  - Gladstone net rainfall is minus ~1m per annum (ie net evaporation)
  - New Caledonia net rainfall is ~2m per annum
  - Therefore ~3m per annum rainfall / evaporation advantage in Gladstone
- Power / gas / water infrastructure
- Road / rail / air / shipping transport centre
- Social (emergency services, hospitals, tertiary education, housing, etc)



# Infrastructure advantage at Gladstone

- Existing heavy and light industry service companies
- Skilled industrial workforce living in area
- Concentration of industry allows efficient continuous allocation of resources (eg. maintenance, engineering, labour, etc)
- Mitigates sovereign risk / potential supply risk associated with Pacific Rim countries
- Deepwater Port of Gladstone allows for cost-effective Pre-Assembled Modularisation



# Government Support

- MLs awarded at Marlborough, and Native Title agreements in place
- Major Project Facilitation (Canberra - Federal)
- Significant Status (Queensland Government)
- Yarwun Refinery Site purchase agreement
- Aldoga Residue Storage Facility purchase agreement.
- Wiggins Island Bulk terminal completed for 2011
- EIS through public display, Supplementary under final review – approvals imminent



# Experienced Project Team

- **Prof Clive Palmer** – Chairman
- **John Downie** – Chief Executive Officer
- **Gavin Becker** – General Manager
- **Julien McInally** – Chief Financial Officer
- **Wang Gongping** – Beijing General Manager
- **Olivier Pecqueux** – New Caledonia Country Manager
- **Albert Mostert** – Resources Development Manager
- **Tim Riley** – Engineering Manager
- **Peter Mason** – Process Manager
- **Bruce McCleary** – Commercial and Logistics Manager



# Disclaimer

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