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22 August 2007

The Manager
Company Announcements Office
Australian Stock Exchange Ltd.
4th Floor
20 Bridge Street
SYDNEY NSW 2000

BY ELECTRONIC LODGEMENT

3 PAGES

Dear Sir,

RE: Continental Nickel Ltd commences drill program on Nachingwea Project.

Please find enclosed a copy of the news release by Continental Nickel Ltd.

Yours Faithfully,

KIMBERLEY G FRANCE
COMPANY SECRETARY

News Release

Continental Nickel Commences Diamond Drill Program on the Nachingwea Project, Tanzania.

Toronto, Ontario (August 21 2007): Continental Nickel Limited (TSXV: CNI) has commenced diamond drilling on its 70% owned Nachingwea nickel sulphide project in Tanzania. One drill rig is on site and a second drill rig is scheduled to arrive by early September. Nachingwea is a 70:30 JV with Goldstream Mining NL ("Goldstream") of Australia.

Initially, the drill program will focus on further evaluation of high grade nickel sulphide mineralization discovered by Goldstream in 2006. As reported by Goldstream, drill hole NAD013 returned 11.23% Ni, and 1.74% Cu over a core length of 3.0m and an additional 11 holes in the area had intersections of >0.5% Ni. The current 7,500-10,000 metre drill program will evaluate targets in and around the area of the discovery. Results will be released as analytical data are received, validated and compiled.

In addition to the drill program, an extensive ground electromagnetic (EM) geophysical survey by Crone Geophysics & Exploration Ltd has commenced over the Ntaka intrusion which hosts the nickel sulphide mineralization described above. Conductive targets identified will be modelled and prioritised for drill testing in the current program.

CNI has budgeted C\$9.5 million over the next two years for exploration including diamond drilling, regional airborne magnetic and EM surveys, ground EM surveys, geological mapping and geochemical sampling.

Craig MacDougall, President & CEO of Continental Nickel Limited, said "We are excited by the potential demonstrated to date in the area of the discovery and there is excellent potential for additional nickel sulphide targets elsewhere on this very large 7300 km² Nachingwea property. The commencement of the exploration program is a major milestone for which we have worked very hard and I look forward to the exploration results."

The technical information contained in this release was compiled by Patricia Tirschmann, P.Geo., Vice President of Exploration for CNI. Ms. Tirschmann is a qualified person as defined by National Instrument 43-101.

About Continental Nickel

Continental Nickel Limited is an exploration company focused on developing and advancing quality nickel sulphide exploration projects in geologically prospective, but

under explored regions globally. It is currently implementing an extensive multiphase exploration program on its 70% owned Nachingwea nickel sulphide project located in south east Tanzania. Continental Nickel has 26,933,000 shares issued and outstanding (29,338,415 fully-diluted) and trades on the TSX Venture Exchange under the symbol CNI.

On behalf of

Continental Nickel Limited

"Craig MacDougall"

President & Chief Executive Officer

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