



GLADSTONE PACIFIC NICKEL LTD

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ACN 104 261 887

Final Results for the year ended 30 June 2009

London, 6 October, 2009: Gladstone Pacific Nickel Limited (“GPNL” or “the Company”) is pleased to report its final results for the year ended 30 June 2009.

Chairman and CEO Report

The Global Financial Crisis (“GFC”) has changed world capital markets, impacted on business confidence in the nickel sector and general commodity markets, and in turn has affected the timing of the Gladstone Nickel Project (“GNP”).

The nickel price started to collapse in the second quarter of 2008; by June 2008 it was down to US\$25,000/t (from an unsustainable high of US\$54,000/t in May 2007), and then it fell dramatically to US\$9,400/t in the early part of 2009. However the nickel price has exhibited a certain amount of “stability” since that slump, reflecting the fact that plunging demand has been offset by a constant stream of production cut announcements.

A significant problem for nickel still remains in that there is substantial stock sitting on the London Metal Exchange (“LME”), increasing by over 30,000 tonnes in the first half of 2009 to 109,242 tonnes (at June 2009) which is just over a month’s demand, despite the industry operating at a low rate of utilisation (around 75%). There is the potential for excess supply in the nickel market with four High Pressure Acid Leach Plants (please refer to Note 1) (“HPAL”) now at an advanced stage of readiness and also a number of other new ferro-plants such as Posco Gwangyang (Korea) and Xstrata Koniambo (New Caledonia) at various stages of development.

These new generation HPAL plants are built on dedicated ore bodies, do not have the ore supply flexibility (to process high grade ore) and do not have the high level of existing infrastructure support as does the GNP. We anticipate some consolidation in the industry and believe that increasing demand for sustainable long life projects will open the window for the next HPAL plant to be built at Gladstone within the coming two to three years.

HPAL is the only new commercial and environmentally sustainable technology available to process the dominant nickel laterite resources in the Pacific. Despite the operating successes of Minara’s Murrin Murrin, and Sumitomo’s Coral Bay projects, we need to see the four HPAL plants (mentioned above) up and running so the technology can mature and be optimised to achieve the low operating costs forecast at design.

In May 2009 we received the final Environmental Approvals for the GNP under the following acts:

- Queensland - State Development and Public Works Organisation Act; and
- Federal – Environment Protection and Biodiversity Conservation Act.

The approval was a very long and complex process and it is a critical foundation in the project development. The community acceptance and support for the GNP has set a new benchmark in Queensland and will ensure a smooth transition through to development. The table below provides the 3.5 year historical timeline for the key milestones involved in the approval process:

Awarded Significant Project Status (Qld)	November 2005
Terms of Reference	May 2006
Major Projects facilitation (Fed)	June 2006
EIS Report	May 2007
Public Review	June 2007
EIS Supplemental	February 2008
Qld Gov Assessment Report	January 2009
Fed Gov Approval (EPBC)	May 2009

The State and Federal Government were complimentary of the innovative approach included in our Environmental Impact Study (“EIS”) for the sulphur dioxide reduction scheme and the community infrastructure assistance program. Our project will have one of the lowest carbon dioxide (“CO₂”) foot-prints in the industry so we will be well positioned with the introduction of the Federal Government CPRS in full. Other outcomes from the EIS process have included co-operation with existing industries in Gladstone and it has also resulted in the high potential of improving residue and water management when the GNP proceeds. Environmentally sustainable solutions will remain a critical goal for the Company.

An Extraordinary General Meeting was held on 14 August 2008 to provide an opportunity for shareholders to approve the Scheme Implementation Agreement with Resource Development International Limited (“RDI”) and the subsequent agreements between GPNL and companies related to Professor Clive Palmer. Unfortunately the GFC and its impact on capital markets resulted in the RDI merger proposal not proceeding.

In early 2009 the Company completed a detailed review and due diligence for the potential acquisition of the BHPB Yabulu nickel plant in Queensland. There are a number of synergies between the GPN and the Yabulu refinery that could have added significant shareholder value and provided an immediate development pathway for the GNP, however, they were unable to be realized when the vendor of the Yabulu refinery chose not to deal with GPNL and negotiated a sale to a private company associated with Professor Clive Palmer.

Over 8,500 m of diamond drilling has now been completed at Ouinné in New Caledonia and the estimated ore resource is now over 40M dmt. The additional mineralised areas (adjacent to the Ouinné Joint Venture) have increased the potential target resource to 70M dmt at 1.35% nickel. GPNL has developed a strong and lasting business relationship with our partners Société Minière Georges Montagnat (“SMGM”) and other participants in the nickel industry in New Caledonia which will provide a solid platform for growth in nickel resources.

The Ouinné JV combined with the 100% owned Marlborough project continues to provide the strategic resource base of over 20 years required for the GNP.

China Metallurgical Group Corp (“MCC”) extended the Memorandum of Understanding (“MOU”) for engineering and funding of the GNP out until June 2009. The extended timeframe for the Ramu Project construction, uncertainty from the GFC and requirement to commit construction funds to more diverse industries has now resulted in the MOU lapsing. We have maintained a very close relationship with MCC and we will resume discussions when the nickel price is sustained at higher levels and their Ramu Project construction in Papua New Guinea is complete.

We would like to acknowledge the strong and continued support from the GPNL Board and the enthusiasm and commitment from our management and staff during the past year. In addition, we would also like to pay special thanks to our Joint Venture partners in New Caledonia as their continued support is essential for our Project. We also thank the Traditional Owners at Marlborough for working with us over the year to resolve indigenous land use issues.

The Company has reduced ongoing costs significantly in an effort to recognise the impact of the GFC. Key staff only have been retained and they are working reduced hours. All non essential work, including minimum travel and sponsorships, has been stopped.

Several projects are under consideration aimed at providing an early revenue stream while still preserving the critical GNP assets. The Board is actively pursuing ways to create value during this period of uncertainty and would like to thank our shareholders for their support.

Lastly, the Board extends a special thanks to Mr John Downie who has lead the Company, as Managing Director, for over two years and delivered significant shareholder value. The Board accepted the resignation of Mr Downie whose last day was 11 September 2009. The Board is currently seeking a replacement for Mr Downie and will advise shareholders on the outcome in due course.

Financial Performance

The Company’s net loss before income tax was A\$98,513,230 (2008:A\$7,657,682) which includes an impairment loss of A\$96,015,663 (2008:A\$2,114,981). The Company increased general expenditure (excluding foreign exchange and impairment losses) in the year from A\$6,122,109 to A\$7,328,826. This was due to a significant expenditure program during the period of A\$904,000 on evaluation projects for proposed investments and expenditure on evaluation activities principally in New Caledonia during the year of A\$1,696,911 (2008:A\$613,865). Expenditure for the year was reduced with exchange gains of A\$3,466,424 (2008: exchange loss of A\$1,724,535) and interest income of A\$1,369,181 (2008: A\$2,303,943).

The Company continues to have a strong cash balance with A\$13,566,123 on hand at the end of the period.

The impairment loss of A\$96,015,663 for the year includes a write down of A\$86,367,475 on Deferred Evaluation and Exploration Assets. The Company has taken a conservative approach to the evaluation of its Deferred Evaluation and Exploration Assets and hence has taken a significant write down to this asset. The impairment loss includes an amount of \$55,624,025 being the previously capitalised non cash share based payment. The carrying value of the asset at 30 June 2009 after impairment write-down is \$18,222,910 and reflects the fair market value of the tenements based on the contained nickel laterite resources. This value does not incorporate the value of the extensive feasibility studies, environmental impact studies and development approvals which have been undertaken to facilitate project

financing and development. This approach has been adopted as a result of the deflated outlook for commodities extending from the GFC and the lapsing of the MOU with MCC.

Note 1:

- i. Ravensthorpe (BHPB) 45kt/a (Commissioned but now on care and maintenance)
- ii. Goro (Vale) 65kt/a (Commissioning but not yet producing)
- iii. Ambatovy (Sherritt) 60kt/a (construction recommenced, commissioning in late 2010)
- iv. Ramu (MCC) 35kt/a (commissioning to start in early 2010)

For more information or comment:

James Henderson, Chairman - Gladstone Pacific Nickel Tel: +61 (0) 2 9252 8466

Fiona Owen/Robert Beenstock - Grant Thornton UK LLP Tel: +44 207 383 5100

John Prior – Arbuthnot Securities Tel: +44 207 012 2000

Email: info@gladstonepacific.com.au

Gladstone Pacific Nickel Limited

Income Statement

for the year ended 30 June 2009

	Notes	Consolidated		Parent	
		June 09 (\$A)	June 08 (\$A)	June 09 (\$A)	June 08 (\$A)
Interest Income	5 (b)	1,369,181	2,303,943	1,119,326	2,125,229
Foreign Exchange Gain	5 (a)	3,466,424	-	3,466,424	-
REVENUES FROM CONTINUING OPERATIONS		4,835,605	2,303,943	4,585,750	2,125,229
Impairment Loss	10/11/12/ 14	96,015,663	2,114,981	82,604,027	1,423,082
Evaluation Costs		1,696,911	613,865	872,161	535,935
China Representative		187,788	228,588	178,592	228,588
Foreign Exchange Loss	5(a)	4,346	1,724,535	-	1,713,049
Directors' Fees / Remuneration	19	665,389	789,409	665,389	789,049
Directors' Option Expense	20(a)	52,583	24,101	52,583	24,101
Brokers' Option Expense	20(a)	42,350	14,083	42,350	14,083
Professional Fees		1,668,934	1,207,513	1,362,468	888,019
Travel and Accommodation		398,830	459,662	231,556	397,059
Wages and On-costs	5(d)	974,640	1,190,582	816,482	928,806
Office Rental	5(c)	434,846	365,524	340,552	306,976
Public Relations and Ongoing Listing Fees		398,467	368,574	398,467	368,574
IT and Communication		201,530	182,551	149,619	142,432
Marketing		18,231	60,595	7,965	31,820
Depreciation	5 (a)	167,172	134,620	146,179	112,952
Other	5 (e)	421,155	482,442	281,731	380,458
EXPENSES		103,348,835	9,961,625	88,150,121	8,284,983
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		(98,513,230)	(7,657,682)	(83,564,371)	(6,159,754)
INCOME TAX (EXPENSE) / BENEFIT	6	2,429,251	(1,274,440)	(6,249,260)	(1,228,001)
PROFIT / (LOSS) AFTER INCOME TAX EXPENSE		(96,083,979)	(8,932,122)	(89,813,631)	(7,387,755)
ATTRIBUTABLE TO:					
Minority Interest		-	36,889	-	-
Parent Interest		(96,083,979)	(8,969,011)	-	(7,387,755)
		(96,083,979)	(8,932,122)	(89,813,631)	(7,387,755)
EARNINGS PER SHARE					
Basic and Diluted Earnings (Loss) per Share (Cents per Share)	24	(150.00)	(22.07)		

Gladstone Pacific Nickel Limited

Balance Sheet

as at 30 June 2009

	Notes	Consolidated		Parent	
		June 09 (\$A)	June 08 (\$A)	June 09 (\$A)	June 08 (\$A)
CURRENT ASSETS					
Cash Assets	7	13,566,123	23,735,508	13,503,342	23,381,961
Trade and Other Receivables	8	194,815	286,213	115,566	192,818
Other Current Assets	9	898	9,231	-	3,900
TOTAL CURRENT ASSETS		13,761,836	24,030,952	13,618,908	23,578,679
NON CURRENT ASSETS					
Property Plant and Equipment	10	852,596	874,778	433,462	377,326
Investment in Subsidiaries	14	-	-	7,807,908	32,525,085
Investment in Joint Venture	15	1,712	-	1,712	-
Deferred Evaluation and Exploration Costs	11	18,222,910	111,984,745	-	1,387,021
Trade and Other Receivables	12	2,092,547	8,767,140	6,905,990	12,538,865
Deferred Tax Asset	6 (d) (i)	-	-	5,068,136	10,617,537
TOTAL NON CURRENT ASSETS		21,169,765	121,626,663	20,217,208	57,445,834
TOTAL ASSETS		34,931,601	145,657,615	33,836,116	81,024,513
CURRENT LIABILITIES					
Trade and Other Payables	13	811,489	2,186,788	566,936	815,764
Provisions	16	136,265	130,614	108,427	92,131
TOTAL CURRENT LIABILITIES		947,754	2,317,402	675,363	907,895
NON CURRENT LIABILITIES					
Trade and Other Payables	17	725,690	812,109	71,314	100,820
Deferred Tax Liabilities	6 (d) (ii)	-	2,429,251	-	-
Provisions	16	132,096	196,426	17,236	19,877
TOTAL NON CURRENT LIABILITIES		857,786	3,437,786	88,550	120,697
TOTAL LIABILITIES		1,805,540	5,755,188	763,913	1,028,592
NET ASSETS		33,126,061	139,902,427	33,072,203	79,995,921
EQUITY					
Contributed Equity	23	127,456,754	84,259,743	127,456,754	84,259,743
Reserves	23	13,522,927	36,012,711	2,198,100	2,505,198
Retained Earnings / (Accumulated Losses)		(107,874,620)	(11,790,641)	(96,582,651)	(6,769,020)
Parent Interest		33,105,061	108,481,813	33,072,203	79,995,921
Minority Interest		21,000	31,420,614	-	-
TOTAL EQUITY		33,126,061	139,902,427	33,072,203	79,995,921

Gladstone Pacific Nickel Limited

Cash Flow Statement

for the year ended 30 June 2009

	Notes	Consolidated		Parent	
		June 09 (\$A)	June 08 (\$A)	June 09 (\$A)	June 08 (\$A)
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to Suppliers and Employees		(8,328,342)	(6,351,983)	(5,447,031)	(8,055,763)
Payments for Exploration and Evaluation		(3,146,455)	(12,199,687)	-	-
Interest Received		900,993	2,202,129	900,993	2,017,139
NET CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES	25	(10,573,804)	(16,349,541)	(4,546,038)	(6,038,624)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property plant and equipment		(217,301)	(416,589)	(220,155)	(386,234)
Escrow money paid for the establishment of a joint venture		-	(5,318,688)	-	(5,318,688)
Deposit for land purchase		-	(1,684,490)	-	-
Advances to Joint Venture		-	-	-	-
Increase (decrease) in other non current receivables		-	(1,086,733)	5,314,665	(179,988)
Advanced to Subsidiaries and Joint Ventures		(1,730,598)	-	(12,779,409)	(12,855,573)
NET CASH FLOWS (USED) FROM INVESTING ACTIVITIES		(1,947,899)	(8,506,500)	(7,684,899)	(18,740,483)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Issue of Ordinary Shares and Warrants		-	12,249,479	-	12,249,479
Proceeds from Issue of Converting Shares		-	42,000	-	-
NET CASH FLOWS FROM (USED) FINANCING ACTIVITIES		-	12,291,479	-	12,249,479
Net Increase / (Decrease) in Cash Held		(12,521,703)	(12,564,562)	(12,230,937)	(12,529,629)
Net Foreign Exchange Differences		2,352,318	(1,263,660)	2,352,318	(1,252,174)
Opening Cash Brought Forward		23,735,508	37,563,730	23,381,961	37,163,764
CLOSING CASH CARRIED FORWARD		13,566,123	23,735,508	13,503,342	23,381,961

Gladstone Pacific Nickel Limited

Statement of Changes in Equity -

for the year ended 30 June 2009

Consolidated	Notes	Issued capital	Special Warrants	Accumulated Losses	Other Reserves	Minority Interest	Total
AS AT 1 JULY 2007		58,757,554	12,185,454	(2,821,630)	1,904,003	-	70,025,381
Reserve Arising from deemed partial disposal of interest in subsidiary	23 (g)	-	-	-	(9,696,433)	-	(9,696,433)
Ordinary Shares Issued During the Year	23 (d)	25,423,256	(23,554,042)	-	-	-	1,869,214
Special Warrants Issued During the Year	23(e)	-	11,368,588	-	-	-	11,368,588
Share Based Payment – Employees and Directors' Options	23 (g)	-	-	-	202,493	-	202,493
Share Based Payment – Director	23(g)	-	-	-	43,290,591	-	43,290,591
Share Based Payment – Director	23(g)	-	-	-	398,702	-	398,702
Share Issue Costs (Tax Effected)		78,933	-	-	-	-	78,933
Translation Reserve		-	-	-	(86,645)	-	(86,645)
Minority Interest acquired in MNPL		-	-	-	-	31,383,725	31,383,725
Profit / (Loss) for the Year		-	-	(8,969,011)	-	36,889	(8,932,122)
AS AT 1 JULY 2008		84,259,743	-	(11,790,641)	36,012,711	31,420,614	139,902,427
Ordinary Shares Issued During the Year	23(d)	43,197,011	-	-	-	-	43,197,011
Minority Interest prior to Purchase		-	-	-	(58,049)	(1,054)	(59,103)
Share Based Payment – Employees and Directors' Options	23(g)	-	-	-	91,603	-	91,603
Share Based Payment - Director	23(g)	-	-	-	(10,698,879)	-	(10,698,879)
Translation Reserve	23(g)	-	-	-	(26,008)	-	(26,008)
Purchase of Egidia Pty Ltd	23(d)	-	-	-	(11,798,451)	(31,398,560)	(43,197,011)
Profit / Loss for the Year		-	-	(96,083,979)	-	-	(96,083,979)
AS AT 30 JUNE 2009		127,456,754	-	(107,874,620)	13,522,927	21,000	33,126,061

Gladstone Pacific Nickel Limited

Statement of Changes in Equity

for the year ended 30 June 2009 (continued)

Parent	Notes	Issued capital	Special Warrants	Accumulated Losses	Other Reserves	Total
AS AT 1 JULY 2007		58,757,554	12,185,454	618,734	1,904,003	73,465,745
Ordinary Shares Issued During the Year	23 (d)	25,423,256	(23,554,042)	-	-	1,869,214
Special Warrants Issued During the Year	23(e)	-	11,368,588	-	-	11,368,588
Share Based Payment – Employees and Directors' Options	23 (g)	-	-	-	202,493	202,493
Share Based Payment – Director	23 (g)	-	-	-	398,702	398,702
Tax Effect of Share Issue Cost		78,933	-	-	-	78,933
Profit / (Loss) for the Year		-	-	(7,387,754)	-	(7,387,754)
AS AT 1 JULY 2008		84,259,743	-	(6,769,020)	2,505,198	79,995,921
Ordinary Shares Issued During the Year	23 (d)	43,197,011	-	-	-	43,197,011
Special Warrants Issued During the Year	23(e)	-	-	-	-	-
Share Based Payment – Employees and Directors' Options	23 (g)	-	-	-	91,603	91,603
Share Based Payment – Director	23 (g)	-	-	-	(398,701)	(398,701)
Tax Effect of Share Issue Cost		-	-	-	-	-
Profit / (Loss) for the Year		-	-	(89,813,631)	-	(89,813,631)
AS AT 30 JUNE 2009		127,456,754	-	(96,582,651)	2,198,100	33,072,203

Gladstone Pacific Nickel Limited

Notes to the Financial Statements (Extracts)

for the year ended 30 June 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporation Act 2001 and Australian Accounting Standards.

The financial statements have been prepared in accordance with the historical cost convention, which have been measured at fair value. The financial statements are presented in Australian dollars.

The accounts have been prepared using the going concern assumption. This assumes that the Group will be able to settle all debts as and when they fall due in the ordinary course of business. Management and the directors monitor the forecast cash flows to ensure that sufficient funds exists to cover overheads, retain title to mineral properties and to progress the project.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Gladstone Pacific Nickel Limited

NOTE 10. PROPERTY PLANT AND EQUIPMENT

Year Ended 30 June 2009	Consolidated			Parent	
	Plant and Equipment (\$A)	Land and Improvements (\$A)	Total (\$A)	Plant and Equipment (\$A)	Total (\$A)
As at 1 July 2008 Net carrying amount	511,227	363,551	874,778	377,326	377,326
Additions	226,535	-	226,535	217,363	217,363
Disposals	(6,379)	-	(6,379)	-	-
Depreciation charge for the year- Operations	(167,172)	-	(167,172)	(146,179)	(146,179)
Depreciation charge for the year- Evaluation	(24,916)	(9,000)	(33,916)	(15,048)	(15,048)
Impairment	-	(41,250)	(41,250)		
As at 30 June 2009 Net carrying amount	539,295	313,301	852,596	433,462	433,462
As at 30 June 2009 Cost	957,570	376,250	1,333,820	782,244	782,244
Accumulated Depreciation	(418,275)	(21,699)	(439,974)	(348,782)	(348,782)
Impairment		(41,250)	(41,250)		
As at 30 June 2009 Net Carrying Amount	539,295	313,301	852,596	433,462	433,462
As at 30 June 2008 Cost	737,189	376,250	1,113,439	564,881	564,881
Accumulated Depreciation	(225,962)	(12,699)	(238,661)	(187,555)	(187,555)
As at 30 June 2008 Net Carrying Amount	511,227	363,551	874,778	377,326	377,326
Year Ended 30 June 2008	Plant and Equipment (\$A)	Land and Improvements (\$A)	Total (\$A)	Plant and Equipment (\$A)	Total (\$A)
As at 1 July 2007 Net carrying amount	220,233	372,576	592,809	104,044	104,044
Additions	458,407	-	458,407	386,234	386,234
Disposals	(26,722)	-	(26,722)	-	-
Depreciation charge for the year- Operations	(134,620)	-	(134,620)	(112,952)	(112,952)
Depreciation charge for the year- Evaluation	(6,071)	(9,025)	(15,096)	-	-
As at 30 June 2008 Net carrying amount	511,227	363,551	874,778	377,326	377,326

Gladstone Pacific Nickel Limited

	Consolidated		Parent	
	June 09 (\$A)	June 08 (\$A)	June 09 (\$A)	June 08 (\$A)
NOTE 11. DEFERRED EVALUATION AND EXPLORATION				
Opening balance	111,984,745	35,562,039	1,387,021	1,423,082
Foreign Currency Translation	127,053	-	-	-
Additions	3,177,466	12,214,783	-	-
Share Based Payments (refer Note 19(a))	-	66,322,904	-	1,387,021
Reversal of Share Based Payment (i)	(10,698,879)	-	(398,702)	-
Impairment (ii)	(86,367,475)	(2,114,981)	(988,319)	(1,423,082)
	18,222,910	111,984,745	-	1,387,021

Exploration and Evaluation expenditure incurred by the Group is accumulated for each area of interest. This expenditure is carried at cost and is comprised of direct costs and an appropriate directly attributable portion of related salary and contractor costs and overhead costs.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area on a production output basis. The amount will be recovered through successful development or sale.

i. Share Based Payments associated with progressing the evaluation of the Marlborough Nickel Project:

On 7 December 2007, MNPL entered into Share Subscription Agreements with Dasines Pty Ltd. An amendment to the milestones in the Dasines Share subscription agreement was approved on 14 August 2008. Under the subscription agreements, shares issued to Dasines would convert to ordinary shares in MNPL on the achievement of certain milestones. The milestones were:

1. Execution of a binding agreement for the turnkey construction of the Gladstone Nickel Project; and
2. Execution of a binding agreement for the financing of or assistance with the financing of the Gladstone Nickel Project or
3. The Company entering a Scheme of Arrangement with Resource Developments International Limited ("RDI").

The Scheme of Arrangement with RDI was not completed by 31 March 2009, and Milestone 3 was not achieved. The Memorandum of Understanding ("MOU") with MCC lapsed on 30 June 2009. As a result, it is not probable that Milestone 1 and 2 will be achieved. Based on this, the portion of the Dasines Share based payment previously capitalised to Deferred Evaluation and Exploration has been reversed.

ii. Impairment:

Exploration and Evaluation expenditure incurred by the Group is accumulated for each area of interest. This expenditure is carried at cost and is comprised of direct costs and an appropriate directly attributable portion of related salary and contractor costs and overhead costs.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area on a production output basis. The amount will be recovered through successful development or sale.

The Group determines whether Deferred Evaluation and Exploration Costs are impaired at least on a bi-annual basis.

In assessing whether impairment is required to the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the groups activities, the fair value less costs to sell' approach has been used in assessing the impairment charges.

The triggers for the impairment test were the significant fall in the price of nickel, the closing of major nickel operations and write down of associated carrying values, proposed RDI listing not proceeding and the MOU with MCC lapsing as at 30 June 2009.

Total impairment charges of \$86,367,475 have been recognised in respect of the Deferred Evaluation and Exploration asset.

The Impairment charge includes the full impairment of the Deferred Evaluation and Exploration asset associated with the Quinne SAS Joint Venture. As part of the Joint venture agreement, GPNL was to provide financing for the GNP. As the current Dasines agreement for funding of the GNP is not proceeding, the Group has assessed that an impairment trigger exists in relation to the assessment of the recoverable amount of the Deferred Evaluation and Exploration asset associated with the JV. The recoverable amount of the Deferred Exploration and Evaluation asset was based on the groups estimate of fair value less costs to sell, consistent with recent transactions of nickel projects having regard to the recoverable amounts work undertaken in relation to engineering, environmental and metallurgical activities.

Gladstone Pacific Nickel Limited

	Consolidated		Parent	
	June 09 (\$A)	June 08 (\$A)	June 09 (\$A)	June 08 (\$A)
NOTE 12. TRADE AND OTHER RECEIVABLES (NON-CURRENT)				
Amounts Receivable from Subsidiaries (a) (Refer Note 19)	-	-	12,724,579	7,040,189
Impairment of Receivables from Subsidiaries (b)	-	-	(6,012,603)	-
Security Deposits - Bank Guarantees	352,807	1,215,787	194,014	179,988
Amounts in Escrow	-	5,318,688	-	5,318,688
Amounts receivable from Joint Venture parties (c)	7,688,918	-	7,688,918	-
Impairment of Receivables from JV parties (e)	(7,688,918)	-	(7,688,918)	-
Amounts receivable from Joint Venture Parties (d)	1,918,020	482,991	-	-
Impairment of Receivables from JV parties (e)	(1,918,020)	-	-	-
Others	55,250	65,184	-	-
Deposits – Land (Note18 (g))	1,684,490	1,684,490	-	-
	2,092,547	8,767,140	6,905,990	12,538,865

- (a) This amount is unsecured, interest free and repayable on demand.
- (b) The loan balances arise from the transfer of cash and exploration and evaluation expenditure incurred by GPNL on behalf of the MNPL, GNPP and GNC in relation to their exploration assets. The subsidiaries major assets are deferred exploration expenditure leaving them unable to repay in full their loans to GPNL until production commences or the asset is sold. The Exploration and Evaluation assets have been impaired and are written down to their recoverable value. The Group has assessed that an impairment trigger exists in relation to GPNL' S loan receivables with its Subsidiaries and these amounts have been impaired to the amount recoverable by the parent as at 30 June 2009.
- (c) This amount forms part of the arrangements to earn an interest in the JV in New Caledonia. (refer also Note 18(e)).
- (d) This amount is interest bearing and represents advances made for the payment of exploration and evaluation activities in New Caledonia. The loans will be repaid by way of reduction in the Groups' purchase price of materials from the entity.
- (e) As part of the Joint venture agreement, with SMGM, GPNL was to provide financing for the GNP. As the current agreement for funding of the GNP is not proceeding, the group has assessed that all receivables from Ouinné SAS are subject to impairment .The recoverable amount of the receivable has been assessed as zero. An impairment expense has been included in the income statement.

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NOTE 14. INVESTMENTS IN SUBSIDIARIES

	Consolidated		Parent	
	June 09 (\$A)	June 08 (\$A)	June 09 (\$A)	June 08 (\$A)
Investments in Subsidiaries				
Marlborough Nickel Pty Ltd (a)	-	-	32,452,079	32,452,079
Gladstone Nickel Pipeline Pty Ltd	-	-	1	1
Gladstone Nickel Project Pty Ltd	-	-	1	1
Gladstone New Caledonia SAS	-	-	71,145	71,145
Gladstone Solomon Islands Pty Ltd	-	-	1,859	1,859
Egidia Pty Ltd	-	-	43,197,011	-
Impairment Provision	-	-	(67,914,188)	-
	-	-	7,807,908	32,525,085

Equity Interests are listed in Note 19

The subsidiaries major assets are deferred exploration expenditure leaving them unable to repay their loans to GPNL until production commences or the asset is sold. The Exploration and Evaluation assets have been impaired and are written down to their recoverable value. The Group has assessed that an impairment trigger exists in relation to the carrying amount of the parent's investment in Subsidiaries. As a result, the recoverable amount of the Investments in Subsidiaries has been assessed as the amount recoverable by the parent and impairment charge of \$67,914,188 has been included in the income statement.

NOTE 24. EARNINGS PER SHARE

	Consolidated	
	June 09 (\$A)	June 08 (\$A)
Net Profit (Loss)	(96,083,979)	(8,969,011)
Earnings used in Calculation of Basic and Diluted Earnings per Share	(96,083,979)	(8,969,011)
Weighted Average Number of Ordinary Shares on Issue Used in the Calculation of Basic Earnings per Share	63,970,835	40,517,126
Basic Earnings per Share	(1.50)	(0.22)

Options on issue are not considered dilutive.

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NOTE 25. CASH FLOW STATEMENT RECONCILIATION

	Consolidated		Parent	
	June 09 (\$A)	June 08 (A\$)	June 09 (\$A)	June 08 (A\$)
a) Reconciliation of operating profit/ (loss) after tax to the net cash flows from operations				
Operating Profit/(Loss) After Tax	(96,083,979)	(8,932,122)	(89,813,631)	(7,387,754)
Adjusted for :				
Interest	(218,333)		(218,333)	
Provision for Employee Entitlements	10,618	32,269	24,921	6,617
Gain on Foreign Exchange	(3,462,078)	1,263,660	(3,466,424)	1,252,174
Impairment Loss	96,015,663	2,114,981	82,604,027	1,423,082
Depreciation- Charged to Operations	167,172	134,620	146,179	112,952
Depreciation- Charged to Evaluation		15,096	33,916	-
Movement in Shares Based Payments and other reserves.	(6,491)	49,118	91,604	49,118
Changes in Assets and Liabilities:				
(Increase)/Decrease in Receivables	91,398	444,499	93,149	176,731
(Increase)/Decrease in Deferred Evaluation Costs	(3,146,455)	(12,289,066)	(26,025)	-
(Increase)/Decrease in Prepayments and other Assets	8,333	24,132		-
(Increase)/Decrease in Deferred Tax Asset/ Liability	(2,429,253)	1,274,440	6,249,260	(1,977,264)
Increase/(Decrease) in Payables	(1,369,655)	(542,175)	(248,829)	185,021
Increase/(Decrease) in Non-Current Payables	(86,414)	41,130	(13,212)	100,822
Increase/(Decrease) in Non-Current Provisions	(64,330)	19,877	(2,640)	19,877
Net Cash Flow Used from Operating Activities	(10,573,804)	(16,349,541)	(4,546,038)	(6,038,624)
Reconciliation of Cash:				
Cash Balance Comprises				
Cash at Bank and on Short Term Deposit	13,566,123	23,735,508	13,503,342	23,381,961
Closing Cash Balance	13,566,123	23,735,508	13,503,342	23,381,961
b) Non cash financing and investments activities				
Share Based Payments (note 21)	-	66,322,904	-	1,387,022
Ordinary Shares Issued as per (note 19)	43,197,011		43,197,011	-
Reversal of Share Based Payments	(10,698,879)	-	(10,698,879)	-
Conversion of Special Warrants to Ordinary Shares(note 22 (e))	-	12,185,454	-	12,185,454
Conversion of Subsidiary Debt in parent to Equity (note 14)	-	-	-	32,452,079

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NOTE 26. EVENTS AFTER BALANCE DATE

(a) Extension of Memorandum of Understanding with MCC.

GPNL and MCC have not extended the expiry dates of the exclusivity period of the MOU from 30 June 2009. The MOU announced on 30 January 2008 provided MCC with an exclusive right to negotiate and finalise financing and construction agreements for the GNP.