

GLADSTONE PACIFIC NICKEL LTD
ACN 104 261 887

Final Results for the year ended 30 June 2010

3 November 2010

Gladstone Pacific Nickel Limited ("GPNL" or "the Company") is pleased to report its final results for the year ended 30 June 2010. Extracts of the financial report are set out below and a full copy will be available on the Company's website prior to the Company's Annual General Meeting.

Chairman's Review

The Global Financial Crisis ("GFC") has continued to impact on world capital markets, business confidence in commodity markets, and in turn, has continued to impact on the timing of the Gladstone Nickel Project ("GNP" or the "Project"). The major issue in moving the GNP to its next stage apart from the lingering effects of the GFC is the ability of the Company to secure financing. Several new Projects were considered during the period, aiming at providing an earlier revenue stream whilst preserving the critical GNP assets. Relationships with key stakeholders critical to the success of the GNP have also been maintained during the period.

This year saw a number of significant shareholder and Board changes. Mr Clive Palmer and his associated entities purchased additional GPNL shares, taking their total shareholding to represent 50.04% of the Company's ordinary shares in issue. A number of Board appointments and resignations followed the acquisition.

In August 2010, QNI Resources Pty Ltd ("QNI") (a company wholly owned by Mr Clive Palmer) through which he owns 50.04% of the ordinary shares of the GPNL, made an unconditional cash offer of £0.14 per share, on 21 September 2010, for all the ordinary shares in GPNL it does not already own. Details of the QNI takeover offer and the Company's response can be found in the Bidder and Target Statements (including the Supplementary Target's Statement), which have been separately distributed to shareholders. Mr Dominic Martino, as the only independent director of GPNL, has made a recommendation in relation to the QNI takeover offer to GPNL shareholders in the Target's Statement. Mr Martino recommends shareholders **REJECT** the Offer if they have a medium to long term investment horizon and are prepared to accept the significant and material ongoing risks of an investment in GPNL. However, if shareholders do not wish to accept those significant and material ongoing risks of an investment in GPNL or have a shorter term investment horizon, they may wish to **CONSIDER ACCEPTING** QNI's Offer. The key reasons for Mr Martino's recommendation are set out in the Target's Statement.

The offer closed on 25 October 2010.

On 25 October 2010, an application was made to the Takeovers Panel in Australia by RAB Special Situations (Master) Fund Limited (a shareholder of the Company) alleging that unacceptable circumstances had arisen in relation to the takeover offer for GPNL by QNI in respect of alleged deficiencies in the Company's Target's Statement, and sought orders that a further supplementary Target's Statement be issued and accepting shareholders be given a right to withdraw their acceptances. The Takeovers Panel made an interim order to the effect of preventing QNI from processing acceptances of the offer or paying consideration until further order or the matter being determined. At the date of this report, the Takeovers Panel had yet to decide to conduct proceedings in relation to the matter.

On 21 October the Company's Nominated Adviser for the purposes of the AIM Rules for Companies resigned. The Company's shares will be temporarily suspended from trading on AIM until such time as a replacement Nominated Adviser is appointed. If by 19 November 2010, the Company has failed to appoint a replacement Nominated Adviser, the admission of the Company's shares to trading on AIM will be cancelled. On 25 October, the Company's Broker resigned. The board is reviewing its position in relation to the appointment of the Nominated Advisor and Broker.

This year's notable developments include:

- October 2009:
GPNL executed a Memorandum of Understanding ("MOU") for the development of a heap leach project at Marlborough with China Tianchen Engineering Corp ("TCC"). Preliminary work was commenced on the heap leach project at Marlborough in November 2009. In January 2010, this project was put on hold until such time as a clear pathway forward for financing and development is identified. The assets generated in the partially completed construction works have been maintained and could be utilized should that be deemed appropriate in the future.
- January 2010
Related entities to Mr Clive Palmer acquired an additional 950,000 GPNL ordinary shares at 17 pence per share. Following this purchase, Mr. Palmer and his related entities held 35,495,233 ordinary shares in the Company representing 50.04% of the ordinary shares in issue.

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- April 2010
An extraordinary general meeting of members held in April 2010 resulted in the removal of two Directors and appointment of two new Directors, Mr. Vimal Sharma and Mr. William Haseler. In May 2010, Mr. Neil Meadows was appointed as acting Managing Director. Mr Sharma subsequently resigned on 9 April 2010. Mr Haseler resigned on 9 September 2010 and Mr Meadows resigned on the 13 September 2010.

Post Year End:

- July 2010
The Memorandum of Understanding with TCC, for the development of a heap leach project at Marlborough, expired on the 30th June 2010. GPNL is still continuing its discussions with TCC and the Company remains hopeful that a development path can be identified and pursued.
- September 2010
Mr Clive Palmer was appointed as Non Executive Director on 13 September 2010.

DEVELOPMENTS DURING THE YEAR

During the year, GPNL has continued to maintain a strong and lasting business relationship with our partners Société Minière Georges Montagnat ("SMGM") and other participants in the nickel industry in New Caledonia. These partners have the potential to provide a solid platform for growth in nickel resources available to the GNP. The agreement with SMGM is conditional upon GPNL securing funding for the GNP. The dates associated with funding have been extended by mutual agreement between the parties to 30th December 2011, with GPNL having an option to extend this date upon payment of US\$1,000,000 to 30th December 2012.

The Company announced on the 17 September 2007 the signing of land agreements with the Queensland State Government in relation to the proposed refinery site and residue storage area in the Gladstone. These agreements are conditional on securing sufficient financing to fund the development of the GNP. The requirement to satisfy this condition has been extended to 6 March 2012 by mutual agreement between GPNL and the Queensland State government.

The Environmental Impact Statement (EIS) in relation to the Project approved by the Queensland State Government and the Commonwealth Government for construction and operation of Stages 1 and 2 of the Project remains current. The EIS continues to be a critical foundation in the development of the GNP.

The Company has maintained its Marlborough resources and reserves during the period and holds valid Mining Leases and Exploration Permits, along with associated Environmental Authorities and regional Registered Native Title agreements. The final necessary Indigenous Land User Agreement was registered 9 December 2009. Traditional owner relationships remain on a sound footing.

FINANCIAL PERFORMANCE

The Company's net loss before income tax was A\$2,396,873 (2009: A\$98,513,230) which includes an impairment loss reversal of A\$1,825,204 (2009: impairment loss of A\$96,015,663). The Company decreased general expenditure (excluding foreign exchange, impairment reversal and tenement expenses) in the year from A\$7,328,826 in 2009 to A\$3,276,219. The decreases in expenditure reflect the significant reductions in Director Fees, senior management salaries, professional fees and travel costs, reflecting the limited project based activity during the period.

Based on movements in exchange rates affecting loan balances with the Ouinne Joint Venture, exchange losses of A\$345,608 (2009: exchange gain of A\$3,466,424) were recorded.

Interest income for the period was A\$697,379 (2009: A\$1,369,181).

Tenement Expenditure of A\$1,305,504 (2009: nil) reflects ongoing native title and tenement maintenance costs for the Marlborough Tenements. In prior periods, tenement expenditure has been capitalised to the Deferred Evaluation and Exploration Expenditure asset. During the period, minimal project based activity has taken place; therefore ongoing costs of maintaining the GNP and the Marlborough Tenements are expensed as incurred.

The net loss before income tax includes an impairment loss reversal of A\$1,825,204 (2009: impairment loss of A\$96,015,663). The carrying value of the Deferred Evaluation and Exploration Expenditure asset at 30 June 2010 after impairment adjustment is \$A20,048,114 (2009: \$18,222,910) and reflects the historical cost of the asset. 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 is consistent with the valuation methodology applied in 2009, having regard to the applicable accounting standards. The Company, in assessing the Deferred Evaluation and Exploration Expenditure asset for impairment, has taken into consideration the Independent Expert Report which was included in the GPNL Target Statement in response to QNI's Takeover offer.

The Company continues to have a strong cash balance with A\$9,362,976 (2009: A\$13,566,123) on hand at the end of the period.

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The Board and senior management would like to acknowledge the strong and continued support from all the stakeholders associated with the Company. The Board would also like to thank our shareholders for their continued support during the year.

ENDS

For more information or comment

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GLADSTONE PACIFIC NICKEL LTD
Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	Consolidated	
		June 10 (\$A)	June 09 (\$A)
Interest Income	5(b)	697,379	1,369,181
Foreign Exchange Gain	5 (a)	-	3,466,424
Other Income	5(b)	7,875	-
REVENUES FROM CONTINUING OPERATIONS		705,254	4,835,605
Impairment Loss/ Reversal	11/12	(1,825,204)	96,015,663
Tenement Expenses		1,305,504	-
Evaluation Costs		413,108	1,696,911
China Representative		-	187,788
Foreign Exchange Loss	5(a)	345,608	4,346
Directors' Fees / Remuneration	18	571,030	665,389
Directors' Option Expense	19(a)	81,065	52,583
Brokers' Option Expense	19(a)	42,250	42,350
Professional Fees		330,213	1,668,934
Travel and Accommodation		106,624	398,830
Wages and On-costs	5(d)	484,040	974,640
Office Rental	5 (c)	559,703	434,846
Public Relations and Ongoing Listing Fees		135,313	398,467
IT and Communication		110,083	201,530
Marketing		-	18,231
Depreciation	5 (a)	173,729	167,172
Other	5(e)	269,061	421,155
EXPENSES		3,102,127	103,348,835
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		(2,396,873)	(98,513,230)
INCOME TAX (EXPENSE) / BENEFIT	6	333,460	2,429,251
PROFIT / (LOSS) AFTER INCOME TAX EXPENSE		(2,063,413)	(96,083,979)
OTHER COMPREHENSIVE INCOME			
Foreign Currency Translation		(17,048)	(26,008)
TOTAL COMPREHENSIVE INCOME		(2,080,461)	(96,109,987)
EARNINGS PER SHARE			
Basic Earnings (Loss) per Share (Cents per Share)	24	(2.90)	(150.00)

GLADSTONE PACIFIC NICKEL LTD

Statement of Financial Position

as at 30 June 2010

		Consolidated	
Notes	June 10 (\$A)	June 09 (\$A)	
CURRENT ASSETS			
Cash Assets	7	9,362,976	13,566,123
Trade and Other Receivables	8	4,283	93,607
Other Current Assets	9	70,524	102,106
TOTAL CURRENT ASSETS		9,437,783	13,761,836
NON CURRENT ASSETS			
Property Plant and Equipment	10	843,076	852,596
Investment in Joint Venture	14	1,712	1,712
Deferred Evaluation and Exploration Costs	11	20,048,114	18,222,910
Trade and Other Receivables	12	1,873,599	2,092,547
Deferred Tax Asset	6 (d)	-	-
TOTAL NON CURRENT ASSETS		22,766,501	21,169,765
TOTAL ASSETS		32,204,284	34,931,601
CURRENT LIABILITIES			
Trade and Other Payables	13	238,535	811,489
Provisions	15	107,642	136,265
TOTAL CURRENT LIABILITIES		346,177	947,754
NON CURRENT LIABILITIES			
Trade and Other Payables	16	621,457	725,690
Deferred Tax Liabilities	6 (d)	-	-
Provisions	15	114,860	132,096
TOTAL NON CURRENT LIABILITIES		736,317	857,786
TOTAL LIABILITIES		1,082,494	1,805,540
NET ASSETS		31,121,790	33,126,061
EQUITY			
Contributed Equity	23	127,456,754	127,456,754
Reserves	23	13,582,069	13,522,927
Retained Earnings / (Accumulated Losses)		(109,938,033)	(107,874,620)
Parent Interest		31,100,790	33,105,061
Non Controlling Interest		21,000	21,000
TOTAL EQUITY		31,121,790	33,126,061

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Cash Flow Statement

for the year ended 30 June 2010

Consolidated		
Notes	June 10 (\$A)	June 09 (\$A)
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to Suppliers and Employees	(4,779,838)	(8,328,342)
Payments for Exploration and Evaluation	-	(3,146,455)
Research and Development Rebate	333,460	-
Interest Received	494,107	900,993
NET CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES	25 (3,952,271)	(10,573,804)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property plant and equipment	(268,150)	(217,301)
Deposit for land purchase	-	-
Advances to Joint Venture	(176,560)	(1,730,598)
Increase (decrease) in other non current receivables	193,834	-
NET CASH FLOWS (USED) FROM INVESTING ACTIVITIES	(250,876)	(1,947,899)
Net Increase / (Decrease) in Cash Held	(4,203,147)	(12,521,703)
Net Foreign Exchange Differences	-	2,352,318
Opening Cash Brought Forward	13,566,123	23,735,508
CLOSING CASH CARRIED FORWARD	7 9,362,976	13,566,123

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Statement of Changes in Equity

for the year ended 30 June 2010

Consolidated	Notes	Issued Capital	Special Warrants	Accumulated Losses	Other Reserves	Non Controlling Interest	Total Equity
AS AT 1 JULY 2008		84,259,743	-	(11,790,641)	36,012,711	31,420,614	139,902,427
Profit (Loss) for the period		-	-	(96,083,979)			(96,083,979)
Other Comprehensive Income					(26,008)	-	(26,008)
Total Comprehensive Income				(96,083,979)	(26,008)		(96,109,987)
Ordinary Shares Issued During the Year	23(c)	43,197,011	-	-	-	-	43,197,011
Non Controlling Interest prior to Purchase	23 (e)	-	-	-	(58,049)	(1,054)	(59,103)
Share Based Payment – Employees and Directors’ Options	23 (e)	-	-	-	91,603	-	91,603
Share Based Payment - Director	23 (e)	-	-	-	(10,698,879)	-	(10,698,879)
Purchase of Egidia Pty Ltd	23 (e)	-	-	-	(11,798,451)	(31,398,560)	(43,197,011)
AS AT 30 JUNE 2009		127,456,754	-	(107,874,620)	13,522,927	21,000	33,126,061
Profit (Loss) for the period		-	-	(2,063,413)	-	-	(2,063,413)
Other Comprehensive Income	23 (e)	-	-	-	(17,048)	-	(17,048)
Share Based Payment – Employees and Directors’ Options	23 (e)	-	-	-	76,190	-	76,190
AS AT 30 JUNE 2010		127,456,754	-	(109,938,033)	13,582,069	21,000	31,121,790

GLADSTONE PACIFIC NICKEL LTD

Notes to the Financial Statements (extracts)

for the year ended 30 June 2010

1. 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. 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 exist 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.

Notes to the Financial Statements (extracts)

for the year ended 30 June 2010

	Consolidated	
	June 10 (\$A)	June 09 (\$A)
11.DEFERRED EVALUATION AND EXPLORATION		
Opening balance	18,222,910	111,984,745
Foreign Currency Translation	-	127,053
Additions	-	3,177,466
Reversal of Share Based Payment (i)	-	(10,698,879)
Impairment (ii)	1,825,204	(86,367,475)
	20,048,114	18,222,910

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 Group's activities, the "fair value less costs to sell" approach has been used in assessing the impairment charges. Where the recoverable amount is greater than the historical cost of the asset, the historical cost is recorded.

Based on a valuation included in the Target Statement completed in response to QNI Takeover proposal, the Company has concluded that the recoverable amount of this asset is greater than the carrying amount as at 30 June, 2010. The carrying amount of the asset is \$20,048,114 (2009: \$18,222,910). An impairment reversal has been made, whereby the carrying amount of the asset at the end of the period is equivalent to the historical cost of the asset. The impairment reversal of \$1,825,204 has been made in the Statement of Comprehensive Income.

The 2009 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 funding of the GNP is uncertain, the Group has assessed that this asset remains fully impaired as at 30 June 2010.

Notes to the Financial Statements (extracts)

for the year ended 30 June 2010

	Consolidated	
	June 10 (\$A)	June 09 (\$A)
12. TRADE AND OTHER RECEIVABLES (NON-CURRENT)		
Security Deposits - Bank Guarantees	158,972	352,807
Amounts Receivable from Ouinne SAS to parent (a)	7,499,154	7,688,918
Impairment of Receivable from Ouinne SAS to parent (c)	(7,499,154)	(7,688,918)
Amounts Receivable from Ouinne SAS to subsidiary (b)	1,717,470	1,918,020
Impairment of Receivable from Ouinne SAS to subsidiary (c)	(1,717,470)	(1,918,020)
Others	30,137	55,250
Deposits – Land (Note17 (f))	1,684,490	1,684,490
	1,873,599	2,092,547

- (a) This amount forms part of the arrangements to earn an interest in Ouinne SAS. (refer also Note 17 (f))
- (b) 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 Ouinne SAS.
- (c) As part of the Joint venture agreement, with SMGM, GPNL was to provide financing for the GNP. As the agreement for funding of the GNP did not proceed, the group assessed that all receivables from Ouinne SAS are subject to impairment. The recoverable amount of the receivable has been assessed as zero. An impairment expense has been included in the Statement of Comprehensive Income.

Notes to the Financial Statements (extracts)

for the year ended 30 June 2010

24. EARNINGS PER SHARE

	Consolidated	
	June 10	June 09
	(\$A)	(\$A)
Net Profit (Loss)	(2,063,413)	(96,083,979)
Earnings used in Calculation of Basic Earnings per Share	(2,063,413)	(96,083,979)
Weighted Average Number of Ordinary Shares on Issue Used in the Calculation of Basic Earnings per Share	70,935,699	63,970,835
Basic Earnings per Share	(0.03)	(1.50)

Options on issue are not considered dilutive.

Notes to the Financial Statements (extracts)

for the year ended 30 June 2010

25. CASH FLOW STATEMENT RECONCILIATION

	Consolidated	
	June 10 (\$A)	June 09 (A\$)
Operating Profit/(Loss) After Tax	(2,063,413)	(96,083,979)
Adjusted for :		
Interest	(173,147)	(218,333)
Share based Payments	76,190	-
Provision for Employee Entitlements	59,727	10,618
(Gain)/ Loss on Foreign Exchange	345,608	(3,462,078)
Impairment Loss Reversal	(1,825,204)	96,015,663
Depreciation- Charged to Operations	173,729	167,172
Loss on Disposal of Fixed Assets	89,185	-
Movement in Shares Based Payments and other reserves.	81,706	(6,491)
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	133,523	91,398
(Increase)/Decrease in Deferred Evaluation Costs	-	(3,146,455)
(Increase)/Decrease in Prepayments and other Assets	206,331	8,333
(Increase)/Decrease in Deferred Tax Asset/ Liability	(333,460)	(2,429,253)
Increase/(Decrease) in Payables	(601,577)	(1,369,655)
Increase/(Decrease) in Non-Current Payables	(104,233)	(86,414)
Increase/(Decrease) in Non-Current Provisions	(17,236)	(64,330)
Net Cash Flow Used from Operating Activities	(3,952,271)	(10,573,804)
Reconciliation of Cash:		
Cash Balance Comprises		
Cash at Bank and on Short Term Deposit	9,362,976	13,566,123
Closing Cash Balance	9,362,976	13,566,123
(a) Non cash financing and investments activities		
Ordinary Shares Issued	-	43,197,011
Reversal of Share Based Payments	-	(10,698,879)

Notes to the Financial Statements (extracts)

for the year ended 30 June 2010

26. EVENTS AFTER BALANCE DATE

Expiration of Memorandum of Understanding with TCC:

The Memorandum of Understanding with China Tianchen Engineering Corporation ("TCC") for development of a heap leach project at Marlborough expired on the 30th June 2010. The Group is continuing its discussions with TCC with the objective that a development path can be identified and pursued.

Takeover Offer from QNI Resources Pty Ltd

The Company received a takeover offer on 12 August 2010 from QNI (a company ultimately owned by Mr Clive Palmer) for £0.14 per ordinary share for shares it did not own in the Company.

The Bidder's Statement was received by the Company on 21 September 2010 and has been distributed to Shareholders.

The Company has concluded a Target's Statement in which the Independent Director, Mr Martino, has advised shareholders of his opinion in relation to the takeover offer by QNI. The Target's Statement was distributed to shareholders on 6 October 2010. In addition the Company issued a Supplementary Target's Statement dated 12 October 2010 which is to be read in conjunction with the Target's Statement dated 5 October 2010.

The offer closed on 25 October 2010.

On 25 October 2010, an application was made to the Takeovers Panel in Australia by RAB Special Situations (Master) Fund Limited (a shareholder of the Company) alleging that unacceptable circumstances had arisen in relation to the takeover offer for GPNL by QNI in respect of alleged deficiencies in the Company's Target's Statement, and sought orders that a further supplementary Target's Statement be issued and accepting shareholders be given a right to withdraw their acceptances. The Takeovers Panel made an interim order to the effect of preventing QNI from processing acceptances of the offer or paying consideration until further order or the matter being determined. At the date of this report, the Takeovers Panel had yet to decide to conduct proceedings in relation to the matter.

Resignation of Nominated Advisor and Broker

On 21 October the Company's Nominated Adviser for the purposes of the AIM Rules for Companies resigned. The Company's shares will be temporarily suspended from trading on AIM until such time as a replacement Nominated Adviser is appointed. If by 19 November 2010, the Company has failed to appoint a replacement Nominated Adviser, the admission of the Company's shares to trading on AIM will be cancelled. On 25 October, the Company's Broker resigned. The board is reviewing its position in relation to the appointment of the Nominated Adviser and Broker.