GLADSTONE PACIFIC NICKEL LTD
ACN 104 261 887

Final Results for the year ended 30 June 2011

25 October 2011

Gladstone Pacific Nickel Limited ("GPNL" or "the Company") is pleased to report its final results for the year ended 30 June 2011 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

During this year, while Gladstone Pacific Nickel Ltd ("GPNL") has not been able to progress the Gladstone Nickel Project ("GNP") as quickly as it would have wished. 2010/2011 saw a number of significant shareholder transactions and corporate developments.

- August 2010:

  In August 2010, QNI Resources Pty Ltd ("QNI") (a wholly owned subsidiary of Mr Clive Palmer) made an unconditional cash offer of £0.14 per share for all the ordinary shares in GPNL it did not already own. QNI received 3,899,105 acceptances in respect to their takeover bid which closed on 25 October 2010. Following this purchase, Mr. Palmer and his related entities held 39,394,338 ordinary shares in the Company representing 55.53% of the ordinary shares in issue. QNI subsequently transferred its shareholding to Waratah Coal Pty Ltd ("Waratah") a wholly owned subsidiary of Mr Clive Palmer

- November 2010.

  The Company was unable to appoint a replacement Nominated Advisor for the purposes of the AIM Rules for Companies. Pursuant to AIM Rule 1, the Company's AIM securities were cancelled from AIM on 24 November 2010

- June 2011.

  In June 2011, Waratah made an unconditional cash offer of $A0.05 per share for all the ordinary shares in GPNL it did not already own. Waratah received 589,888 acceptances in respect to their takeover bid which closed on 1 August 2011 . Following this purchase, Mr. Palmer and his related entities held 39,984,226 ordinary shares in the Company representing 56.37% of the ordinary shares in issue. Waratah subsequently transferred its shareholding to Fairway Coal Pty Ltd ("Fairway) a wholly owned subsidiary of Mr Clive Palmer.

- August 2011.

  On 12 August, the Company lodged a Prospectus with ASIC for a non-renounceable rights issue to existing Shareholders on the basis of 11 new shares for every 1 share held at an issue price of $0.08 per new share. The amount raised by the Issue, after deducting associated costs, was to be used by the Company to undertake a variety of activities, including funding ongoing operating and legal costs, a revised drilling program and tenement acquisition program and an updated feasibility study and to fund the Company's obligations under the then proposed variation of contracts to purchase land for the Project from the Queensland State Government. On 22 August, 2011 an application was made to the Takeovers Panel in Australia by a shareholder Robash Pty Ltd ("Robash") alleging that unacceptable circumstances had arisen in relation to the proposed issue. On 9 September, 2011 ,the company's major shareholder, Fairway ,advised GPNL they would not support the current capital raising .The prospectus was withdrawn on 9 September 2011. The Takeovers Panel declined to make a declaration of unacceptable circumstances in response to the application by Robash. The Board is reviewing the group's funding requirements with a view to a capital raising later in the year to be used to undertake a variety of activities as outlined in the prospectus.

- September 2011.

  GPNL is party to legally binding agreements with the Queensland Government to acquire land at Gladstone for its refinery and residue storage facility for A$33 million subject to various approval and development conditions. In September 2011 the company concluded negotiations with the relevant agencies to revise the content and timing of the development conditions applicable to the land. The detailed changes to the land agreements are set out in the Directors Report. GPNL is able to proceed with the purchase of the land at any time, subject to the availability of funds. GPNL considers that the modification of the conditions as described above is advantageous for its timetable for the development of the Project

OTHER DEVELOPMENTS DURING THE YEAR

During the year, GPNL has continued to talk with our partners Société Minière Georges Montagnat ("SMGM") in New Caledonia. The agreement with SMGM is conditional upon GPNL securing funding for the GNP. The dates associated with funding are 30th December 2011, with GPNL having an option to extend this date to 30 December 2012, upon payment of US$1,000,000. Discussions between GPNL and SMGM have commenced in relation to the JV agreement, however an outcome has not yet been reached.

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 group has maintained its Marlborough resources and reserves during the period. . The group 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.

On 29 July 2011 Robash, filed an application in the Supreme Court of New South Wales seeking leave of the Court to bring proceedings in the name of GPNL against Clive Palmer and other companies controlled by him. GPNL has obtained legal advice about the claim by Robash. On the basis of that advice, the independent director of GPNL, Mr Martino, remains of the view that the claim by Robash is not supported. GPNL has instructed its solicitors to defend Robash's application. As at the date of this report, it is not possible to predict whether Robash will be granted leave to bring proceedings in GPNL's name.

FINANCIAL PERFORMANCE

The Company's net loss before income tax was A$2,438,154(2010: A$2,396,873) which includes an impairment loss reversal of A$1,105,003 (2009: A$ 1,825,204).

Based on movements in exchange rates affecting loan balances with the Ouinne Joint Venture , exchange losses of A$1,213,897(2010: A$345,608) were recorded.

Interest income for the period was of A$591,616 (2010: A$697,379).

Tenement Expenditure of A$912,966 (2010: A$1,305,504) reflects ongoing native title and tenement maintenance costs for the GNP. During 2010 additional salaries were incurred in relation to review of the Marlborough Heap leach program.

Professional Fees were A$470,237(2010: A$330,213) reflecting costs associated with undertaking various corporate transactions.

Wages and on costs were A$769,852 (2010: A$484,040). The increase during 2011 represents payments of contractual obligations for senior management.

The carrying value of the Deferred Evaluation and Exploration Expenditure asset at 30 June 2011 remains at $A20,048,114 (2010: A$20,048,114)and reflects the historical cost of the asset after adjustment for impairment. 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 2010, 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 Waratah's Takeover offer.

The Company continues to have a strong cash balance with A$7,176,758 (2009: $9,362,976) on hand at the end of the period.

The critical next step to move the project forward is to raise funds to continue the development of the GNP. The Board is reviewing the group's funding requirements and assessing options available for a capital raising. The funds raised will be used to undertake the variety of activities as outlined in the recent prospectus.

The Board would like to acknowledge the strong and continued support from all the stakeholders associated with the Gladstone Nickel Project .

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	Consolidated June 11 ($A)	Consolidated June 10 ($A)
Interest Income	5(b)	591,616	697,379
Other Income	5(b)	7,700	7,875
REVENUES FROM CONTINUING OPERATIONS		**599,316**	**705,254**
Impairment Reversal	11/12	(1,105,003)	(1,825,204)
Tenement Expenses		912,996	1,305,504
Evaluation Costs		20,978	413,108
Foreign Exchange Loss	5(a)	1,213,897	345,608
Directors' Fees / Remuneration	18	103,942	571,030
Directors' Option Expense	19(a)	-	81,065
Brokers' Option Expense	19(a)	28,611	42,250
Professional Fees		470,237	330,213
Travel and Accommodation		31,370	106,624
Wages and On-costs	5(d)	769,852	484,040
Office Rental	5 (c)	103,549	559,703
Public Relations and Listing Fees		96,162	135,313
IT and Communication		68,835	110,083
Depreciation	5 (a)	166,075	173,729
Other	5(e)	155,969	269,061
EXPENSES		**3,037,470**	**3,102,127**
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		(2,438,154)	(2,396,873)
INCOME TAX (EXPENSE) / BENEFIT	6	66,470	333,460
PROFIT / (LOSS) AFTER INCOME TAX EXPENSE		(2,371,684)	(2,063,413)
OTHER COMPREHENSIVE INCOME			
Foreign Currency Translation		20,340	(17,048)
TOTAL COMPREHENSIVE INCOME		(2,351,344)	(2,080,461)
EARNINGS PER SHARE			
Basic and Diluted Earnings (Loss) per Share (Cents per Share)	24	(3.65)	(2.90)

Statement of Financial Position
as at 30 June 2011

	Notes	Consolidated June 11 ($A)	Consolidated June 10 ($A)
CURRENT ASSETS			
Cash Assets	7	7,176,758	9,362,976
Trade and Other Receivables	8	7,245	4,283
Other Current Assets	9	88,244	70,524
TOTAL CURRENT ASSETS		7,272,247	9,437,783
NON CURRENT ASSETS			
Property Plant and Equipment	10	660,351	843,076
Investment in Joint Venture	14	1,712	1,712
Deferred Evaluation and Exploration Costs	11	20,048,114	20,048,114
Trade and Other Receivables	12	1,872,035	1,873,599
Deferred Tax Asset	6 (c)	-	-
TOTAL NON CURRENT ASSETS		22,582,212	22,766,501
TOTAL ASSETS		29,854,459	32,204,284
CURRENT LIABILITIES			
Trade and Other Payables	13	370,379	238,535
Provisions	15	46,101	107,642
TOTAL CURRENT LIABILITIES		416,480	346,177
NON CURRENT LIABILITIES			
Trade and Other Payables	16	565,437	621,457
Deferred Tax Liabilities	6 (c)	-	-
Provisions	15	116,756	114,860
TOTAL NON CURRENT LIABILITIES		682,193	736,317
TOTAL LIABILITIES		1,098,673	1,082,494
NET ASSETS		28,755,786	31,121,790
EQUITY			
Contributed Equity	23	127,456,754	127,456,754
Reserves	23 (e)	13,608,749	13,582,069
Retained Earnings / (Accumulated Losses)		(112,309,717)	(109,938,033)
Parent Interest		28,755,786	31,100,790
Non-Controlling Interest		-	21,000
TOTAL EQUITY		28,755,786	31,121,790

Cash Flow Statement
for the year ended 30 June 2011

	Notes	Consolidated June 11 ($A)	Consolidated June 10 ($A)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to Suppliers and Employees		(2,747,264)	(4,779,838)
Research and Development Rebate		66,470	333,460
Interest Received		560,668	494,107
NET CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES	25	(2,120,126)	(3,952,271)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of property plant and equipment		16,650	(268,150)
Advances to Joint Venture		(82,742)	(176,560)
Increase (decrease) in other non-current receivables		-	193,834
NET CASH FLOWS (USED) FROM INVESTING ACTIVITIES		(66,092)	(250,876)
Net Increase / (Decrease) in Cash Held		(2,186,218)	(4,203,147)
Net Foreign Exchange Differences		-	-
Opening Cash Brought Forward		9,362,976	13,566,123
CLOSING CASH CARRIED FORWARD	7	7,176,758	9,362,976

Statement of Changes in Equity

for the year ended 30 June 2011

Consolidated	Notes	Issued Capital	Accumulated Losses	Other Reserves	Non Controlling Interest	Total Equity
AS AT 1 JULY 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		-	-	(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**
Profit (Loss) for the period		-	(2,371,684)	-	-	(2, 371,684)
Other Comprehensive Income	23 (e)	-	-	(20,340)	-	(20,340)
Cancellation of Converting Shares		-	-	-	(21,000)	(21,000)
Share Based Payment – Employees and Directors' Options	23 (e)	-	-	47,020	-	47,020
AS AT 30 JUNE 2011		**127,456,754**	**(112,309,717)**	**13,608,749**	**-**	**28,755,786**

Notes to the Financial Statements (extracts)

for the year ended 30 June 2011

1. CORPORATE INFORMATION

The financial report of Gladstone Pacific Nickel Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 24 October 2011.

Gladstone Pacific Nickel Limited (the Parent) is a public unlisted company incorporated in Australia. The ultimate parent company of Gladstone Pacific Nickel Limited is Fairway Coal Pty Ltd, which owns 56.4% of ordinary shares.

The nature of the operations and principal activities of the Group are described in the Directors' Report. The registered office of the Group is Level 2, 380 Queen Street, Brisbane, Queensland.

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. 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 also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

24. EARNINGS PER SHARE

	Consolidated	
	June 11 ($A)	June 10 ($A)
Net Loss	(2,371,684)	(2,063,413)
Earnings used in Calculation of Basic / Diluted Earnings per Share	(2,371,684)	(2,063,413)
Weighted Average Number of Ordinary Shares on Issue Used in the Calculation of Basic / Diluted Earnings per Share	70,935,699	70,935,699
Basic / Diluted Earnings per Share	(0.03)	(0.03)

Options on issue are not considered dilutive.

25. CASH FLOW STATEMENT RECONCILIATION

	Consolidated	
	June 11 ($A)	June 10 ($A)
Operating Profit/(Loss) After Tax	(2,371,684)	(2,063,413)
Adjusted for :		
Interest	(35,686)	(173,147)
Share based Payments	47,019	76,190
Provision for Employee Entitlements	(48,470)	59,727
(Gain)/ Loss on Foreign Exchange	1,213,897	345,608
Impairment Loss Reversal	(1,105,003)	(1,825,204)
Depreciation- Charged to Operations	166,075	173,729
Loss on Disposal of Fixed Assets	-	89,185
Movement in Shares Based Payments and other reserves.	390	81,706
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	53,718	133,523
(Increase)/Decrease in Prepayments and other Assets	8,016	206,331
(Increase)/Decrease in Deferred Tax Asset/ Liability	(66,470)	(333,460)
Increase/(Decrease) in Payables	131,852	(601,577)
Increase/(Decrease) in Non-Current Payables	(54,135)	(104,233)
Increase/(Decrease) in Non-Current Provisions	(59,645)	(17,236)
Net Cash Flow Used from Operating Activities	(2,120,126)	(3,952,271)
Reconciliation of Cash:		
Cash Balance Comprises		
Cash at Bank and on Short Term Deposit	7,176,758	9,362,976
Closing Cash Balance	7,176,758	9,362,976

26. EVENTS AFTER BALANCE DATE

Non-renounceable rights Issue

On 12 August 2011, the Company lodged a prospectus with ASIC for a non-renounceable rights issue (the issue) to existing Shareholders on the basis of 11 new shares for every 1 share held at an issue price of $0.08 per new share. If all entitlements to participate in the Issue were taken up by Shareholders, the Issue would result in the issue of approximately 780 million New Shares and would raise approximately $62.4 million. The minimum amount to be raised was $25 million. The amount raised by the Issue, after deducting associated costs, was to be used by the Company to undertake a variety of activities, including funding ongoing operating and legal costs, a revised drilling program and tenement acquisition program and an updated feasibility study and to fund the Company's obligations under the then proposed variation of contracts to purchase land for the Project from the Queensland State Government.

On 22 August 2011 an application was made to the Takeovers Panel in Australia by a shareholder, Robash Pty Ltd, ("Robash") alleging that unacceptable circumstances had arisen in relation to the proposed non- renounceable rights issue. Robash had also indicated that it would not support the proposed capital raising. GPNL undertook not to issue the prospectus before 19 September 2011 or thereafter without first giving the Panel and the parties 48 hours of its intention to do so.

On 9 September 2011 the company's major shareholder, Fairway Coal Pty Ltd and companies associated with Mr Clive Palmer advised GPNL they would not support the current capital raising. The prospectus was withdrawn on 9 September 2011. On 15 September 2011, the Takeovers Panel announced that it had declined to make a declaration of unacceptable circumstances in response to the application by Robash.

The Board is reviewing the group's funding requirements with a view to a capital raising later in the year to be used to undertake a variety of activities as outlined in the August 2011 prospectus.

Legal Proceedings by Robash Pty Ltd

On 29 July 2011 Robash, filed an application in the Supreme Court of New South Wales seeking leave of the Court to bring proceedings in the name of GPNL against Clive Palmer and other companies controlled by him. GPNL has obtained legal advice about the claim by Robash. On the basis of that advice, the independent director of GPNL, Mr Martino, remains of the view that the claim by Robash is not supported. GPNL has instructed its solicitors to defend Robash's application. As at the date of this report, it is not possible to predict whether Robash will be granted leave to bring proceedings in GPNL's name.

Land purchase agreements

GPNL is party to legally binding agreements with the Queensland Government to acquire land at Gladstone for its refinery and residue storage facility for A$33 million subject to various approval and development conditions. In September 2011 the company concluded negotiations with the relevant agencies to revise the content and timing of the development conditions applicable to the land. The changes are as follows:

(a) Conditions as to the Marlborough mine being commenced and ore transport and supply being contracted have been removed and replaced by a condition that GPNL demonstrate (by 30 June 2015 or such later date as the parties may agree) that it is committed to proceeding with the proposed development of the Project.

(b) GPNL will relinquish part of the area originally subject to agreement and will grant a licence to the adjoining landowner, Wiggins Island Coal Export Terminal Pty Ltd (WICET) to use parts of the land for lay down purposes, for extraction of landfill and to undertake defined works including the construction of bunds.

(c) The condition as to the Project being financed has been removed and replaced by a condition that GPNL raise sufficient funds (whether by way of equity capital, debt funding (or a blend of the two) to enable it to purchase the land.

(d) The provision for a sunset date for extension of the date for satisfaction of these conditions has been extended to 31 December 2016, however the contract provides that this date will not be extended beyond 31 December 2016 (except by agreement of the parties (acting reasonably) in exceptional circumstances, with a specific provision contemplating that this could occur if the time for completion of works by WICET has been extended.

GPNL is able to proceed with the purchase of the land at any time, subject to the availability of funds.