

**GLADSTONE PACIFIC NICKEL LIMITED (“the Company”)
(ACN 104 261 887)**

EXPLANATORY MEMORANDUM

IMPORTANT NOTICE

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the 2010 Annual General Meeting (“AGM”) of the Company. It is given to the Company’s Shareholders to help them determine how to vote on those Resolutions.

Shareholders should read this Explanatory Memorandum in full, because individual sections do not give a comprehensive review of the proposals contemplated in this Explanatory Memorandum. This Explanatory Memorandum forms part of the Notice of AGM and should be read with that Notice.

If you are in doubt about what to do in relation to the Resolutions you should consult your financial or other professional adviser.

This Explanatory Memorandum is dated 04 November 2010

1. Item 1 set out in the Notice of AGM relates to receipt of the directors’ report, financial report and auditor’s report for the financial year ending 30 June 2010 and requires no special explanation.
2. Item 2 set out in the Notice of AGM relates to the election of directors.

Pursuant to the Company’s Constitution:

- a director appointed by the Board since the previous AGM; and
- one third of the directors, and
- a director if they did not retire at this AGM would at the next AGM, have held office for more than three years,

must retire, and may offer themselves for re-election.

Mr Clive Palmer retires as non-executive director in accordance with the Company’s Constitution and offers himself for re-election.

Mr Palmer was appointed to the Board on the 13 September 2010. He has over 25 years experience in the Australian resource industry and has had significant success with major projects. He is Chairman of Mineralogy Pty Ltd. (“Mineralogy”), a private Australian Company that has successfully concluded major transactions with a number of companies including the Chinese Government-owned CITIC Pacific Limited (HK Listed), Australasian Resources Limited (ASX Listed) and a Memorandum of Understanding with Fortescue Metals Limited (ASX Listed). Mineralogy holds one of the world’s major iron ore deposits in the Pilbara region of Western Australia. CITIC Pacific Limited has commenced the development of a A\$4 billion project, funded by Chinese Government owned Banks, to export 24 million tonnes of iron ore annually from Western Australia. The Board believes Mr Palmer’s experience and success with major projects will provide a significant contribution to the development of the Company’s major project.

The directors other than Mr Palmer recommend that shareholders pass the resolution set out in item 2.1 of the Notice of AGM.

Mr Blair Brewster retires as non-executive director in accordance with the Company's Constitution and offers himself for re-election.

Mr Brewster was appointed to the Board on 4 November, 2010.

Mr. Brewster manages Mineralogy Group operations in HR and Marketing with vast experience in both, at State and Federal levels. The marketing activities included detailed tendering, contracting and procurement activities as well as commercial negotiations. He has also been responsible for community and government relations. Prior to joining Mineralogy, Mr Brewster has 15 years experience in sales and marketing with major soft drink & snack food company. He was also managing his own labour hire company in Victoria with contracts worth \$8 million per annum. Mr Brewster is currently on the Board of a number of community organisations

The directors other than Mr Brewster recommend that shareholders pass the resolution set out in item 2.2 of the Notice of AGM.

If you are in any doubt as to how to vote you may wish to consult a professional adviser.

For any enquiries please contact the Company Secretary, Julien McNally on + 61 (0) 7 3231 7100

The Directors,

Gladstone Pacific Nickel Ltd.

Date: 4 November 2010