

**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 2011 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 31 October 2011

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 2011 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 Domenic Martino retires as non-executive director in accordance with the Company’s Constitution and offers himself for re-election.

Mr Martino was appointed to the Board on the 8 December 2007. He is the Chairman of Australasian Resources Limited (“ARH”), an ASX listed Australian resource company. He is active in the Australian resource industry and is or has been a Director of a number of Australian public companies. He was Chief Executive Officer of Deloitte Touché Tohmatsu Australia for two years and was a partner with Deloitte Touché Tohmatsu and its predecessor firms from 1981 to 2003. He has a wealth of experience in mergers and acquisitions, initial public offerings and identifying and developing strategic opportunities.

The directors other than Mr Martino recommend that shareholders pass the resolution set out in item 2.1 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, Karen Williams on + 61 (0) 7 3231 7100

The Directors,

Gladstone Pacific Nickel Ltd.

Date: 31 October 2011