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Gladstone Pacific Nickel Limited

ACN 104 261 887

# PROSPECTUS

## Non-renounceable Rights Issue

An eleven for one non-renounceable Rights Issue by Gladstone Pacific Nickel Limited ACN 104 261 887 of approximately 780 million New Shares at \$0.08 per New Share to raise up to approximately \$62.4 million. Minimum amount to be raised \$25 million.

**Last date for acceptance and payment**

2 September 2011 (UK Share Register- 1 September 2011)

**This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional adviser without delay.**

## IMPORTANT NOTICE

This Prospectus is dated 12 August 2011 and a copy of this Prospectus was lodged with ASIC on that date. ASIC does not take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No application for New Shares will be accepted, and no New Shares will be issued under this Prospectus until the period of 7 days after the lodgement of this Prospectus has ended. ASIC may extend that period to not more than 14 days by notice in writing to the Company.

No New Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### Important document

It is important that you carefully read this Prospectus in its entirety before deciding to invest in the Company and, in particular, that you consider the proposed business plan and the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### Disclaimer

No person is authorised to give any information or to make any representation in connection with the Rights Issue that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Rights Issue. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus, except as required by law and then, only to the extent so required.

### Risk factors

An investment in the Company has risks that you should consider before making a decision to invest. Prospective investors should carefully consider some of these risk factors which are set out in section 5 of this Prospectus.

### Restrictions on the distribution of this Prospectus

This Prospectus does not constitute an offer of New Shares in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on, and observe, those restrictions. The New Shares have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered in the United States or to, or for the account of or benefit of, US Persons.

### United Kingdom

With respect to the United Kingdom, this document does not constitute an offer to the public of shares, debentures or securities of the Company for the purposes of the prospectus rules made under Part VI of the United Kingdom *Financial Services and Markets Act 2000 (FSMA)* or otherwise. Accordingly, this document is not an "approved prospectus" within the meaning of section 85(7) of FSMA and its contents have not been examined or approved by the United Kingdom Financial Services Authority or by a person authorised under the FSMA.

This document is only being and may only be distributed to and is directed at the Company's existing Shareholders in accordance with Article 43 (Members and creditors of certain bodies

corporate) of the *United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005*.

### **Forward looking statements**

This Prospectus contains forward-looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Board. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include but are not limited to the risks outlined in section 5 of this Prospectus. Forward-looking statements include those containing such words as "anticipate", "estimate", "opportunity", "plan", "intend", "aim", "seek", "believe", "should", "will", "may" and similar expressions.

### **Defined terms and abbreviations**

Terms and abbreviations used in this Prospectus are defined in the Glossary (see section 7).

### **Electronic Prospectus**

This Prospectus may be viewed in Australia at the Company's website at <http://www.gladstonepacific.com.au>.

### **Application for New Shares**

If you wish to apply for New Shares, you must complete and return the personalised Entitlement & Acceptance Form which accompanies this Prospectus. If you have not received a personalised Entitlement & Acceptance Form, please contact the Company on + 617 3231 7100 or by email [blairb@gladstonepacific.com.au](mailto:blairb@gladstonepacific.com.au) (or in the UK, Computershare Investor Services PLC on (+44) 0870 707 1019).

### **Privacy**

Please read the privacy information located in section 6.5 of this Prospectus. By submitting an Entitlement and Acceptance Form, you consent to the matters outlined in that section.

## **SUMMARY OF THE OFFER**

### **Key investment aspects**

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New Share issue price	\$0.08 per New Share
Qualifying Shareholder Entitlement	11 New Shares for every 1 Share held on Record Date
Number of New Shares to be issued under the Rights Issue	Up to 780,292,689 <sup>1</sup>
Maximum amount to be raised under the Rights Issue	Up to \$62,423,415 <sup>1</sup>
Minimum amount to be raised under the Rights Issue	\$25,000,000

<sup>1</sup> These numbers are approximate.

### **Key dates**

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Lodgement of Prospectus with ASIC	12 August 2011
Record Date for determining Entitlements to New Shares	5.00 pm AEST on 17 August 2011
Prospectus and Entitlement & Acceptance Forms dispatched	22 August 2011
Opening Date of Rights Issue	22 August 2011
Closing Date and final time for receipt of Entitlement & Acceptance Forms and payment in full for New Shares	5.00pm AEST on 2 September 2011 (UK – 11.00am London time on 1 September 2011)
Holding Statements for New Shares mailed	9 September 2011

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## MESSAGE FROM THE CHAIRMAN

Dear Shareholder

I have pleasure in providing you with details of a non-renounceable rights issue, which entitles you to acquire 11 New Shares in the Company for every 1 Share you hold as at 5.00 pm AEST on 17 August 2011.

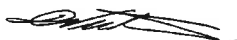
Up to approximately 780 million New Shares will be issued at a price of \$0.08 per New Share (£0.05 per New Share if you are a Shareholder on the UK Share Register). The Issue will raise up to approximately \$62.4 million before costs of the Issue if all entitlements are taken up. The minimum amount to be raised is \$25 million.

Details of the Rights Issue are included in this Prospectus. I recommend that you read it carefully.

Your Entitlement to New Shares is set out in the accompanying Entitlement & Acceptance Form. The closing date for acceptance and payment is 5.00pm AEST on 2 September 2011 (11.00am London time on 1 September 2011 if you are a Shareholder on the UK Share Register).

The directors have confidence in the future of the Company and commend the Rights Issue to you.

Yours sincerely



Domenic Martino  
**Chairman**

## **1. DETAILS OF THE ISSUE**

### **1.1 The Issue**

The Company is offering a non-renounceable rights issue to existing Shareholders on the basis of 11 New Shares for every 1 Share held at 5:00 pm AEST on 17 August 2011 at an issue price of \$0.08 per New Share (£0.05 per New Share if you are a Shareholder on the UK Share Register).

If all entitlements to participate in the Issue are taken up by Shareholders, the Issue will result in the issue of approximately 780 million New Shares and will raise approximately \$62.4 million. The minimum amount to be raised is \$25 million.

### **1.2 Purpose of the Issue**

The amount raised by the Issue, after deducting associated costs, will be used by the Company to apply the funds broadly as follows: (also see sections 2 and 3)

- To meet the Company's expected operating costs
- To meet anticipated legal costs that may arise out of legal disputes to which the Company is party
- To undertake a drilling program with the objective of confirming and delineating mineral resources at the Marlborough deposit
- To fund the cost of acquisition of additional resources of nickel, including additional exploration costs
- To review and update the feasibility study for the Project to a standard that would be sufficient for decisions on final investment and project financing to be made
- To fund the Company's obligations under a proposed variation of a contract to purchase land for the Project from the State of Queensland

### **1.3 Your Entitlement to participate in the Issue and the Record Date**

The Record Date for the purpose of the Issue is 5.00 pm AEST on 17 August 2011. Persons who, on the Record Date, are registered as the holders of Shares (**Qualifying Shareholders**) will be entitled to participate in the Issue.

Your Entitlement to New Shares is shown in the accompanying Entitlement & Acceptance Form.

### **1.4 Closing Date**

The Company will accept applications from the Opening Date until 5.00 pm AEST on 2 September 2011 (11.00am London time on 1 September 2011 if you are a Shareholder on the UK Share Register) or any other date the Directors in their absolute discretion determine.

### **1.5 Acceptance of the offer and payment**

A completed and lodged Entitlement & Acceptance Form, together with payment for the number of New Shares accepted, cannot be withdrawn and constitutes a binding application for, and acceptance of, the number of New Shares specified in the Entitlement & Acceptance Form on the terms set out in this Prospectus. The Entitlement & Acceptance Form does not need to be signed to be binding.

The personalised Entitlement & Acceptance Form which accompanies this Prospectus can be used for a Qualifying Shareholder to participate in the Issue.

You may wish to apply for only part of your Entitlement. If so you should nominate the number of New Shares you wish to apply for on your Entitlement & Acceptance Form.

Payment must be made as follows.

- (a) **In Australia-** by cheque, money order or bank draft in Australian currency drawn on an Australian branch of a financial institution for the amount of the acceptance money. Cheques, money orders or bank drafts should be made payable to "Gladstone Pacific Rights Issue A/C" and crossed "Not Negotiable".
- (b) **In the UK-** by cheque, money order or bank draft in Pounds Sterling drawn on a UK branch of a financial institution for the amount of the acceptance money. The issue price for existing Shareholders on the UK Share Register will be calculated as £0.05 for each New Share. Cheques, money orders or bank drafts should be made payable to "Gladstone Pacific Rights Issue A/C" and crossed "Not Negotiable".
- (c) **In Canada-** if your Shares are held by the Canadian Depository for Securities (CDS), you may instruct your CDS participant broker to withdraw your CDS rights, and instead participate in the Issue by application for New Shares on the Australian Share register of the Company. In this case, you should return the completed Entitlement & Acceptance Form to Computershare Investor Services Pty Limited in Australia. Once your CDS participant broker has requested your rights to be withdrawn from CDS, an Entitlement & Acceptance Form detailing your number of rights held will be delivered to your CDS participant broker for completion.

Do not forward cash. Receipts for payments will not be issued. No brokerage, Australian/ UK stamp duty or UK stamp duty reserve tax is payable on the issue of New Shares.

If the Entitlement & Acceptance Form is not completed correctly the Company can reject it or treat it as valid. The Company's decision as to whether to reject the Entitlement & Acceptance Form or treat it as valid and how to construe, amend or complete it is final.

Completed Entitlement & Acceptance Forms and accompanying payments must be mailed or delivered as follows:

<b>AUSTRALIA</b>	<b>UNITED KINGDOM</b>
<p><b>By mail</b>  Computershare Investor Services Pty Limited  PO Box 52  MELBOURNE VIC 3001</p> <p><b>By delivery</b>  Computershare Investor Services Pty Limited  Yarra Falls  452 Johnston Street  ABBOTSFORD VIC 3067</p>	<p><b>By mail</b>  Computershare Investor Services PLC  Corporate Actions Projects  Bristol BS99 6AH</p> <p><b>By delivery</b>  Computershare Investor Services PLC  The Pavillions  Bridgwater Road  Bristol BS13 8AE</p>

## 1.6 Rights attached to New Shares

New Shares will, once issued, rank equally with existing Shares. The rights and liabilities attached to Shares are:

- (a) set out in the Company's Constitution which may be examined free of charge by appointment between 9.00 am and 5.00 pm on Business Days at the registered office of the Company at Level 2, 380 Queen Street, Brisbane, Queensland; and
- (b) in certain circumstances, regulated by the Corporations Act and the general law.

### **1.7 Application of money held in Trust**

All acceptance money received for New Shares offered by this Prospectus will be held in trust in a bank account maintained solely for the purpose of depositing acceptance money received under this Prospectus until the New Shares are issued. All acceptance money will be returned (without interest) if the Issue does not complete.

### **1.8 Issue of New Shares**

The Company expects to issue the New Shares on 9 September 2011.

### **1.9 Risk factors**

In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in the Company, which are set out in section 5.

### **1.10 Taxation implications**

The Directors consider that it is not appropriate to give Qualifying Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Prospectus. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences. As a result, Qualifying Shareholders should consult their own professional tax advisers in connection with subscribing for New Shares under this Prospectus.

### **1.11 Enquiries**

Enquiries concerning the Entitlement & Acceptance Form should be directed to the Company by telephone on 07 3231 7100. If you are in the UK, enquiries concerning the Entitlement & Acceptance Form should be directed to Computershare Investor Services PLC on (+44) 0870 707 1019. If you are in Canada, enquiries concerning the Entitlement & Acceptance Form should be directed to Computershare Investor Services Inc. on 1-800-564-6253.

Enquiries relating to this Prospectus should be directed to the Company by telephone on 07 3231 7100 or by contacting Mr Blair Brewster, Chief Executive Officer on [blairb@gladstonepacific.com.au](mailto:blairb@gladstonepacific.com.au).

## **2. OVERVIEW OF THE COMPANY**

### **2.1 Overview and Business Description**

GPNL was formed in Queensland to pursue the objective of developing a high pressure acid leach (**HPAL**) nickel laterite refinery to treat ores from the South-West Pacific region at Gladstone. GPNL acquired Marlborough Nickel Pty Ltd ACN 076 403 873 (**MNPL**) in December 2003 and MNPL is now a wholly owned subsidiary of GPNL.

GPNL is no longer listed on AIM, a market of the London Stock Exchange (**AIM**). GPNL was suspended from trading on 7 October 2010 and delisted on 24 November 2010.

GPNL has commenced revision of its business plan for the development of a nickel exploration, mining and processing operation at Gladstone, Queensland (**Project**), and has resolved to start a new work program and capital raising with the following key elements.

- To meet the Company's expected operating costs

- To meet anticipated legal costs that may arise out of legal disputes to which the Company is party
- To undertake a drilling program with the objective of confirming and delineating mineral resources at the Marlborough deposit
- To fund the cost of acquisition of additional resources of nickel, including additional exploration costs
- To review and update the feasibility study for the Gladstone nickel Project to a standard that would be sufficient for decisions on final investment and project financing to be made
- To fund the Company's anticipated obligations under a proposed variation of a contract to purchase land for the Project from the State of Queensland

## 2.2 History of GPNL and the Project

The Project involves the development of the nickel/cobalt laterite mine operation at Marlborough, including a conventional truck and shovel open cut mine. Marlborough ore would be transported via the existing rail infrastructure to the proposed processing and refinery plant to be sited at the Yarwun precinct of the Gladstone State Development Area (**GSDA**). In addition, ore would be supplied from the South West Pacific region either through development of GPNL's own overseas mines or by the purchase of ore from existing overseas ore suppliers. Ore from the South West Pacific would be shipped to Gladstone port and transported by conveyer to the proposed refinery at Gladstone. Residue from the treatment of ores would be stored at GPNL's proposed residue storage facility (**RSF**) intended to be located west of the refinery site in the Aldoga precinct of the GSDA. The refined metal products would be transported by rail to a container shipping terminal in Brisbane and then exported.

The Project potentially has two stages. In 2008, Stage 1 of the Project was costed at approximately USD \$3.5 billion on the basis of production up to 63,000 tonnes of nickel per annum and 6,000 tonnes of cobalt per annum. Stage 2 of the Project was contemplated to involve the expansion of the infrastructure established in order to double the ore treatment capacity of the Gladstone refinery to produce 126,000 tonnes per annum of nickel and 12,000 tonnes per annum of cobalt metal from the proposed refinery plant.

### Status of Project Milestones

The status of milestones for the Project include the following:

- New Caledonia joint venture and exploration.** On 18 August 2007 GPNL signed a joint venture agreement with Société Minière Georges Montagnat SARL (**SMGM**) that will provide GPNL with a 49% interest in nickel ore tenements in New Caledonia - this agreement expires in December 2011 if the Project has not obtained finance by that time. GPNL completed a drilling program to substantiate historical results on the New Caledonia joint venture tenements and completed a 8,511 metre program in April 2009 which further added to GPNL's understanding of the resource. Further detail is provided in section 2.4.
- Proposed purchase of land for Project processing plant site.** In 2007 and 2008 GPNL entered into 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 conditions, including the Marlborough mine being commenced and ore transport contracted by 6 September 2011 and the Project being financed by 6 March 2012, with a sunset date for other conditions of 31 March 2013. The Queensland Government has recently offered in writing to extend the condition satisfaction dates by 1 year subject to entry into deeds of variation including the extended condition dates. The Queensland Government offer is also subject to GPNL relinquishing part of the area originally subject to agreement and granting rights to use part of the land for lay

down purposes and for extraction of landfill. The offer provides for extended condition satisfaction dates as follows:

- (i) the Marlborough mine being commenced and ore transport contracted by 6 December 2014, with that condition able to be waived by GPNL;
- (ii) the Project being financed by 6 December 2014; and
- (iii) a sunset date for other conditions of 31 December 2015.

GPNL expects to accept the Queensland Government offer and to enter into binding agreements for these matters in the near future.

- (c) **Environmental impact statement** 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.
- (d) **Bankable feasibility study** for the Project is to be revised utilising funding under from the Issue, and is expected to be completed within 2 years in order that a final investment decision for the Project can be considered.
- (e) **Signing of a Memorandum of Understanding with China Metallurgical Group Corporation** which has since expired.
- (f) **Signing of a Memorandum of Understanding with China Tianchen Engineering Corporation (TCC)** for development of a heap leach project at Marlborough which expired on 30 June 2010. The Company has completed discussions with TCC in relation to development of this project but no definitive agreement has been reached.
- (g) **Marlborough drilling program.** GPNL proposes to undertake a substantial drilling program in relation to the Marlborough deposits to confirm existing resources and establish additional mineral resources for the Project.

### 2.3 Funding for Project

The Project has substantial capital requirements, which will be determined by the timing of development and scope of the Project. At this stage the Board of Directors has resolved to seek funding necessary to complete the tasks referred to above and to fund the acquisition of land for the Project processing plant.

#### Funding of Gladstone Project

GPNL signed a Memorandum of Understanding with China Metallurgical Group Corporation (**MCC**) in relation to funding and engineering of the Gladstone Project which expired on 30 June 2009. Unfortunately MCC did not wish to progress the Project at that time, which was at the height of the Global Financial Crisis and the deterioration of commodity markets.

It will be very difficult for GPNL to finance the Project and GPNL is very unlikely to be able to attract the funding required without a company with a stronger balance sheet, such as MCC, agreeing to fund the project. GPNL to date has not been able to attract an appropriate funding partner for the Project.

GPNL has recently obtained a twelve month extension of the milestones for acquisition of land for the Project processing plant site (as discussed in section 2.2(b)) and has revised its business plan for the development of the Project, and has resolved to start a new work program and associated capital raising with the following key elements.

- To meet the Company's expected operating costs
- To meet anticipated legal costs that may arise out of legal disputes to which the Company is party
- To undertake a drilling program with the objective of confirming and delineating mineral resources at the Marlborough deposit
- To fund the cost of acquisition of additional; resources of nickel, including additional exploration costs
- To review and update the feasibility study for the Gladstone nickel Project to a standard that would be sufficient for decisions on final investment and project financing to be made
- To fund the Company's anticipated obligations under a proposed variation of a contract to purchase land for the Project from the State of Queensland

### **Heap Leach Project**

GPNL has sought to add value to its 100% owned Marlborough tenements by pursuing a heap leach project at Marlborough. GPNL signed a Memorandum of Understanding with TCC on 15 October 2009.

Further investigations of this project indicated that the estimated capital cost, operating costs and technical challenges were not attractive enough to warrant significant expenditure until such time as a significant funding partner for the project had been secured and appropriate detail in relation to those funding aspects had been addressed.

GPNL was unable to conclude an arrangement to its satisfaction with TCC before expiry of the Memorandum of Understanding on 30 June 2010.

## **2.4 Key Assets**

### **Historical Project Feasibility Study and Environmental Approvals**

There has been \$27.6 million of expenditure incurred to date on engineering and environmental approvals. The feasibility study has a wealth of valuable information and data for any party wishing to develop a HPAL plant in Gladstone. The environmental approvals remain valid and would most likely require at least 3 years to replicate.

However, it should be noted that the approvals are specific to the land that the Company is to acquire under its agreement with the Queensland Government which is subject to conditions. As explained in section 2.2, GPNL has received an offer from the Queensland Government to extend the condition satisfaction dates by a period of 1 year, subject to formal agreements being entered into and to GPNL relinquishing part of the area originally subject to agreement and to granting rights to use part of the land for lay down purposes and for extraction of landfill. The Company expects to accept the Queensland Government offer and to enter into binding agreements for these matters in the near future. There is no guarantee that the conditions of the agreement with the Queensland Government will be able to be met by the Company or that the dates to complete these conditions will be further extended or waived.

### **Cash**

As at 31 December 2010, GPNL had a cash balance of \$7,786,703 and as at 31 July 2011 had a cash balance of \$6,994,591. GPNL has a cash backed deposit on the Gladstone land of \$1,684,490. The deposit on the land is refundable if GPNL does not purchase the Gladstone land.

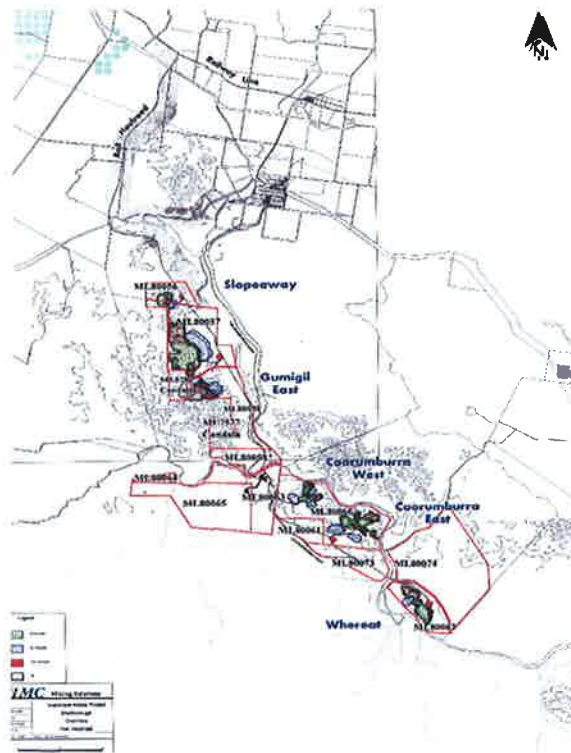
### **Domestic Tenements**

MNPL owns 16 mining leases and a number of exploration permits over lateritic nickel/cobalt deposits approximately 175 km North-West of Gladstone. Nineteen nickel laterite deposits have been identified but previous work has concentrated on seven areas. Based on these seven deposits a nickel laterite resource estimated at 70.9 million tonnes averaging 0.91% Ni and 0.06% Co at a cut off grade of 0.7% has been estimated, including a measured and indicated resource of 54.6 million tonnes grading 0.93% Ni and 0.06% Co. In the total resource that has been identified there is 648,000 tonnes of nickel at a cut-off grade of 0.7% Ni. The seven ore bodies which make up the resource are:

- (a) Slopeaway;
- (b) Slopeaway North;
- (c) Gumigil East;
- (d) Coorumburra East;
- (e) Coorumburra Central;
- (f) Coorumburra West; and
- (g) Whereat (previously called Junction).

Figure 2.4.1, Table 2.4.2 and Table 2.4.3 describe the tenements held by GPNL through MNPL.

Figure 2.4.1: Ore bodies which have been investigated by MNPL



Source: GPNL

Table 2.4.2: Mining Tenements held by GPNL through MNPL

Tenement	Area (ha)	Expiry Date	Description	Activities Proposed	Station	Title
ML80056	230	30 Nov 2024	Slopeaway North	Mining	Woodstock	Leasehold
ML80057	957	30 Nov 2024	Slopeaway Central and South	Mining, ore stockpile, haul roads	Marlborough	Pastoral lease
ML80058	722	30 Nov 2024	Magpie West	Haul roads	Marlborough	Pastoral lease
ML80059	277	30 Nov 2024	Magpie West	Haul roads	Marlborough	Pastoral lease
ML80060	1138	30 Nov 2024	Coorumburra West and East	Mining, waste rock, ore stockpile, haul	Ramillies	Freehold
ML80061	207	30 Nov 2023	West of Coorumburra	Haul roads	Coorumburra	Freehold

Tenement	Area (ha)	Expiry Date	Description	Activities Proposed	Station	Title
ML80062	418	30 Nov 2023	Whereat	Mining, ore stockpile, haul	Coorumburra	Freehold
ML80063	556	30 Nov 2023	South of Develin Creek	Plant, haul roads, reject stockpile	Coorumburra	Freehold
ML80064	69	30 Nov 2023	South of Develin Creek	Potential residue storage facility	Coorumburra	Freehold
ML80065	960	30 Nov 2023	South of Develin Creek	Process residue storage facility	Coorumburra	Freehold
ML80073	375	31 Dec 2024	East of Whereat	Evaporation ponds, waste rock disposal	Coorumburra	Freehold
ML80074	1650	31 Dec	West of Whereat	Haul roads	Coorumburra	Freehold
ML5772	18	30 Apr 2027	Slopeaway Extensions	Potential mining, haul roads	Marlborough	Pastoral lease
ML5780	129	31 May 2028	Slopeaway Extensions	Potential mining, haul roads	Marlborough	Pastoral lease
ML7577	107	31 May 2012	Slopeaway Extensions	Potential mining, haul roads	Marlborough	Pastoral lease
ML80004	17	31 Aug 2012	Slopeaway Extensions	Potential mining, haul roads	Marlborough	Pastoral lease

Table 2.4.3: Exploration Tenements held by GPNL through MNPL.

Tenement	Area (ha)	Description / Status	Station
EPM 11195	17,400	Granted	Woodstock, Marlborough, Ramillies, Coorumburra
EPM 11582*	900	Granted – Portion on Freehold Land	Coorumburra, Marlborough
EPM 14145*	300	Granted	Woodstock and State Forest
EPM 16931*	2,700	Granted	

\*Applications for renewal pursuant to the *Mineral Resources Act 1989* (Qld) have been lodged and are currently being considered by the Department of Employment, Economic Development and Innovation - Queensland Mines and Energy.

GPNL is obliged to fulfil minimum annual expenditure conditions in order to maintain the exploration leases, licenses and permits and mining leases listed above.

## Overseas Tenements

GPNL signed an agreement with SMGM on 18 August 2007 which was amended on 10 September 2009, that established an incorporated mining joint venture (**JV**) in New Caledonia that will own and mine a number of nickel laterite tenements in the area.

Once GPNL demonstrates sufficient funding for Stage 1 of the refinery, GPNL can purchase 49% of the JV in exchange for 15,000,000 shares in GPNL. Funding must be achieved by 30 December 2011 or, if GPNL elects to pay US\$1,000,000, by 30 December 2012, otherwise the JV agreement is terminated. If the agreement is terminated, GPNL will forfeit all loans to the JV which at 30 June 2010 were \$9,216,624. GPNL will provide all development costs and start-up costs by way of shareholder loans to be repaid over the life of the JV mining activities. All the ore mined will be supplied in priority to GPNL's proposed refinery plant.

GPNL has requested that SMGM transfer the relevant tenements to the JV, but this has not occurred and GNPL anticipates that a legal dispute may arise with SMGM. Any such dispute may affect the ability of GNPL to use the New Caledonia JV as a future source of ore for the Project. It may also result in GNPL incurring additional legal costs.

Table 2.4.4 sets out some historical results from selected drill holes on the JV leases.

Table 2.4.4: Historical Results from selected drill holes on the joint venture leases

Drill Hole	Width (m)	Drill Hole Depth: From	Drill Hole Depth: To	Ni%	Co%
GM502	32.6	12.0	44.6	1.42	0.17
GM5 10	24.0	8.0	32.0	1.47	0.05
GM5 13	26.0	15.0	41.0	1.27	0.14
GM530	18.0	19.0	37.0	1.89	0.10
GM537	22.0	11.0	33.0	1.47	0.09
GM553	33.0	1.0	34.0	1.46	0.16
GM574	16.2	16.0	32.2	1.37	0.29
GM6 12	29.3	3.0	32.3	1.48	0.17
GM6 14	33.0	8.0	41.0	1.37	0.10
GM6 104	14.0	13.0	27.0	1.52	0.22
GM6 112	22.0	14.0	36.0	1.47	0.09

Source: GPNL

## 2.5 Trading in Shares in GPNL since 1 July 2010

Prior to 7 October 2010, Shares in GPNL were quoted and traded on AIM, and during the period of 3 months before 7 October 2010, the highest reported sale price per Share was GBP 0.16 (approximately AUD 0.27)<sup>1</sup> and the lowest reported sale price per Share was GBP 0.13 (approximately AUD 0.23). The average daily trade volume during this 3 month period on AIM was 1,957 Shares, which as at 7 October 2010 represented approximately 0.002% of total issued Share capital.

After 7 October 2010, GPNL Shares were suspended from trading and later cancelled from admission to trading on AIM. On 21 September 2010, QNI Resources Pty Ltd (**QNI**) lodged a Bidder's Statement (**First Bidder's Statement**) in relation to an unconditional cash offer for all of the ordinary shares in GPNL that it did not already own at a price of GBP 0.14 per Share

<sup>1</sup> Based on a GBP/AUD exchange rate of 1.73.

(approximately AUD 0.23<sup>2</sup> at the date of the First Bidder's Statement). QNI acquired 3,899,105 Shares pursuant to acceptances under the First Bidder's Statement. Subsequently, QNI transferred the Shares it held to a related body corporate, Waratah, at a price of GBP 0.14 per Share.

On 6 June 2011, Waratah lodged a Bidder's Statement (**Second Bidder's Statement**) in relation to an unconditional cash offer for all of the ordinary shares in GPNL that it did not already own at a price of AUD 0.05 per Share. Waratah acquired 589,888 Shares pursuant to the Second Bidder's Statement. Subsequently, Waratah transferred the Shares it held to a related body corporate, Fairway Coal at a price of AUD 1.00 for all of those Shares (in effect a nominal value).

On 3 August 2011 a transfer of a single parcel of 390,495 Shares from Zambari Investments Pty Ltd to Transocean Securities Pty Ltd for a consideration of \$4.27 per Share was submitted to the Share Register. These entities are not related bodies corporate of QNI, Waratah or Fairway Coal.

Apart from the transactions referred to above, there has been very minimal trading in Shares.

## 2.6 Previous valuations of Shares

In response to the First Bidder's Statement and as required under the Corporations Act, GPNL issued a Target's Statement dated 5 October 2010 (**Original Target's Statement**). The Original Target's Statement included an independent expert's report which expressed the opinion that the value of Shares was in the range of GBP 0.382 to GBP 0.768 per Share.

In response to the Second Bidder's Statement and as required under the Corporations Act, GPNL issued a Target's Statement dated 8 July 2011 (**Second Target's Statement**). The Second Target's Statement included an independent expert's report which expressed the opinion that the value of Shares was in the range of \$0.606 to 1.271 per Share.

## 2.7 Threatened claim by RAB Special Situations (Master) Fund Limited

The Original Target's Statement provided as follows:

*GPNL has received a letter from solicitors acting for RAB Special Situations (Master) Fund Limited seeking access to information relating to GPNL's negotiations with BHP in 2009 in respect of the possible acquisition by GPNL of the Yabulu nickel refinery in Townsville, which was ultimately acquired by entities related to Mr Palmer. The letter includes certain allegations against Mr Palmer in respect of his conduct as an officer of GPNL at that time which, if they could be proven, may result in a material claim, including an account of profits, being available to GPNL. The letter requests the Board to consider taking legal action in respect of these allegations.*

*The Board has resolved to obtain advice in respect of those allegations but has not yet obtained that advice so it cannot comment on the allegations or the prospects of GPNL taking such action or recovering any amount as a result of this matter.*

Subsequently, GPNL obtained legal advice about the claim threatened by RAB Special Situations (Master) Fund Limited (**RABSS**) and on 12 October 2010 authorised the release of a Supplementary Target's Statement which stated as follows:

*The Board has obtained advice on the matter disclosed in Section 7.1 of the Original Target's Statement. The Board has concluded that there is no evidence of any matter which gives rise to a claim and therefore it will not be pursuing that matter.*

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<sup>2</sup> Based on a GBP/AUD exchange rate of 1.6485.

There was further correspondence between solicitors acting for RABSS and GPNL up to 30 November 2010, but no further correspondence after that date.

## **2.8 Legal proceedings by Robash Pty Ltd**

On 29 July 2011, a shareholder of GPNL, Robash Pty Ltd (**Robash**), filed legal proceedings 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. The cause of action has not been specified. The legal proceedings were commenced by the same firm of solicitors that had represented RABSS and includes an affidavit made by a former employee of RABSS. Robash also stated that its associated company, Anroca Pty Ltd, had acquired an option over 10 million of the Shares held by RABSS.

GPNL has obtained further legal advice about the claim by Robash (and has noted that the claim is similar to the threat by RABSS). 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 by the evidence. GPNL has instructed its solicitors to defend the legal proceedings initiated by Robash.

At this stage, it is not possible to predict whether or not the claim by Robash will proceed and whether or not it will be successful. The possible scenarios include the following:

- (a) if Robash is successful in seeking leave from the Court to start legal proceedings in the name of GPNL against Mr Palmer and his associated entities, there may be a further Court hearing to determine whether or not Mr Palmer or his associated companies are liable; if so, at a later date there may be an assessment of the damages which GPNL can claim. Any such claim may take a considerable period to be dealt with by the Court; and
- (b) if Robash is not successful in obtaining leave to commence legal proceedings in the name of GPNL against Mr Palmer and his associated entities, or if leave is granted but the claim is unsuccessful then GPNL will not be affected by the legal proceedings brought by Robash, except that GPNL will have incurred legal costs which it may or may not be able to recover from Robash.

## **2.9 GPNL Board of Directors**

### **Domenic Martino**

Chairman (appointed 18 May 2010)

Non-Executive Director (appointed 8 December 2007)

Member - Audit Committee (appointed 8 December 2007)

Member - Remuneration Committee (appointed 8 December 2007)

Domenic Martino is the Chairman of Australasian Resources Limited, an ASX listed Australian resource company, and Resourcehouse Limited (both companies controlled by Mr Palmer). Resourcehouse Limited has material contracts with Waratah that are unrelated to GPNL. From December 2008 to March 2009, he was a director of Waratah Coal Inc., the then holding company of Waratah which was acquired by entities controlled by Mr Palmer in early 2009. From January 2009 to July 2009, he was a director of a number of subsidiaries in the then Waratah Coal Group. He is active in the Australian resource industry and is or has been a Director of a number of Australian public companies. Mr Martino was Chief Executive Officer of Deloitte Touche Tohmatsu Australia for two years and was a partner with Deloitte Touche 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.

**Blair Brewster**

Non-Executive Director (appointed 4 November 2010)

Chief Executive Officer (appointed 23 May 2011)

Member - Audit Committee (appointed 23 May 2011)

Mr Brewster has previously managed Mineralogy Group operations in HR and Marketing and has extensive 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 had 15 years experience in sales and marketing with a major soft drink & snack food company.

**Clive Palmer**

Non-Executive Director (appointed 13 September 2010)

Clive Palmer 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.

**2.10 Equity Structure of GPNL**

GPNL currently has 70,935,699 ordinary shares on issue.

GPNL has a contract to issue 15,000,000 Shares to SMGM upon the Company obtaining financing for the Project.

**2.11 Financial information**

Copies of GPNL's latest financial statements may be obtained from GPNL's website at [www.gladstonepacific.com.au](http://www.gladstonepacific.com.au).

### 3. USE OF PROCEEDS

The Company is offering up to approximately 780.3 million New Shares under the Issue, to raise gross proceeds of up to approximately \$62.4 million. The Issue is not underwritten. The minimum amount to be raised is \$25 million. The proceeds of the Issue will be used by the Company in the following order of priority (from highest to lowest priority of use of the proceeds raised by the Issue) over the period of 3 years from the completion of the Issue.

- (a) **Issue costs.** To meet costs of the Issue of approximately \$0.1 million- see section 6.10.
- (b) **Operating expenses.** To meet the Company's ongoing operating costs for continuation at the existing level of activity (not including the operating costs of the work programs referred to below), which are budgeted to be \$4.8 million.
- (c) **Legal expenses.** To fund any legal expenses incurred by the Company, which as a result of the threatened claims and legal proceedings referred to in section 2.6 and 2.8, and the possibility of disputes in relation to New Caledonia joint venture and exploration, are estimated at up to \$3 million.
- (d) **Drilling program.** This is to better delineate the mineral resource at the Marlborough tenements. These costs will vary according to the timing and size of the relevant drilling program, but are estimated at a minimum of \$5 million and a maximum of \$10 million.
- (e) **Acquisitions.** To fund the cost of acquisition of additional resources of nickel, including additional exploration costs, in order to supplement the Company's mineral resources. These costs will vary according to the timing and size of the relevant acquisition, but are estimated at a minimum of \$5 million and a maximum of \$10 million.
- (f) **Bankable feasibility study.** To review and update the feasibility study for the Gladstone nickel Project to a standard that would be sufficient for decisions on final investment and project financing to be made. This is estimated to cost a minimum of \$6.5 million and a maximum of \$10 million.
- (g) **Land acquisition.** Fund the purchase price under the contract for sale and purchase of land for the Project (as referred to in section 2.2). This is expected to be \$33.7 million.

If the proceeds of the Issue achieves the minimum amount to be raised of \$25 million, then the programs referred to in paragraphs (a) to (f) (based on the the minimum estimated amounts referred to above) would be able to be funded.

To the extent that the proceeds of the Issue exceeds \$25 million, the Company intends to fund the higher amounts estimated in paragraphs (a) to (f) above (up to the maximums specified). In addition, if the amount raised exceeds \$37.9 million, in addition to funding the tasks referred to above, the Company will be in a position to fund the land purchase referred to in paragraph (g) above.

See section 2 for a more detailed description of the Company's planned work program.

The use of funds outlined in the table above is a statement of current intentions as at the date of this Prospectus. The progress of the work program and other events arising in the future may affect the way the Company decides to use its capital, including the proceeds of the Issue. The Company may alter the use of the proceeds accordingly.

#### 4. EFFECT OF THE ISSUE ON THE COMPANY

##### 4.1 Capital structure on completion of the Issue

The following table shows the proposed capital structure on completion of the Issue. The exact number of New Shares to be issued cannot be calculated until Entitlements have been determined following the Record Date.

Shares	Number
Existing Shares on issue at the date of this Prospectus	70,935,699
New Shares proposed to be issued under this Prospectus	780,292,689
Proposed total Shares on issue after this Issue	851,228,388

##### 4.2 Effect for Shareholders

Qualifying Shareholders who take up their full Entitlement will not have their holdings diluted.

The holding of any Qualifying Shareholder who does not exercise their Rights will be diluted.

If as a consequence of the exercise of Rights any Shareholder becomes entitled to a percentage interest in Shares exceeding 90%, that Shareholder will have the right (but not the obligation) to compulsorily acquire all remaining Shares. If this right arises and is exercised, that Shareholder would be required to lodge an independent expert's report and compulsory acquisition notice with ASIC and provide copies to other Shareholders. The expert's report would be prepared by a firm nominated by ASIC on receipt of a request for nomination by that Shareholder.

##### 4.3 Financial results for previous years

The historical financial information for the Company is as follows.

Summarised GPNL consolidated financial results	\$AUD	
	12 months ended 30 June 2010	6 months ended 31 December 2010
	Audited	Unaudited
Revenue	705,254	321,222
Expenses	3,102,127	1,917,553
Profit/(loss) before tax	(2,396,873)	(1,596,331)
Income tax expense	333,460	66,959
Profit/(loss) after tax	(2,063,413)	(1,529,372)

##### 4.4 Historical and pro-forma consolidated balance sheet

Set out below is the consolidated balance sheet of the Company and its controlled entities as at 30 June 2010 (audited), 31 December 2010 (unaudited) and a pro-forma unaudited consolidated balance sheet of the Company and its controlled entities as at 31 December

2010 taking into account the Issue. The pro-forma consolidated balance sheet illustrates the effect of the Issue as if the Issue had occurred on 31 December 2010 and fully subscribed (\$62,423,415) before costs of the Issue.

Details of the costs of the Issue are shown in section 6.11 of this Prospectus.

<b>Summarised GPNL consolidated balance sheet</b>	<b>\$ AUD</b>		
	30 June 2010 Audited	31 December 2010 Unaudited	31 December 2010 Pro forma Unaudited
<b>Current assets</b>			
Cash assets	9,362,976	7,786,703	70,210,118
Trade and other receivables	4,283	88,133	88,133
Other current assets	70,524	13,435	3,435
<b>Total current assets</b>	<b>9,437,783</b>	<b>7,888,271</b>	<b>70,301,686</b>
Non current assets			
Property, plant and equipment	843,076	746,428	746,428
Investment in joint venture	1,712	1,712	1,712
Deferred evaluation and exploration costs	20,048,114	20,048,114	20,048,114
Trade and other receivables	1,873,599	1,874,555	1,874,555
<b>Total non-current assets</b>	<b>22,766,501</b>	<b>22,670,809</b>	<b>22,670,809</b>
<b>Total assets</b>	<b>32,204,284</b>	<b>30,559,080</b>	<b>92,972,495</b>
<b>Current liabilities</b>			
Trade and other payables	238,535	161,388	161,388
Provisions	107,642	88,407	88,407
<b>Total current liabilities</b>	<b>346,177</b>	<b>249,795</b>	<b>249,795</b>

#### Pro forma adjustments

- (a) Receipts of \$62,423,415 comprising gross proceeds of the Issue, assuming full subscription and before costs.
- (b) The Company's total issued ordinary shares, assuming the Issue is fully subscribed, would be 851,228,388 Shares.

## **5. RISK FACTORS**

### **5.1 General**

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the value of an investment in the Company.

Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside the control of the Company and cannot be mitigated.

The New Shares offered under this Prospectus are considered speculative because of the inherent risk associated with minerals exploration, appraisal, development, production, transport and marketing and in respect of the Project proceeding. In addition, there are inherent risks in investing in the share market in general.

This section describes certain risks associated with an investment in the Company. Prior to making an investment decision, Qualifying Shareholders should carefully consider the following risk factors, as well as the other information contained in this Prospectus. These risks, both general and specific are not exhaustive and Qualifying Shareholders should read this Prospectus in full and seek professional advice if they require further information on material risks in deciding whether to subscribe for New Shares.

### **5.2 Risks associated with acquiring the land in Gladstone from Queensland Government**

The approvals obtained by GPNL in respect of the Project are specific to the land that the Company has contracted to acquire for its refinery and residue storage facility under its agreement with the Queensland Government. The land contract is subject to a number of conditions, including the financing of the Project by 6 March 2012. The Queensland Government has recently offered in writing to extend the condition satisfaction dates by 1 year subject to termination of the existing agreement and entry into a replacement agreement including the extended condition dates. The Queensland Government offer is also subject to GPNL relinquishing part of the area originally subject to agreement and to granting rights to use part of the land for lay down purposes and for extraction of landfill. The offer provides for extended condition satisfaction dates as follows:

- (a) the Marlborough mine being commenced and ore transport contracted by 6 December 2014, with that condition able to be waived by GPNL;
- (b) the Project being financed by 6 December 2014; and
- (c) a sunset date for other conditions of 31 December 2015.

The Company expects to accept the Queensland Government offer and to enter into binding agreements for these matters in the near future.

There is no guarantee that these conditions will be met or that the dates to complete these conditions will be extended or waived. If the financing or other conditions under the land contract are not satisfied, GPNL may be unable to proceed with the Project.

### **5.3 Financing risks**

Securing funding for projects or other forms of financing for operations may depend on a number of factors, including commodity prices, interest rates, economic conditions, debt market conditions, share market conditions and country risk issues. Inability to obtain financing or refinancing or other factors could cause delays in developing properties or increase financing costs and, thus, adversely affect the financial condition and performance of GPNL.

#### **5.4 Risks associated with future growth initiatives**

**GPNL intends to grow both organically and through new investment opportunities but has** limited resources to do so. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved or may not be achieved at all.

#### **5.5 Operating risks**

Any exploration, mining, development or processing operations of GPNL will be subject to many risks and hazards, including industrial accidents, mine collapse, cave-ins or other failures relating to mine infrastructure, including tailings dams, periodic interruptions due to inclement or hazardous weather conditions, power interruption, critical equipment failure, fires, flooding and unusual or unexpected geological or mining conditions. Such risks could result in damage to applicable mines, personal injury, environmental damage, delays in mining or metal production, monetary losses and possible legal liability. In addition, the Gladstone Project will be dependent on a pipeline, railways and shipping to transport ore, concentrate and metal, and any disruption to this transportation could have a material adverse effect on operations. GPNL will also have exposure to movements in the prices charged by external suppliers, including those who supply production inputs, such as electricity, other energy providers and sea freight and transport service providers which are critical to its business, and movements in wages, royalties, taxes and other government charges relating to its operations. A significant increase in one or more of these cost items for a sustained period could have an adverse effect on future financial performance. In addition, unforeseen adverse changes in quality or reductions in the quantity of supplies which will be provided to GPNL by its external suppliers may also adversely affect its operations in a significant way.

#### **5.6 Environmental laws and government regulations**

Due to the hazardous nature of ore mining processes and the associated by-products, residues and tailings generated from these processes, GPNL's operations will be subject to stringent environmental, safety and health laws and regulations. In addition, environmental regulations and health guideline standards for certain products and by-products produced or to be produced by GPNL are generally becoming more onerous. Increased environmental regulation of its products and activities (including increased regulation deriving from government and community concerns in respect of climate change) or any changes to the environmental regulations its currently faces could have an adverse effect on GPNL's financial condition and results of operations. Actions could be brought against GPNL alleging adverse effects of various substances on health or the environment in areas surrounding its sites and closure of any of the mines or other operations of GPNL, whether at the end of their natural life or earlier, could trigger significant employee redundancy costs, closure and rehabilitation expense and other costs.

#### **5.7 Exploration and development risks**

GPNL's investments include exploration and development in Australia, New Caledonia and other south-west Pacific islands. Exploration and development activities, may be affected by factors beyond the control of GPNL, including geological conditions, mineralisation, consistency and predictability of ore grades and commodity prices. Any discovery of a mineral deposit does not guarantee that the mining of that deposit would be commercially viable, the size of the deposit, development and operating costs, commodity prices and recovery rates, all being key factors in determining commercial viability. Accordingly, there is no assurance that the future exploration and development activities of GPNL will result in profitable mining operations.

## **5.8 Estimates of reserves and resources**

While the reserves of GPNL are believed to be well established, reserve estimates are necessarily imprecise and involve subjective judgements regarding the presence and grade of mineralisation and the ability to economically extract and process the mineralisation. Should GPNL encounter mineralisation or geological mining conditions at any of their mines or projects different from those predicted by historical drilling, sampling and similar examinations, mining plans may have to be altered in a way that might adversely affect its operations and reduce its reserves. Should such reduction occur, material write-downs of their investment in mining properties and/or increased amortisation charges may be required. Reserves are reported as general indicators of mine life. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations.

## **5.9 Commodity price risk**

GPNL aims to generate revenue from sales of commodities such as cobalt and nickel. Significant and sustained adverse movements in these commodity prices may have a material impact on the financial performance of GPNL.

## **5.10 Title risks**

GPNL's properties and mineral claims may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Accordingly, other parties could possibly dispute GPNL's title to its mining rights and other interests. Native title may exist in areas where it has not been extinguished (removed). Native title cannot invalidate anyone else's validly granted or validated rights, but native title may coexist with other forms of tenure where the tenure is not exclusive. While GPNL believes that native title issues will not impact its existing operations, there is no assurance that claims asserting native title rights with respect to GPNL's properties will not arise in the future.

## **5.11 Share investment**

Each Qualifying Shareholder should consider whether shares are a suitable investment for them before deciding to invest in the Company New Shares. Any Qualifying Shareholder in doubt about investing in shares should consult their stockbroker, accountant, lawyer or other professional adviser immediately.

## **5.12 Key personnel**

Key management and personnel are important to attaining the business goals of GPNL. Difficulties in securing key employees or key employees leaving their employment may adversely affect the ability of GPNL to conduct its business and, accordingly, affect its financial performance and its share value.

## **5.13 Foreign jurisdiction risk**

Operations outside Australia involve various risks for Australian companies, in particular operations in developing countries. There are risks beyond GPNL's control associated with investments, mineral exploration, mine development and mining in foreign countries which may adversely affect the businesses of GPNL or which may prevent them from successfully operating a project and recovering its investment and financial return, including:

- (a) health and safety issues, including civil instability, terrorism, religious, ethnic, tribal issues, standard of living and wealth distribution, crime, external threats, health standards and facilities;
- (b) business and regulatory environment and changes to that environment, including political stability, government policy changes, sovereignty of assets and expropriation, the ability to repatriate funds, excessive bureaucracy, corruption, the quality,

comprehensiveness and stability of the legal regime, taxation and royalties, land access, environmental regulation and the effectiveness of the judiciary; and

- (c) an adverse change in attitude towards investment by the host government and community (including activity by non-governmental organisations) or changes in government.

#### **5.14 Economic conditions**

The value of GPNL Shares can be expected to fluctuate depending on general worldwide economic conditions and the financial and operational performance of GPNL. The operating and financial performance of GPNL is influenced by a variety of general economic and business conditions. A prolonged deterioration in general economic conditions could be expected to have a material adverse impact on GPNL's business or financial condition.

#### **5.15 Government and regulatory**

GPNL may be adversely affected by changes in laws, taxes and government and regulatory policy.

#### **5.16 Interest rate risk**

GPNL may be adversely affected by interest rate movements and other changes in the cost of borrowing.

#### **5.17 Exchange rate and currency risk**

As GPNL's financial statements and the majority of its costs are denominated in Australian dollars, appreciation of the Australian dollar against the US dollar without offsetting improvement in US dollar denominated commodity prices could adversely affect GPNL's profitability and financial position.

#### **5.18 Competition**

The markets for the commodities mined by GPNL are intensely competitive. The mineral commodities industry is characterised by technological advancements and the introduction of new production processes using new technologies. GPNL has numerous competitors worldwide. These competitors may develop technologies and processing methods that are more effective or less costly than those currently used by GPNL. Some of these competitors have substantially more resources and a greater marketing scale than GPNL. Competitive activity in the markets served by GPNL can have a significant impact on the prices realised for its products, and can therefore have a material adverse effect on its results of operations or financial condition.

#### **5.19 Litigation risk**

Risks include, but are not limited to, personal injury claims, employee claims and environmental claims. In addition, as noted in section 2.7, GPNL is party to a claim by Robash Pty Ltd. A successful claim may adversely impact the financial position of GPNL.

#### **5.20 Insurance risks**

GPNL may become subject to liability (including in relation to pollution, occupational illnesses or other hazards) against which it has not insured or cannot insure, including those in respect of past activities. Should a major uninsured loss be suffered, future earnings could be materially adversely affected. In addition, insurance may not continue to be available at economically acceptable premiums. As a result, the insurance coverage may not cover the full scope and extent of claims against them or losses that they incur. Defending claims may

cause a strain on management resources, require significant legal fees to be incurred and may adversely affect reputation.

#### **5.21 Retention of key business relationships**

The Company's business relies on a large number of individual contracts and business alliances, but also derives significant income and profit from a relatively small number of key long term clients and business relationships with a few organisations. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Company, its business, operating results and prospects.

#### **5.22 Ability to attract personnel**

The Company's success depends, in part, on its ability to identify, attract, motivate and retain additional suitably qualified management and sales personnel. Competition for qualified staff is strong. The inability to access and retain the services of a sufficient number of qualified staff could be disruptive to the Company's development efforts or business development and could materially adversely affect its operating results.

#### **5.23 Profitability**

Future operating results depend to a large extent on management's ability to successfully manage expansion and growth, which necessarily requires rapid expansion of all aspects of the business operations, such as revenue forecasting, addressing new markets, controlling expenses, implementing infrastructure and systems and managing its assets. Inability to control the costs and organisational impacts of business growth or an unpredicted decline in the growth rate of revenues without a corresponding and timely reduction in expense growth or a failure to manage other issues arising from growth could materially adversely affect the Company's operating results.

#### **5.24 Economic risk and external market factors**

Factors, such as, but not limited to, political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on the Company's operating costs, profit margins and share price. These factors are beyond the control of the Company and the Company cannot, to any degree of certainty, predict how they will impact on the Company.

#### **5.25 War and terrorist attacks**

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material adverse effect on the business, financial condition and financial performance of the Company.

#### **5.26 On-going capital requirements for the Company**

While the proceeds of this Issue are intended to adequately satisfy Company's current and anticipated capital requirements, if the Company requires access to further funding at any stage in the future, the Company may be adversely affected in a material way if, for any reason, access to that capital is not available. There can be no assurance that additional funds will be available. If additional funds should be raised by issuing equity securities, this might result in dilution to the then existing Shareholders.

#### **5.27 Foreign currency exchange rate fluctuations**

Some parts of the Company's business are conducted outside Australia and in currencies other than the Australian dollar. Accordingly, the Company's income from, and the value of,

those businesses will be affected by fluctuations in the rates by which those currencies are exchanged with Australian dollars.

## **6. ADDITIONAL INFORMATION**

### **6.1 Nature of this Prospectus**

The information in this Prospectus principally concerns the terms and conditions of the Issue and the information necessary to make an informed assessment of:

- (a) the effect of the Issue on the Company; and
- (b) the rights and liabilities attaching to the New Shares offered by this Prospectus.

### **6.2 Reporting and disclosure obligations**

The Company is required under the Corporations Act to prepare and lodge with ASIC its annual financial statements accompanied by a Directors' statement and report and an auditor's report.

Although the Company is unlisted, it is subject to continuous disclosure obligations in Canada. Disclosures made are posted on the Company's website <http://www.gladstonepacific.com.au>.

### **6.3 Your right to obtain copies of the Company's documents**

Copies of any documents in relation to the Company which are lodged with ASIC may be obtained from or inspected at, an ASIC office. During the period that the Issue remains open, the Company will provide any person considering this offer, copies of the most recently lodged annual financial report for the year ended 30 June 2010 being the last annual financial report that has been lodged with ASIC before lodgement of this Prospectus.

### **6.4 Documents available for inspection**

The following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus; and
- (b) the constitution of the Company.

### **6.5 Privacy**

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholders and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do as at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended) and the Corporations Act. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to process your application.

## 6.6 Directors' interests and benefits

- (a) Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of the Company, and no firm in which a Director or proposed Director of the Company is a partner, holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:
- (i) the formation or promotion of the Company;
  - (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Issue, or
  - (iii) the Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed director of the Company:

- (iv) to induce them to become, or to qualify them as, a Director; or
- (v) for services rendered by them in connection with the formation or promotion of the Company or in connection with the Issue.

Mr Palmer is a director of the major shareholder of the Company, Fairway Coal, and indirectly controls Fairway Coal. If Fairway Coal participates in the Issue to the full extent possible, Mr Palmer will acquire a relevant interest in an additional 439,826,486 Shares in the Company.

- (b) The table below shows the interest of each Director (whether held directly or indirectly) in securities of the Company as at the date of this Prospectus):

Director	Shares	Held beneficially
Dominic Martino	190,375	Yes
Clive Palmer	39,984,226	Yes
Blair Brewster	Nil	N/A

Directors may hold the relevant interests in Shares shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

Directors who are Qualifying Shareholders will receive an Entitlement to New Shares.

## 6.7 Directors' remuneration

- (a) The non-executive Directors are paid for their services as Directors the remuneration, not exceeding in aggregate a maximum sum, which is fixed by a general meeting. The current maximum aggregate sum which Shareholders have fixed to be paid as fees to the non-executive Directors is \$500,000 per annum. This amount was fixed by Shareholders at the 2006 annual general meeting.

The Chairman is paid an annual fee of \$45,000 inclusive of superannuation. Other non-executive Directors are paid annual base fees of \$20,000 each together with committee fees, inclusive of superannuation.

- (b) The remuneration of the executive Directors is fixed by the Board and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, profits or other operating revenue.

#### **6.8 Officers' indemnities**

The Company, to the extent permitted by law, indemnifies every officer of the Company (and may indemnify any auditor of the Company) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

The Company may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

#### **6.9 Interests of other persons**

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of the Company holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Issue, or
- (c) the Issue,

and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of the Company or in connection with the Issue.

Blake Dawson have provided various legal services and have or will receive professional fees or approximately \$25,000 for legal work undertaken by them in connection with the Issue and this Prospectus.

#### **6.10 Costs of the Issue**

The total costs of the Issue payable by the Company are estimated as follows:

Legal and corporate fees and expenses	\$50,000
Administration and lodgement fees and expenses	\$50,000
<b>Total</b>	<b>\$100,000</b>

#### **6.11 Consents**

Each of the parties referred to in this section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than as specified in this section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and

- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus other than the reference to its name and the statement (if any) included in this Prospectus with the consent of that party as specified in this section.

Blake Dawson have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as legal advisers to the Company in respect of the Issue in the form and context in which they are named.

Computershare Investor Services Pty Limited, Computershare Investor Services PLC and Computershare Investor Services Inc. have given and, at the time of lodgement of this Prospectus, have not withdrawn its written consent to being named in this Prospectus as the share registry to the Company in respect of the Issue in the form and context in which they are named.

## 7. GLOSSARY OF TERMS

<b>AUD or \$</b>	Australian dollars
<b>AEST</b>	Australian Eastern Standard Time
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Board or Board of Directors</b>	The board of directors of the Company
<b>Business Day</b>	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that is not a business day in Brisbane, Queensland
<b>Closing Date</b>	5.00 pm AEST on 2 September 2011 (11.00am London time on 1 September 2011 if you are a Shareholder on the UK Share Register) (or as determined under section 1.4)
<b>Company or GPNL</b>	Gladstone Pacific Nickel Limited ACN 104 261 887, a company registered in Australia
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Directors</b>	The directors of the Company
<b>Electronic Prospectus</b>	The electronic copy of this Prospectus located at the Company's website at <a href="http://www.gladstonepacific.com.au/">http://www.gladstonepacific.com.au/</a>
<b>Entitlement</b>	The entitlement of a Shareholder to 11 New Shares for every 1 Shares in the Company held as at 5.00 pm AEST on 17 August 2011 by that Shareholder.
<b>Entitlement &amp; Acceptance Form</b>	The entitlement and acceptance form that accompanies this Prospectus, under which a Qualifying Shareholder may apply for New Shares under the Issue.
<b>Fairway Coal</b>	Fairway Coal Pty Limited ACN 127 220 642
<b>GBP or £</b>	English currency in Pounds Sterling
<b>GPNL Depositary Interests</b>	means depositary interests representing the beneficial interest in GPNL Shares issued through Computershare Investor Services PLC as the depositary
<b>HPAL</b>	High pressure acid leach
<b>MNPL</b>	Marlborough Nickel Pty Limited ACN 076 403 873
<b>New Shares</b>	The Shares to be issued in the Company under this Prospectus.
<b>Opening Date</b>	22 August 2011
<b>Project</b>	The Gladstone nickel project described in section 2

<b>Qualifying Shareholders</b>	Persons who are registered as the holders of Shares on the Record Date.
<b>Record Date</b>	5.00 pm AEST on 17 August 2011 being the time and date for determination of Entitlements of Shareholders to participate in the Issue.
<b>Related body corporate</b>	The meaning given in the Corporations Act
<b>Rights</b>	The non-renounceable rights of Qualifying Shareholders to subscribe for New Shares under this Prospectus.
<b>Shareholders</b>	Holders of Shares in the Company
<b>Share Registry</b>	Computershare Investor Services Pty Limited (Australia) Computershare Investor Services PLC (UK) Computershare Inc. (Canada)
<b>Shares</b>	Fully-paid ordinary shares in the capital of the Company, including GPNL Depositary Interests
<b>SMGM</b>	Société Minière Georges Montagnat SARL
<b>US Persons</b>	The meaning given to that term by regulations made under the US Securities Act 1933 (as amended).
<b>Waratah</b>	Waratah Coal Pty Ltd ACN 007 153 184

**DIRECTORS' CONSENT**

Every Director of the Company has consented to the lodgement and issue of this Prospectus.

A handwritten signature in black ink, appearing to be 'Blair Brewster', written in a cursive style.

Signed on behalf of the Board of Directors  
Blair Brewster  
**Chief Executive Officer**

## CORPORATE DIRECTORY

### **Company**

Gladstone Pacific Nickel Limited  
Level 2  
380 Queen Street  
Brisbane Qld 4000 Australia  
Tel +61 7 3231 7100  
Fax +61 7 3231 7199  
www.gladstonepacific.com.au

### **Directors**

Domenic Martino  
Blair Brewster  
Clive Palmer

### **Company Secretary**

Karen Williams

### **Share Registry Australia**

Gladstone Pacific Nickel Limited  
Level 2  
380 Queen Street  
Brisbane Qld 4000 Australia

### **Share Registry UK**

C/- Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE UK

### **Share Registry Canada**

C/- Computershare Investor Services Inc  
100 University Avenue  
9th Floor  
Toronto Ontario M5J 2Y1 Canada

### **Lawyers for the Company**

Blake Dawson  
Level 38  
123 Eagle Street  
BRISBANE QLD 4000



GLADSTONE PACIFIC NICKEL LTD

Computershare

Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box 52 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 7 3231 7100
(outside Australia) 61 7 3231 7100
Facsimile 61 7 3231 7199
www.computershare.com

000001
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SAM
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890 I N D

Use a black pen.
Print in CAPITAL letters
inside the grey areas.

Grid for letters A B C and numbers 1 2 3

For your security keep your SRN/HIN confidential.

Entitlement and Acceptance Form

Non-Renounceable Entitlement Issue closing 5.00pm (AEST) on 2 September 2011

Non-Renounceable Entitlement Issue on the basis of 11 New Shares for every 1 Shares entitled to participate at the record date at an issue price of A\$0.08 per New Share.

Shareholder Entitlement details table with fields for Subregister, Issuer, Existing Shares, Entitlement to New Shares, Amount payable, and Entitlement Number.

Important:

- This document is of value and requires your immediate attention.
- This Entitlement and Acceptance Form should not be relied upon as evidence of the current entitlement...
- Receipt of this form by 5.00pm (AEST) on 2 September 2011 with your payment will constitute acceptance...



Entitlement Number: <xxxxxxxxxx>

To be completed by shareholder

Fields B: Number of New Shares Accepted and C: Amount enclosed at A\$0.08 per New Share

I/We enclose my/our payment for the amount shown above being payment of A\$0.08 per New Share. I/We hereby authorise you to register me/us as the holder(s) of the Shares allotted to me/us, and I/we agree to be bound by the Constitution of the Company.

Field D: Payment Details including Drawer, Cheque Number, BSB Number, Account Number, and Amount of cheque

Make your cheque or bank draft payable to "Gladstone Pacific Rights Issue A/C" and cross "Not Negotiable"

Field E: Enter your contact details including Contact Name and Telephone Number

The directors reserve the right to make amendments to this form where appropriate. Please refer to the lodgement instructions overleaf. This form may not be used to effect an address change. Please contact Computershare Investor Services Pty Limited on 1300 850 505 for an appropriate form, or download a Change of Address Notification form from www.computershare.com. CHESS holders must contact their Controlling Participant.

See back of form for completion guidelines

## How to complete the Entitlement and Acceptance form

Please complete all relevant sections of the Entitlement and Acceptance Form using BLOCK LETTERS in black ink. Note that photocopies will not be accepted.

These instructions are cross-referenced to each section of the Entitlement and Acceptance Form.

**A** Details of your Entitlement based on your Shareholding at 5.00pm (AEST) on 15 August 2011 are shown in box A on the front of this Entitlement Form.

### **B** New Shares Accepted

You can apply to accept either all, or part of, your Entitlement. Enter in box B the number of New Shares you wish to accept from your Entitlement.

- To accept your Entitlement in full, write in box B the number of New Shares shown in box A as your Entitlement.
- To accept part of your Entitlement only, write in box B the number of New Shares for which you wish to apply.

### **C** Acceptance Monies

Enter the amount of Acceptance Monies. To calculate the amount payable, multiply the number of New Shares applied for by the issue price.

### **D** Payment Details

Make your cheque or bank draft payable to "Gladstone Pacific Rights Issue A/C" Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box C.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance being rejected. Pin (do not staple) your cheque(s) to the Entitlement and Acceptance Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.**

### **E** Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

### Lodgement of Acceptance

Acceptance Forms must be received at the Melbourne office of Computershare Investor Services Pty Limited by no later than 5.00pm (AEST) on 2 September 2011.

Return the Acceptance Form with cheque(s) attached to:

Computershare Investor Services Pty Limited  
GPO Box 52  
MELBOURNE VIC 3001

Neither CIS nor the Company accepts any responsibility if you lodge the Acceptance Form at any other address or by any other means.

### Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

If you have any enquiries concerning your entitlement, please contact Gladstone Pacific Nickel Limited on 07 3231 7100.

Please return the completed form in the envelope provided or to the address opposite:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne Victoria 3001  
Australia

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