

DIRECTORS' REPORT

14th March 2006

Marlborough Drill Results

In 2005, an initial drilling program of 26,726 metres was completed and preliminary geological modelling and re-evaluation of the resource has been conducted. Based on the work carried out by our resource and mining consultants (IMC Consultants) the Project resource base has increased from 96 million dry tonnes (Mdt) grading 0.79% Nickel (Ni) and 0.05% Cobalt (Co), as indicated in the Prospectus, to 125 Mdt grading 0.80% Ni and 0.05% Co on a similar cut-off basis. This represents a 22% increase in the total resource from that indicated at the time of listing in March 2005. This increase has been achieved on only the four principal deposits identified in the Prospectus.

In addition, other new areas containing lateritic ores have been identified and the directors are confident that these will add to the resource base. Furthermore, a Heads of Agreement has been reached on the right to mine an adjacent area for nickel and cobalt which the directors believe contains an exploration target of approximately 10Mdt of ore at similar grades. Negotiations are progressing on a number of other adjacent mining leases.

Metallurgical Testwork Results

Beneficiation and High Pressure Acid Leach ("HPAL") piloting testwork has been conducted at the HPAL pilot facility of SGS Lakefield Oretest in Perth, Australia. The beneficiation results are very positive and indicate a mass recovery for HPAL feed of 63.7% with an upgrade of 128% for nickel and 130% for cobalt. In conjunction with the increase in the Marlborough resource base, these results indicate substantial increased metal supply potential from the Marlborough deposits for processing at the Gladstone refinery.

The HPAL test work provides the basis for engineering designs. Results are encouraging as follows:

- The use of saline process water (rather than fresh water) demonstrates significantly increased reaction kinetics and ultimate metal extractions of 97% nickel and 95% cobalt.
- 50 minutes residence time in the HPAL circuit as opposed to 75 minutes which was assumed in the Prospectus. The impact of this reduction allows an increase in design autoclave throughput from 2 to 3 Mdt/y, resulting in a significant positive impact on metal production and Project cash flows.
- A significant proportion of Marlborough feed is ideal for the neutralisation of acid and reduces the Project's reliance on limestone for neutralisation purposes, with 55% recovery of nickel and cobalt being achieved in this process. Further investigations are currently underway to improve the economics of the Project by increasing the recoveries in this part of the circuit.

Environment and Community

Environmental approvals are progressing well with the Initial Advice Statement issued by the Queensland State Government seeking licensing for a four autoclave plant, importation of ore and the use of saline water. The Draft Terms of Reference were issued by the State Government and subsequent public agency and community meetings to review the Draft Terms of Reference have been held. Final Terms of Reference are due to be released before the end of March 2006. Environmental base-line studies have commenced and active engagement of the community is progressing with release of a community newsletter. Public release of the Draft Environmental Impact Statement is expected in late July.

The Company continues to enjoy a good working relationship with the Traditional Owners.

Engineering, Infrastructure and Land

The Aka Kvaerner engineering team has commenced evaluation of metallurgical test results and plant design. Key equipment packages have been identified for early market pricing to avoid delays due to vendor capacity issues. Preliminary plant layout at the Yarwun site is complete for all stages of the Project. Flowsheet changes have been identified, on the basis of metallurgical test work, to improve plant output and operability.

The preferred pipeline route has been refined after discussions with relevant landowners and a walk-over has been conducted by flora/fauna/soil specialists. Technical assessment of the beneficiated slurry rheology has been completed and engineering design of the pipeline is progressing.

Negotiations are close to completion with the Queensland State Government on corridor access, land acquisition at Yarwun for the refinery site and Aldoga for the residue storage facility.

The Central Queensland Port Authority has conducted public meetings on the Environmental Terms of Reference for the Wiggins Island Coal Terminal as part of their overall plan for this facility. As with our Project, the Coordinator-General of Queensland has conferred Significant Project Status on the Terminal as well.

Nickel Market

Nickel price outlook remains strong off the back of solid growth in stainless steel demand (particularly in China) and continuing low stock availability. Monthly LME forward nickel prices demonstrate this medium term strength, with "27 month forward prices per tonne" increasing from approximately US\$11,500 and US\$12,500 in January 2004 and January 2005 respectively to approximately US\$13,500 in January 2006.

Off-shore Ore Supply

The Company has recently signed a Letter of Intent to acquire substantial ore supply from a new mine in New Caledonia and is moving to a formal Heads of Agreement in the near future. GPNL is also in discussions with a major Indonesian mining company to access ore in Indonesia. An international tender for sourcing ore on the Solomon Islands is expected in the next three months.

Capital and Operating Cost Outlook

As you will see from the significant progress outlined above, we are now expecting nickel production, from the Marlborough deposits alone, to exceed 40,000 tonnes per annum.

As has happened with all other major projects worldwide labour shortages and material cost increases are impacting our Project's capital cost estimates. In addition, the increase in production capacity of the HPAL circuit is necessitating larger equipment sizing to handle the additional metal scheduled for production. Although final cost estimates are still being developed, we believe that our capital cost per annual pound of nickel production will still be more competitive than other new nickel projects. The increased production of the Project, coupled with the improved outlook on medium and longer-term nickel prices, should more than compensate for the additional capital expenditure.

For similar reasons, our projected cash operating costs per pound of nickel will also rise. We believe only a marginal increase will occur due to the benefit of significant additional output.

Project Schedule

The Definitive Feasibility Study (DFS) is still scheduled for completion in the 3rd quarter of 2006. Due to continued strong medium to long-term demand for nickel, our increased production capability, acceleration of the Wiggins Island Coal Terminal and early success of sourcing off-shore ore, we are seriously considering starting the DFS for the next stage of Project development (4 autoclaves) in the next few months.

As outlined in the Prospectus, the Company intends to invite one or more of major resource or industry related companies to acquire the Company outright or to joint venture into it as a major participant and operator. Discussions with interested parties will begin when the DFS is nearing completion, if not before.

Financial Position

The Consolidated Group incurred an after tax loss of A\$47,162 for the half year ending 31st December 2005, after receiving interest of A\$663,718. Capitalised and deferred exploration and evaluation costs for the period amounted to A\$6,101,239 and as at 31st December 2005 the Group held total cash reserves of A\$20,571,424 (£8,716,705 at the exchange rate of £1: A\$2.36 on 31.12.05).

Project Team

The Project has progressed significantly in the last nine months as a consequence of the recruitment of an experienced and competent owner's team. The team has significant experience in the minerals industry with particularly strong credentials in the nickel sector, and is complemented by major consulting companies with extensive nickel and resource industry backgrounds. This combination provides a solid platform for the growth of the Company.

Share Option Plan

The Board has today approved the grant of 180,000 share options to certain employees and consultants in accordance with the Senior Manager Share Option Plan. These options are exercisable between 1st January 2007 and 31st December 2007 (or otherwise as required by the Plan rules) at 110% of the past thirty days' average weighted share price.

Post Balance Date Event

Since the end of the financial period the group has divested a strategic interest in Weda Bay Minerals Inc., a company listed on the Toronto Stock Exchange, with proceeds of A\$5,694,017.

International Accounting Standards

This is the first general purpose half year report to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" has been applied in preparing these financial statements.

The Company's financial statements until 30th June 2005 have been prepared in accordance with Australian Generally Accepted Accounting Principals (AGAAP) which differs in certain respects from International Financial Reporting Standards (IFRS). A reconciliation and description of the effect of transition from AGAAP to AIFRS has been provided in the notes.

Audit Opinion

The general purpose half year report has not been audited for the period ending 31st December 2005.

Statement of Financial Performance

For the six months ending the 31ST DECEMBER 2005	Notes	Consolidated Dec 2005 \$A	Consolidated Dec 2004 \$A
REVENUES FROM ORDINARY ACTIVITIES		663,718	41,795
Borrowing costs expense		-	(320,247)
Foreign Exchange Loss		(4,772)	-
Directors' fees		(146,965)	-
Professional fees		(39,752)	(9,082)
Travel & accommodation		(100,789)	(51,240)
Wages & on costs		(91,864)	(25,475)
Communication costs		(26,983)	(5,766)
Public relations & ongoing listing fees		(119,228)	(23,957)
Tenement administration costs		-	(9,579)
Other		(157,907)	(5,166)
Depreciation		(22,620)	-
EXPENSES FROM ORDINARY ACTIVITIES		(710,880)	(450,512)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(47,162)	(408,717)
INCOME TAX (EXPENSE) / BENEFIT RELATING TO ORDINARY ACTIVITIES		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(47,162)	(408,717)
Basic earnings/ (loss) per share (\$ per share)	8	(0.001570)	(0.04489)
Diluted earnings/ (loss) per share (\$ per share)	8	(0.001570)	(0.04489)

Statement of Financial Position

As at 31 st DECEMBER 2005	NOTES	Consolidated Dec 2005 \$A	Consolidated June 2005 \$A	Consolidated Dec 2004 \$A
CURRENT ASSETS				
Cash assets		20,571,424	27,193,193	1,199,911
Receivables		371,618	182,010	37,923
Other current assets		250,426	54,851	302,118
Other financial assets		3,203,282	1,075,268	-
TOTAL CURRENT ASSETS		24,396,750	28,505,322	1,539,952
NON-CURRENT ASSETS				
Equipment		84,529	89,471	20,664
Deferred evaluation & exploration costs		16,081,156	9,979,917	8,748,154
Receivables		-	100,063	-
TOTAL NON-CURRENT ASSETS		16,165,685	10,169,451	8,768,818
TOTAL ASSETS		40,562,435	38,674,773	10,308,770
CURRENT LIABILITIES				
Payables		1,522,394	1,362,312	622,126
Interest bearing liabilities		-	-	2,484,473
Provisions		19,876	7,937	4,770
TOTAL CURRENT LIABILITIES		1,542,270	1,370,249	3,111,369
NON-CURRENT LIABILITIES				
Payables		897,489	912,343	979,267
Provisions		6,261	5,000	3,129
TOTAL NON-CURRENT LIABILITIES		903,750	917,343	982,396
TOTAL LIABILITIES		2,446,020	2,287,592	4,093,765
NET ASSETS / (LIABILITIES)		38,116,415	36,387,181	6,215,005
EQUITY				
Contributed equity	2	39,350,738	37,574,342	7,188,268
Accumulated losses	3	(1,234,323)	(1,187,161)	(973,263)
TOTAL EQUITY / (DEFICIENCY)		38,116,415	36,387,181	6,215,005

Statement of Cash Flows

For the six months ending the 31ST DECEMBER 2005	Notes	Consolidated Dec 2005 \$A	Consolidated Dec 2004 \$A
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(865,867)	(983,024)
Payments for exploration and evaluation		(5,941,159)	(327,282)
Interest received		549,569	2,068
NET CASH FLOWS USED IN OPERATING ACTIVITIES	4	(6,257,457)	(1,308,238)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(17,677)	(20,664)
Purchase of investments		(370,310)	-
Sale of investments		23,675	-
NET CASH FLOWS USED FROM INVESTING ACTIVITIES		(364,312)	(20,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	7,213,957
Cost of raising funds		-	(26,789)
(Repayment) / proceeds of borrowings		-	(4,717,921)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	2,469,247
NET (DECREASE)/INCREASE IN CASH HELD		(6,621,769)	1,140,345
Opening cash brought forward		27,193,193	59,566
CLOSING CASH CARRIED FORWARD		20,571,424	1,199,911

As at 31st DECEMBER 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half year financial report

It is recommended that this financial report be read in conjunction with the annual report for the year ended 30th June 2005. The half year report does not include full disclosures of the type normally included in an annual financial report.

(b) Basis of accounting

The financial statements are general purpose financial statements, which have been prepared in accordance with Accounting Standards, AASB 134 "Interim Financial Reporting". In preparing the half year financial report, management has amended previous AGAAP financial statements to comply with AIFRS.

The half year financial report has been prepared on an historical cost basis, except for "available for sale" financial assets that have been measured at fair value.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(c) Changes in accounting policies

The company has moved from Australian Accounting Standards (AGAAP) to Australian Equivalents of International Reporting Standards (AIFRS) in the half year ended 31st December 2005.

	Consolidated Dec 2005 \$A	Consolidated Dec 2004 \$A
2. CONTRIBUTED EQUITY		
(a) (i) Issued and paid up capital	37,287,644	7,188,268
30,042,293 ordinary shares fully paid as at 31 st December 2005		
Total issued and paid up Capital	37,287,644	7,188,268
(a) (ii) Other Reserves		
Income recognised direct to equity	2,063,094	
Total Other Reserves	2,063,094	
TOTAL CONTRIBUTED EQUITY	39,350,738	7,188,268

(b) Options

Number of Options

Issued & Exercised during the year	-
Issued & still outstanding at period end @ £1.20	300,423
Issued & still outstanding at period end @ A\$2.32	150,000
Issued & still outstanding at period end @ A\$2.45	100,000
Issued & still outstanding at period end @ A\$2.86	700,000
Total issued and still outstanding at 31st December 2005	1,250,423

(c) Movements in GPNL shares on issue

	\$A	Number of Shares
Issued as at 30 th June 2005	37,287,644	30,042,293
Issued as at 31 st December 2005	37,287,644	30,042,293

	Consolidated Dec 2005 \$A	Consolidated Dec 2004 \$A
3. ACCUMULATED LOSSES		
Balance at the beginning of the year	(1,187,161)	(564,546)
Net loss	(47,162)	(408,717)
Balance at end of the period	<u>(1,234,323)</u>	<u>(973,263)</u>

	Consolidated Dec 2005 \$A	Consolidated Dec 2004 \$A
4. CASH FLOW INFORMATION		
Reconciliation of the operating profit / (loss) after tax to the net cash flows from operations		
Operating loss after tax	(47,162)	(408,717)
Non-cash items		
Provision for employee entitlements	13,198	(1,283)
Depreciation	22,620	-
Gain on Sale of Investment	(4,980)	-
Foreign Exchange Gain	-	(39,727)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(89,545)	107,428
(Increase)/decrease in prepayments	(195,575)	(301,083)
(Increase)/decrease in deferred evaluation costs	(6,101,240)	(554,676)
Increase/(decrease) in payables	145,227	(110,180)
Net cash flow from (used in) operating activities	<u>(6,257,457)</u>	<u>(1,308,238)</u>

Reconciliation of cash

Cash balance comprises:

– cash at bank & on short term deposit

Closing cash balance

20,571,424	1,199,911
<u>20,571,424</u>	<u>1,199,911</u>

5. RELATED PARTY DISCLOSURES

Director related entity transactions

During the period ended, there were various transactions between GPNL and director related entities. Apart from their non-executive directors fee of \$16,500 each, P.J. Watson's legal firm, Watson Law, has been paid the sum of \$68,075 for legal advice, and Investor Resources Ltd (a related company of A.E. Daley) has been paid the amount of \$16,920 for general advice. All amounts were based on normal commercial terms.

6. PROVISIONS

Restoration and rehabilitation

All of the GPNL Group's exploration and mining areas are subject to restoration and rehabilitation requirements in accordance with the conditions of the licences issued by the relevant authorities. No amount has been provided for in the accounts to meet future restoration and rehabilitation obligations as the amount is not material. The appropriate Queensland Government Departments hold bank guarantees to cover GPNL's current obligations.

7. IMPACT OF ADOPTING AASB EQUIVALENTS TO AIFRS STANDARDS

The company has moved from Australian Accounting Standards (AGAAP) to Australian Equivalents of International Financial reporting (AIFRS) in the half year ended 31st December 2005.

Set out below are the key areas where accounting policies have changed on adoption of AIFRS and the quantitative impact of the changes on total equity and net profit / (loss):

a) **Reconciliation of Equity as presented under AGAAP to that under AIFRS**

	Consolidated June 05 \$A	Consolidated Dec 04 \$A	Consolidated 1 st July 04 \$A
Total Equity under AGAAP	37,287,644	7,188,268	1,100
Changes in Valuation of Asset *	286,698		
Total Equity under AIFRS	37,574,342	7,188,268	1,100

* Financial Assets that are classified as "available for sale" under AASB 139 "Financial Instruments: Recognition and Measurement" are carried at fair value. They were carried at cost under AGAAP.

b) **Reconciliation of Profit after tax as presented under AGAAP to that under AIFRS.**

	Consolidated June 05 \$A	Consolidated Dec 04 \$A
Total profit / (loss) after tax under AGAAP	(622,614)	(408,717)
Total profit / (loss) after tax under AIFRS	(622,614)	(408,717)

	Consolidated Dec 2005 (\$A)	Consolidated Dec 2004 \$A
8. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Net gain / (loss)	(47,162)	(408,717)
Earnings used in calculation of diluted earnings per share	(47,162)	(408,717)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted EPS	30,042,293	9,104,110
Basic and diluted earnings / (loss) \$ per share	(0.00157)	(0.04489)

9. EVENTS AFTER BALANCE DATE

During January 2006 and February 2006, the company sold 2,500,000 shares in Weda Bay Minerals Inc., a company listed on the Toronto Stock Exchange.

The profit on the sale of this investment will be \$4,553,049. The financial effect of this event has not been recognised as at 31st December 2005.