

## news release

For immediate release:  
18 May 2007

**Gladstone Pacific Nickel Limited**  
**(ACN 104 261 887)**

**Correction to announcement released on 3 May 2007 under RNS Number  
0371W  
and further clarification regarding Explanatory Memorandum**

LONDON: 18 May 2007 - The Board of Gladstone Pacific Nickel Limited (AIM: GPN) ("Gladstone" or the "Company") advises that the announcement it released on 3 May 2007 regarding Notice of General Meeting to be held on Tuesday 29 May 2007, at 6.00 pm (9.00 am UK time) at Suite 9, Level 3, Christie Centre, 320 Adelaide Street, Brisbane, 4000, contained an error regarding the timing of exercise of options.

The announcement of 3 May 2007 stated that options being issued to agents in respect of the proposed placement of shares would be automatically exercised upon TSX Listing Qualification being achieved. In fact, the exercise of options will be entirely a matter for the option holder and at the option holders' election. The options will be exercisable, at any time, from the date of issue until the second anniversary of the Closing Date of the placement of shares. The corrected announcement is set out below in its entirety.

The Company has issued a letter to shareholders providing full details of the above and clarification on other matters such as:

- a further public offering may not be required,
- TSX Listing may be carried out without the publication of a prospectus,
- conversion of Special Warrants to AIM quoted ordinary shares, and
- terms and conditions of the options to be issued to the Agents.

The letter to shareholders, Notice of Meeting and Explanatory Memorandum together with full details of the resolutions to be considered at the General Meeting will be available shortly to view and download from the Company's website: [www.gladstonepacific.com.au](http://www.gladstonepacific.com.au).

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### **Notice of Extraordinary General Meeting**

The Board of Gladstone Pacific Nickel Limited (AIM: GPN) (the "Company") announces it will hold an Extraordinary General Meeting ("EGM") on Tuesday

29 May 2007, at 6.00pm (9.00am UK time) at Suite 9, Level 3, Christie Centre, 320 Adelaide Street, Brisbane, Australia, 4000.

The Company seeks shareholder approval for the issue of 11,157,000 Special Warrants, at a price of £1.80 per Special Warrant, to the participants in a placement managed by Research Capital Corporation Inc and Transocean Securities Pty Ltd (the "Agents") to raise up to US\$40 million (the "Proposed Placement") before proceeding with the dual listing of the Company's shares on the Toronto Stock Exchange ("TSX"). Shareholder approval of Resolution 1 will entitle each holder of the Special Warrant a right to have issued 1 Ordinary Share in the Company on the condition that, if the TSX Listing Qualification is not achieved by the Listing Date, each Special Warrant will entitle the holder to be issued 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share. The Special Warrants will be exercisable by their holders at any time but will automatically convert to Ordinary Shares on the above basis on the later of the TSX Listing Qualification being achieved and the first anniversary of the Closing Date. No additional consideration will be payable on exercise of the Special Warrants.

The Company also seeks shareholder approval for Resolution 2 being the issue by the Company of 780,990 options to the Agents which will entitle the option holder to subscribe for 1 Ordinary Share at an exercise price of £1.80 per share on the condition that, if the TSX Listing Qualification is not achieved by the Listing Date, each option will entitle the holder to be issued 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share. The exercise price of each option will not change on the exercise rate of the options being increased in this manner. The options will be exercisable at any time until the second anniversary of the Closing Date at the option holder's election.

Both resolutions have been supported by the Board.

## GLOSSARY

In this news release, the following expressions have the following meanings respectively:

<b>Expression</b>	<b>Meaning</b>
AIM	Alternative Investment Market
Board	The board of directors of the Company
Closing Date	30 May 2007 (or such other date as the Agents may determine), being the closing date of the Placement
Gladstone Pacific Nickel Limited, Gladstone or the Company	Gladstone Pacific Nickel Limited ACN 104 261 887
Listing Date	The date which is 180 days after the Closing Date
Shareholder	A holder of Ordinary Shares in the Company

TSX	Toronto Stock Exchange
TSX Listing	Admission of the Company to the official list of the TSX or, in the alternative, the TSX Venture Exchange, and the admission to trading of all Ordinary Shares in issue on the TSX or the TSX Venture Exchange (as the case may be)
TSX Listing Qualification	When each of the TSX Listing has occurred and the shares quoted on the TSX are freely tradeable.

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18 May 2007

Dear Shareholder

**General Meeting to approve US\$40 million Placement and related matters**

**This is an important letter in connection with the General Meeting of Gladstone Pacific Nickel Limited (“Company”) to be held on 29 May 2007 (“General Meeting”) and should be read by you before the General Meeting.**

I refer to the Notice of General Meeting and Explanatory Memorandum sent to you under cover of a letter from me dated 3 May 2007 (“Notice of Meeting” and “Explanatory Memorandum” respectively).

Unless the contrary is stated, an expression given a meaning in the Explanatory Memorandum has that meaning when used in this letter. Expressions with upper case initial letter(s) in this letter are given a meaning in the Explanatory Memorandum or in this letter.

**Correction of Errors – Agents’ options**

The Explanatory Memorandum contains an error in relation to the proposed issue of options to the Agents (ie Transocean Securities Pty Ltd and Research Capital Corporation) as part of their fee for undertaking the proposed private placement of 11,157,000 Special Warrants as described in the Explanatory Memorandum.

Section 4 of the Explanatory Memorandum incorrectly states that the options proposed to be issued to the Agents will automatically be exercised on the TSX Listing Qualification being achieved. The options may be exercised at any time during the period from the date of issue until the second anniversary of the Closing Date, and will not automatically be exercised at any time during that period. Exercise of the options, at any time, will be entirely a matter for the option holder’s election.

This error was also incorporated in paragraph (e) of the terms and conditions of issue of those options set out in Annexure 1 to the Explanatory Memorandum.

It has also come to our attention that the terms and conditions of options set out in Annexure 1 of the Explanatory Memorandum:

- (a) do not make it clear that the Exercise Price is a price payable per option exercised;
- (b) do not admit of the possibility that, as discussed below, a TSX Listing may be achieved without the Company filing a prospectus in Canada; and
- (c) are not consistent with Canadian legal practice in respect of the time allowed for the Company to issue Ordinary Shares following the exercise of options and as to adjustments to be made for transactions affecting the Company’s share capital in the period before the options are exercised.

All of these matters have been taken into account in the revised terms and conditions of options which are set out in Annexure 1 to this letter. For the purposes of Resolution 2 set out in the Notice of Meeting Annexure 1

to this letter is substituted for Annexure 1 to the Explanatory Memorandum. At the General Meeting Resolution 2 will be amended by deleting reference to Annexure 1 to the Explanatory Memorandum and substituting reference to Annexure 1 to this letter.

We apologise for any inconvenience the error in the Explanatory Memorandum and the changes to the terms and conditions of options may have caused.

The options to be issued to the Agents may not be issued immediately following the General Meeting. Instead the Company may issue to the Agents special warrants in respect of those options. Such special warrants would entitle the Agents to the grant of the options at any time at their election, with the special warrants automatically converting to the underlying options on the earlier of TSX Listing Qualification being achieved and the first anniversary of the Closing Date. No consideration would be payable for these special warrants or on their conversion into the options (but the Agents would have to pay the exercise price of £1.80 per option exercised in order to exercise the options). The special warrants in respect of the options would be issued to the Agents if that proves necessary, under Canadian law, in order to ensure free tradability, within 180 days of the Closing Date, of the Ordinary Shares issued upon exercise of the options.

If shareholders approve the issue of the options to the Agents by passing Resolution 2 set out in the Notice of Meeting, the Board can issue special warrants in respect of those options without further shareholder approval.

### **Other Matters**

We take this opportunity to augment the Explanatory Memorandum with additional information relating to the proposed TSX Listing of the Company and to clarify some of the information contained in that Explanatory Memorandum in so far as that listing is concerned.

#### ***Public offering may not be required***

The Explanatory Memorandum contemplates that a public offering will be required in connection with the Company's proposed TSX Listing. Further investigations have revealed that the Company may be able to achieve the shareholder spread required for TSX Listing without the necessity to raise further funds through a related initial public offering. The Company intends to continue these investigations and, if possible and practicable, to proceed to a TSX Listing without a related initial public offering.

#### ***TSX Listing without a prospectus***

The Company and the Agents have been, and continue, in discussions with a view to determining whether the Company can proceed with, and achieve, a TSX Listing and free tradability of all Ordinary Shares within 180 days of the Closing Date without filing a prospectus under Canadian law. If it proves that this is possible then, for the purposes of the Explanatory Memorandum and Resolution 2 set out in the Notice of Meeting, the expression "TSX Listing Qualification" would become a reference only to the TSX Listing Date having occurred as there would then be no Prospectus Qualification Date.

Under Canadian law, the currently outstanding Ordinary Shares would be expected to be freely tradable over the TSX or TSXV (as applicable) immediately on the TSX Listing occurring (without the Company needing to file a prospectus in Canada). However, if a prospectus is not filed in Canada (or discretionary relief is not granted by Canadian securities regulatory authorities), certain (and perhaps all) of the Ordinary Shares to be issued in the Placement (i.e. on conversion of the Special Warrants purchased by places under the Placement) would be subject to a "hold period" of four months from the TSX Listing Date.

To satisfy the Company's obligation to the places under the Placement, to achieve free trading on TSX or TSXV (as applicable) in the Ordinary Shares to be issued on conversion of their Special Warrants within 180 days of the Closing Date, without the filing of a prospectus in Canada, the Company would need to achieve a listing on the TSX within two months of the Closing Date (such that the four month "hold period" described in the preceding paragraph will expire within 180 days of the Closing Date). Should it prove that a TSX Listing by this date is not possible or practicable the Company would proceed with the prospectus route (or seek discretionary relief as described above, if available).

***Conversion of special warrants.***

Placees under the Placement have the right to convert their Special Warrants into Ordinary Shares at any time after those Special Warrants are issued. If any of the Special Warrants are so converted before TSX Listing is achieved the Company would seek the admission to trading, on AIM, of the Ordinary Shares into which they are converted. Placees under the Placement who so convert their Special Warrants would have Ordinary Shares that are tradable on AIM until TSX Listing is achieved (and, of course, thereafter as the Company intends to maintain its AIM listing in addition to TSX Listing. In this regard it is noted that once TSX Listing and free tradability is achieved all Ordinary Shares on issue from time to time will be able to be traded on AIM and TSX (or, if applicable, TSXV). Any Placee who decides to convert Special Warrants before TSX Listing is achieved would lose the right conferred by the terms of the Placement to receive up to one additional Ordinary Share for each of those Special Warrants (two Ordinary Shares in all), if TSX Listing and free tradability is delayed beyond the expiry of 180 days from the Closing Date. This right in respect of additional Ordinary Shares is discussed in Section 3 of the Explanatory Memorandum.

**Recommendation**

The directors of the Company, other than Mr J Henderson who did not make a recommendation in the Explanatory Memorandum because he considered that it was not appropriate for him to make a recommendation by reason of his interests in Transocean Securities Pty Ltd, confirm their unanimous recommendation that shareholders vote in favour of the two Resolutions set out in the Notice of Meeting.

By order of the Board.

R.A. Pearce  
Chairman

**Attachment  
Annexure 1**

**Terms and Conditions of Options**

**Definitions:**

In these Terms and Conditions:

- (a) words and expressions defined in the Explanatory Memorandum accompanying the Notice of Meeting dated 3 May 2007 and used in these Terms and Conditions have the meanings given in the Explanatory Memorandum unless the context requires otherwise; and
- (b) The following terms have the following meanings:

**Market Price** on any date means the volume weighted average selling price of Ordinary Shares for the 20 consecutive trading days, ending five trading days prior to that date:

- (i) on the TSX; or
- (ii) if the Ordinary Shares are not listed on the TSX as at that date, on AIM or such other stock exchange on which the Ordinary Shares are then listed as may be selected by the directors:  
or,
- (iii) if the Ordinary Shares are not then listed on any stock exchange, then on such over-the-counter market as may be selected for such purpose by the directors; or

if the Ordinary Shares are not then listed on any stock exchange or quoted on a quotation system, the price per Ordinary Share determined by the directors.

**record date** means close of business (in the principal location of the market used to determine Current Market Price or otherwise close of business in the city where the Company's head office is located) on the relevant date.

**Terms and Conditions:**

- (a) The options issued to the Agents ("**Options**") will expire 2 years from the Closing Date. ("**Expiry Date**").
- (b) The Options will be issued to Research Capital Corporation and Transocean Securities Pty Ltd ("**Optionholders**") in the proportions 50% and 50% respectively.
- (c) Each Option is a right in favour of the Optionholder to subscribe for 1 Ordinary Share, or, if the TSX Listing and free tradability of all Ordinary Shares is not achieved within six months of the Closing Date, 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month thereafter until the TSX Listing and free tradability of all Ordinary Shares is achieved, without any adjustment to the per Option exercise price.
- (d) Optionholders may exercise the Options any time on or prior to the Expiry Date.
- (e) The amount payable by an Optionholder upon the exercise of Options is £1.80 per Option exercised ("**Exercise Price**").
- (f) The Exercise Price will be payable in full on exercise of the Options.
- (g) The Options will be exercisable by the delivery to the registered office of the Company or the Share Registry of a notice in writing stating the intention of the Optionholder to:

- (i) exercise all or a specified number of Options; and
  - (ii) pay the Exercise Price in full for the each Option exercised (“Notice”).
- (h) The Notice must be accompanied by a holding statement and a cheque made payable to the Company for the Exercise Price for each Option exercised. An exercise of only some Options will not affect the rights of the Optionholder to the balance of the Options held by the Optionholder. The Notice, holding statement and cheque must be received by the Company prior to the Expiry Date.
- (i) The Company will allot the resultant Ordinary Shares and deliver the holding statement within 10 days of the receipt of the Notice.
- (j) The Options will be freely transferable.
- (k) Ordinary Shares allotted pursuant to an exercise of the Options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
- (l) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the authorised or issued securities of the Company, all rights of the Optionholders will be reconstructed (as appropriate) in accordance with the applicable rules of the TSX.
- (m) If at any time prior to the Expiry Date the Company fixes a record date for the issue of rights, options or warrants to all or substantially all of the Shareholders under which such Shareholders are entitled, during a period expiring not more than 45 days after the record date for such issue (the “**Rights Period**”), to subscribe for or acquire Ordinary Shares at a price per Ordinary Share of less than 95% of the Market Price as at that record date (“**Rights Offering**”), then the number of Ordinary Shares to be issued upon the exercise of each Option shall be adjusted to a number calculated as follows:

$$NS = OS \times \left( \frac{A}{B + ((C \times D)/E)} \right)$$

Where:

- NS = the number of Ordinary Shares to be issued on the exercise of each Option after adjustment in accordance with this paragraph;
  - OS = the number of Ordinary Shares to be issued on the exercise of each Option as at the record date for that Rights Offering before adjustment in accordance with this paragraph
  - A = the number of Ordinary Shares on issue on the record date for the Rights Offering plus the number of Ordinary Shares actually issued upon the exercise of the rights, options or warrants issued under the Rights Offering;);
  - B = the number of Ordinary Shares on issue as at the record date for the Rights Offering;
  - C = the number of Ordinary Shares actually issued upon the exercise of the rights, options or warrants issued under the Rights Offering;
  - D = the price at which such Ordinary Shares are issued under the Rights Offering; and
  - E = the Market Price of the issued Ordinary Shares as at the record date for the Rights Offering.
- (n) If at any time prior to the Expiry Date the Company issues or distributes to all or to substantially all the Shareholders:

- (i) shares in the capital of the Company of any class or rights, options or warrants (other than rights, options or warrants exercisable within 45 days from the date of issue) (“**Securities**”) at an issue price or conversion price (as the case may be) of less than 95% of the Market Price as at the record date for such issue or distribution;
- (ii) evidences of indebtedness of the Company; or
- (iii) any property or other assets (excluding cash dividends),

and such issue or distribution does not constitute a reconstruction of the kind described in paragraph (l) or a Rights Offering (“**Special Distribution**”), then the number of Ordinary Shares to be issued on exercise of each Option shall be adjusted with effect immediately after the record date for the Special Distribution to a number calculated as follows:

$$NS = OS \times \left( \frac{A}{B - (C - D)} \right)$$

Where:

- NS = the number of Ordinary Shares to be issued on the exercise of each Option after adjustment in accordance with this paragraph;
- OS = the number of Ordinary Shares to be issued on the exercise of each Option as at that record date before adjustment in accordance with this paragraph;
- A = OS multiplied by the Market Price as at that record date;
- B = an amount equal to A;
- C = the fair market value on that record date, as determined by the directors (whose determination shall, absent manifest error, be conclusive), of the Securities, evidences of indebtedness, property or other assets issued or distributed in the Special Distribution; and
- D = the fair market value of the consideration received by the Company from the Shareholders for the Securities, evidences of indebtedness, property or other assets issued or distributed in the Special Distribution, as determined by the directors (whose determination shall, absent manifest error, be conclusive).

- (o) If an adjustment to the number of Ordinary Shares to be issued upon the exercise of each Option is made under paragraph (m) or (n) that number shall be further adjusted, if necessary, by the application of these Terms and Conditions for any event arising after the record date for the Rights Offering or Special Distribution which requires an adjustment to that number.
- (p) The Options will not give any right to participate in dividends or new issues until Ordinary Shares are allotted pursuant to the exercise of the relevant options. Further, no adjustments will be made pursuant to paragraphs (m) and (n) above if the Optionholder has been afforded the right to participate in the Rights Offering or Special Distribution as if the Optionholder held, as at the relevant record date, the Ordinary Shares to be issued on exercise of the Options.
- (q) If at the time an Option is exercised it is not possible to calculate the number of Ordinary Shares which are to be issued because a particular adjustment cannot then be calculated:
  - (i) that number of Ordinary Shares which can be so calculated shall be issued and allotted, and the relevant holding statement delivered in accordance with paragraph (i); and

- (ii) the additional Ordinary Shares arising from the adjustment (and any subsequent adjustment) shall be issued and allotted and the relevant holding statement delivered within 10 days of the first day on which it is possible for the calculation to be made.

## **Notice of Extraordinary General Meeting**

**Notice is given** that an Extraordinary General Meeting of members of Gladstone Pacific Nickel Limited (ACN 104 261 887) will be held as follows:

**Date:** Tuesday 29 May 2007

**Time:** 6:00 pm – Brisbane, Australia (AEST), 9:00 am - :London, United Kingdom (GMT)

**Venue:** Suite 9, Level 3, Christie Centre, 320 Adelaide Street, Brisbane, Australia 4000.

### **Agenda**

#### **1. RESOLUTION 1 Issue of Special Warrants**

To consider and, if thought appropriate, pass the following Ordinary Resolution:

“That, for the purposes of Rule 7(2) of the Company’s Constitution and for all other purposes, the issue of 11,157,000 special warrants at a price of £1.80 to a number of placees to be identified by Research Capital Corporation and Transocean Securities Pty Ltd on the basis that each special warrant entitles the holder to 1 Ordinary Share, or if the TSX Listing Qualification is not achieved by the Listing Date (each of those expressions having the meaning given in the Explanatory Memorandum accompanying this Notice of Meeting), 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share, without the payment of additional consideration other than that paid for each special warrant, is approved.”

#### **2. RESOLUTION 2 Issue of Options**

To consider and, if thought appropriate, pass the following Ordinary Resolution:

“That, for the purposes of Rule 7(2) of the Company’s Constitution and for all other purposes, the issue of 780,990 options at an exercise price of £1.80 per option exercised to Research Capital Corporation and Transocean Securities Pty Ltd in equal proportions on the basis that each option entitles the holder, upon exercise of the option, to subscribe for 1 Ordinary Share, or, if the TSX Listing Qualification is not achieved by the Listing Date (each of those expressions having the meaning given in the Explanatory Memorandum accompanying this Notice of Meeting), 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share, without any adjustment to the per option exercise price, and otherwise on the terms and conditions set out in Annexure 1 to the Explanatory Memorandum accompanying this Notice of Meeting, is approved.”

#### **3. Other business**

To consider any other business that may lawfully be brought to the meeting.

Please refer to the enclosed Explanatory Memorandum for further details.

By Order of the Board.

R.A. Pearce  
Executive Chairman

Dated: 3 May 2007.

### **EXTRAORDINARY GENERAL MEETING TELECONFERENCE REGISTRATION**

Shareholders will have the opportunity to participate informally in the Extraordinary General Meeting by Teleconference. However, you will not be considered to be in attendance for quorum and voting purposes unless you physically attend at the meeting venue. If you wish to participate by Teleconference you will need to complete and forward a proxy form (in accordance with the instructions below) in order to vote your shares. If you decide to participate by Teleconference you will be allowed to speak and ask questions at the Extraordinary General Meeting.

To register for participation in the Teleconference for the Extraordinary General Meeting, please contact Gladstone Pacific Nickel by telephone, fax or email providing your contact details. The dial-in number and participant pass code details will be forwarded to you before the Extraordinary General Meeting.

The Extraordinary meeting for London participants is 9:00 am London, United kingdom (GMT) on 29 May 2007 by teleconference.

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Notes:

- In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Australia), the Company determines that the shareholding of each shareholder for the purposes of ascertaining voting entitlements for the Extraordinary General Meeting will be as it appears in the share register of the Company at 6.00 pm Australian Eastern Standard Time on Friday 25 May 2007.
- A member of the Company who is registered on the member's register, is entitled to attend and vote in person or by proxy. A proxy form is enclosed. The proxy form must be received at either address below by no later than 6.00 pm Australian Eastern Standard Time or 8.00 am Greenwich Mean Time on Friday 25 May 2007 or, if the meeting is adjourned, no later than 48 hours prior to the time fixed for the adjourned meeting. A proxy can be sent or delivered to the following locations by mail or fax:

Computershare Investor Services PLC  
PO Box 1075  
The Pavilions  
Bridgwater Road, Bristol BS13 8FB UK  
or by *facsimile to*: +44 (0) 870 703 6109

Gladstone Pacific Nickel Ltd  
GPO Box 111, Brisbane QLD 4000  
Australia  
or by *facsimile to*: + 61 (0) 7 3211 8688

- Depository Interest holders are not entitled to appoint a proxy but should contact the Company's registrar, Computershare Investor Services PLC, regarding the exercise of rights as a Depository Interest holder.
- Any Directors of the Company who are unable to attend the meeting will participate by telephone.

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**Registered Office:**  
Suite 9 Level 3  
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Brisbane Qld 4001

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**GLADSTONE PACIFIC NICKEL LIMITED**  
(ACN 104 261 887)

**EXPLANATORY MEMORANDUM**

**IMPORTANT NOTICE**

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the general meeting of Gladstone Pacific Nickel Limited (**Company**) to which the Notice of Meeting relates. It is given to the Company's Shareholders to help them determine how to vote on the Resolutions set out in the Notice of Meeting.

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

If you are in doubt about what to do in relation to each of the Resolutions set out in the Notice of Meeting you should consult your financial or other professional adviser.

The Glossary at the end of this Explanatory Memorandum gives the meanings of expressions used in this Explanatory Memorandum where the meaning is not given in the Notice of Meeting or in the body of this Explanatory Memorandum.

This Explanatory Memorandum is dated 3 May 2007.

**1. BACKGROUND**

On 17 March 2005, the Company was listed on the AIM. At the time of listing the Company had raised £11,000,000 (equivalent to A\$26,855,470) through a private placement associated with its AIM listing.

As disclosed in the AIM Admission Document prepared for the Company's AIM listing, the Company's plans, at that time, were to carry out:

- a definitive feasibility study into the establishment of a two autoclave HPAL nickel laterite ore processing facility and refinery at Gladstone, Queensland, to produce approximately 30,000 tonnes of nickel and 1,400 tonnes of cobalt per annum, from ore mined from the Company's nickel laterite ore deposits at Marlborough near Rockhampton, Queensland and fed to that processing facility via a slurry pipeline from Marlborough to Gladstone; and
- a preliminary feasibility study in connection with an expansion of the Gladstone facilities to four autoclaves with additional ore to be sourced from off shore sources in the south western Pacific region, and production increasing to 60,000 tonnes of nickel and 3,800 tonnes of cobalt annually.

The Company in the course of conducting the definitive feasibility study identified a combination of several major developments which warranted the acceleration of the Company's plans for the importation of high grade New Caledonian ores. These include:

- the signing of a Heads of Agreement securing substantial long-term high grade limonite nickel ore from the east coast of New Caledonia in September 2006;

- the Central Queensland Ports Authority's accelerated plans for the new Wiggins Island export/import terminal at Gladstone;
- metallurgical test programmes demonstrating substantial improvements in nickel recoveries by utilisation of sea water rather than fresh water; and
- a significant opportunity to reduce residence time in the autoclave was highlighted resulting in increased design autoclave throughput rates.

The Company's Board decided in, or about, September 2006 to bring forward the imported ore aspects of the previously proposed preliminary feasibility study and to extend the definitive feasibility study (now called the integrated definitive feasibility study) to consider the importation of ore from project commencement. This has made the search for an adequate and secure off shore ore supply more urgent and has, or will, necessitate:

- further metallurgical studies in respect of ore sourced from New Caledonia;
- off shore exploration work to better define ore resources and develop mine plans;
- negotiation of ore supply and other arrangements to secure substantial quantities of ore from off shore – with attendant costs to secure options or buy, or buy into, ore sources;
- studies into the establishment of off shore mines, ore transportation and handling facilities and infrastructure, port and ore loading facilities;
- studies associated with Gladstone port facilities and the transportation of ore from the Gladstone Port to the Company's Gladstone processing facilities;
- engineering of the Gladstone processing facility to accommodate the processing of a range of imported ores in conjunction with ore from Marlborough;
- studies to determine the most appropriate design of the Plant to allow for flexibility in processing different grades, volumes and characteristics of ore from both Marlborough and overseas; and
- review of the arrangements for transportation of ore from Marlborough to Gladstone and the possible use of rail instead of a slurry pipeline.

The Company anticipates that the integrated definitive feasibility study will be completed prior to the end of 2007.

The Company has progressed its search for overseas nickel laterite sources and has concluded an option arrangement in respect of a source of ore in New Caledonia. Formal documentation of this arrangement is currently being negotiated and other New Caledonian sources are being actively pursued. To facilitate these activities and progress local issues, including developing relationships with, and plans for the assistance of, the local indigenous people, the Company has opened and staffed a local office in Noumea, New Caledonia and formed a New Caledonian subsidiary.

## **2. FUNDING REQUIREMENTS**

The Company has undertaken a budgeting exercise to determine the funds which the Company will need to:

- complete the integrated definitive feasibility study, including metallurgical testwork and engineering activities;

- meet anticipated costs for exploration, drilling and associated activities to better define off shore ore resources and to secure access to off shore ore sources<sup>1</sup>;
- undertake front-end engineering design work so as to identify and secure long lead items for the Project and to minimise delays once the Company's Board decides to proceed with the Project; and
- fund general working capital for the Company.

The budget shows that the Company requires, for its operations through to December 2007, and expenses associated with a capital raising and TSX Listing, and for its general working capital requirements from January 2008 to June 2008, an additional sum of approximately US\$40 million<sup>2</sup>.

For some time the Company's Board has been considering listing the Company on the TSX. The need for additional funding and the arrangements by which it has been secured have presented an opportunity to bring the process of seeking a TSX Listing forward.

While it was possible for the Company to seek to raise the funds it currently needs through an initial public offering coupled with a TSX Listing, the listing process in Canada can take several months and has been known to be delayed for a variety of reasons. Because the Company needed to ensure that it has sufficient funds available to it, to allow time for the completion of a TSX Listing, the Company's Board determined to undertake a private placement, as soon as reasonably possible.

### 3. FUND RAISING

The Company engaged Research Capital Corporation and Transocean Securities Pty Ltd (the **Agents**) to undertake a private placement with the objective of raising a maximum of US\$40 million before proceeding with a public offering, linked to a TSX Listing. As matters have transpired the Agents have received indications from prospective placees to subscribe for a total of US\$40 million to the Company, subject to shareholder approval being obtained in accordance with the Company's Constitution.

The Placement will be by way of subscription for what are known in the Canadian market as "special warrants". Upon issue of the special warrants the subscriber pays the full amount intended to be paid for an Ordinary Share. In this case that is £1.80 per special warrant/Ordinary Share<sup>3</sup>. Each special warrant is a right to have issued to the holder of the special warrant one Ordinary Share on the condition that, if the TSX Listing Qualification is not achieved by the Listing Date, each special warrant will entitle the holder to be issued 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share. The special warrants will be exercisable by the holders of the special warrants at any time but will automatically convert to Ordinary Shares on the above basis on the later of the TSX Listing

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<sup>1</sup> In relation to the amount budgeted to secure off shore ore supply the amount does include amounts which the Company would have to pay under the option arrangement it entered in September 2006 in order to continue that option for a further period. Beyond that amount, it is not possible to predict with any certainty how negotiations might develop in relation to other ore sources and what up front payments may need to be made. Notwithstanding this, the Company has estimated the amount it believes it will require for up front or other payments to secure sources of imported ore.

<sup>2</sup> This amount is in addition to the Company's available cash, which at 30 April 2007 stood at A\$9.7 million (converted to US\$8.0 million at US\$0.82:A\$1)

<sup>3</sup> Payment of the subscription price will be tendered in US dollars on settlement based upon the 10.00am spot exchange rate for one British pound sterling, expressed in US dollars, as quoted by the Federal Reserve Bank of New York on 26 April 2007, being US\$1.9919:£1.

Qualification being achieved and the first anniversary of the Closing Date. No additional consideration will be payable on exercise of the special warrants.

The special warrants will be issued to the placees under the Placement subject to the passing of Resolution 1 set out in the Notice of Meeting.

It is intended that the proceeds from the capital raising will be used in accordance with the following table:

<b>APPLICATION OF FUNDS</b>	
<b>DESCRIPTION</b>	<b>AMOUNT<sup>4</sup> US\$ Millions</b>
Completion of the definitive feasibility study (including metallurgical testwork and engineering activities)	13.2
Exploration, drilling and associated activities to better define off shore ore resources and to secure access to off shore ore sources	12.5
Front-end engineering design work so as to identify and secure long lead items for the Project and to minimise delays once the Company's Board decides to proceed with the Project	7.7
Expenses associated with the capital raising and TSX Listing, including but not limited to Agents' fees, legal fees, due diligence activities and TSX Listing fees	4.0
Corporate costs, AIM listing fees, project owners' team and maintenance of the Marlborough tenements	5.4
General working capital	5.3
<b>Total Application of Funds</b>	<b>48.1</b>
<b>SOURCES OF FUNDS</b>	
Capital raising	40.0
Cash at bank as at 30 April 2007 (A\$9.7 million converted at US\$0.83:A\$1)	8.1
<b>TOTAL</b>	<b>48.1</b>

In order to list the Ordinary Shares on TSX the Company will need to achieve the spread of shareholders required for such listing. That spread is 300 shareholders, each holding a minimum of 100 Ordinary Shares. To achieve this spread the Company will need to offer additional Ordinary Shares for subscription pursuant to a prospectus. The Company's board intends to utilise the 15% limit allowed under Rule 7 of the Company's constitution to issue the further Ordinary Shares required for this purpose.

<sup>4</sup> All US dollars amounts have been converted from Australian dollars at an exchange rate of US\$0.80:A\$1, except where stated otherwise

#### **4. AGENTS RIGHT TO OPTIONS**

The Agents' terms of engagement to undertake the Placement include the right to a fee of 7% of the gross proceeds of the Placement plus options to subscribe for Ordinary Shares equal to 7% of the total number of special warrants subscribed under the Placement.

Each option will entitle the option holder to subscribe for one Ordinary Share at an exercise price of £1.80 per option on the condition that, if the TSX Listing Qualification is not achieved by the Listing Date, each option will entitle the holder to be issued 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share. The exercise price of each option will not change on the exercise rate of the options being increased in this manner. The options will be exercisable at any time until the second anniversary of the Closing Date but will automatically be exercised on the TSX Listing Qualification being achieved.

The detailed terms and conditions of issue of the options are set out in Annexure 1 to this Explanatory Memorandum.

#### **5. THE SHAREHOLDER APPROVAL REQUIRED**

Rule 7 of the Company's Constitution prohibits the Company, in any period of 12 months, issuing or agreeing to issuing a number of securities (being shares or other securities with rights of conversion to shares – which includes options and the special warrants discussed in section 3 above) which represents more than 15% of its shares on issue 12 months previously plus certain shares issued during that 12 month period.

The Company's Board has decided (in order to preserve the Board's ability to issue further shares without shareholder approval within the limits of Rule 7 of its constitution if and as the need arises) to seek shareholder approval for the issue of the maximum number of Ordinary Shares and the maximum number of options which the Company may become obliged to issue under the Placement (including in respect of the Agents' fee and as may arise because the Company is unable to achieve TSX Listing by the Listing Date). The Company anticipates that the TSX Listing will be achieved by the Listing Date but shareholders need to appreciate that, in spite of the best efforts of the Company, it remains a possibility that TSX Listing will not in fact be achieved by the Listing Date.

##### ***Resolution 1***

Resolution 1 set out in the Notice of Meeting seeks shareholder approval for the issue by the Company of 11,157,000 special warrants to the participants in the Placement, conditional on the passing of Resolution 1. That Resolution allows for the fact that the special warrants may entitle the holders of them to 1.1 Ordinary Shares per special warrant, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share, (instead of 1 Ordinary Share per special warrant) if TSX Listing Qualification is not achieved by the Listing Date.

##### ***Resolution 2***

Resolution 2 set out in the Notice of Meeting seeks shareholder approval for the issue by the Company of 780,990 options to which the Agents are entitled pursuant to the terms of their engagement to undertake the Placement. That Resolution allows for the fact that each option may entitle the Agents, upon exercise, to 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share, (instead of 1 Ordinary Share per option exercised) if TSX Listing Qualification is not achieved by the Listing Date.

## **6. TRANSOCEAN SECURITIES PTY LTD**

One of the Agents is Transocean Securities Pty Ltd. Mr James Henderson, a director of the Company, is also a director of Transocean Securities Pty Ltd and directly or indirectly is interested in 100% of its issued voting shares. Mr Henderson therefore has a personal pecuniary interest in Resolution 2. The directors of the Company, other than Mr Henderson, have formed the view that the terms of the engagement of the Agents (including the terms which relate to the Agents entitlement to options to subscribe for shares in the Company) are terms which are standard in the Canadian market and on which the Company would have entered into that engagement if the Agents were all parties entirely at arms length from the Company.

It is noted that the options to be issued to the Agents will be divided between them in equal proportions.

## **7. EFFECT OF ISSUES OF SECURITIES ON CAPITAL STRUCTURE AND CONTROL**

On a fully diluted basis, assuming all special warrants are converted to shares and all the options the subject of Resolution 2 and all other options currently on issue are exercised, the issues of securities the subject matter of the Resolutions set out in the Notice of Meeting will represent:

- (a) if the Company achieves the TSX Listing Qualification by the Listing Date, 26.85% of the Company's expanded issued capital; or
- (b) if, in the worst case scenario, the Company does not achieve TSX Listing Qualification by the Listing Date, 42.33% of the Company's expanded issued capital.

## **8. RECOMMENDATION**

The directors of the Company, other than Mr Henderson, who considers that it is not appropriate for him to make a recommendation by reason of his interests in Transocean Securities Pty Ltd, unanimously recommend that shareholders vote in favour of both Resolutions set out in the Notice of Meeting. They consider that the funding arising from the Placement is essential for the ongoing operations of the Company and that the price committed to be subscribed for the special warrants to which Resolution 1 relates is an attractive price having regard to recent trading in Ordinary Shares on AIM.

- In the period from 1 December 2006 to 19 March 2007, being the date immediately prior to the Company's announcement to AIM of the proposed capital raising of US\$40 million, Ordinary Shares traded on AIM in the range of £1.49 to £1.94 with a weighted average of £1.77. The exercise price of £1.80 for the special warrants and options represent a 1.7% premium to the weighted average price for the above period.
- In the period from 20 March 2007, being the date on which the Company announced the proposed capital raising to AIM, to 30 April 2007 Ordinary Shares traded on AIM in the range of £1.72 to £2.25 with a weighted average of £2.07. The exercise price of £1.80 for the special warrants and options represent a 13.0% discount to the weighted average price for the above period. The directors took into consideration this period after announcement of the proposed capital raising and believe that the discount is reasonable in terms of a capital raisings of this sort.

The directors also believe that a listing of Ordinary Shares on the TSX, a market with a demonstrated interest in nickel companies, has the potential to benefit shareholders in terms of providing a substantial capital market to facilitate the raising of additional funds for the execution of the Project.

While the directors of the Company intend to utilise their ability to issue securities within the constraints of Rule 7 of the Company's constitution, without shareholder approval, in order to issue the securities contemplated by Resolution 2, if shareholders do not pass that resolution, they consider that:

- the need to do so may prejudice the flexibility they may need to issue securities for purposes connected with the ongoing development of the Company's business, in circumstances where time is not available to seek shareholder approval for such an issue if, in the circumstances Rule 7 of the Company's constitution would require that approval to be obtained because shareholders do not pass Resolution 2; and
- as a result the interests of the Company as a whole may be prejudiced, particularly as in relation to securing off shore ore supplies.

Each of the directors, other than Mr Henderson, who have the ability to control the exercise of the voting rights attached to Ordinary Shares intends to procure that the votes attached to those Ordinary Shares are exercised in favour of Resolutions 1 and 2.

## 9. GLOSSARY

In this Explanatory Memorandum the following expressions have the following meanings respectively:

Expression	Meaning
AIM	Market of that name operated by London Stock Exchange Plc
AIM Admission Document	The document entitled "Gladstone Pacific Nickel Limited Placing and Admission to AIM" issued by the Company in connection with its admission to trading on AIM on 17 March 2005
Board	The board of directors of the Company
Closing Date	30 May 2007 (or such other date as the Agents may determine), being the closing date of the Placement
Gladstone Pacific Nickel Limited or the Company	Gladstone Pacific Nickel Limited ACN 104 261 887
Listing Date	The date which is 180 days after the Closing Date
Placement	The private placement by the Company's agents, Research Capital Corporation and Transocean Securities Pty Ltd, of 11,157,000 special warrants as described in this Explanatory Memorandum
Prospectus Qualification Date	The date of issuance of a receipt for a prospectus qualifying the distribution in Canada of the Ordinary Shares issuable upon

	exercise of the special warrants under the Placement and the Ordinary Shares issuable on exercise of the Agents' options or, if applicable, the date as of which the Company has done all things required to be done by it to provide "free tradeability" in Canada for all outstanding Ordinary Shares and the Ordinary Shares issuable upon exercise of the special warrants and Agents' Options
Shareholder	A holder of Ordinary Shares in the Company
TSX	Toronto Stock Exchange
TSX Listing	Admission of the Company to the official list of the TSX or, in the alternative, the TSX Venture Exchange, and the admission to trading of all Ordinary Shares in issue on the TSX or the TSX Venture Exchange (as the case may be)
TSX Listing Qualification	Each of the Prospectus Qualification Date and the TSX Listing has occurred

## ANNEXURE 1

### TERMS AND CONDITIONS OF OPTIONS

In these Terms and Conditions, words and expressions defined in the Explanatory Memorandum accompanying the Notice of Meeting dated 1 May 2007, to which this document is Annexure 1, and used in these Terms and Conditions have the meanings given in the Explanatory Memorandum unless the context requires otherwise.

- (a) The options will expire 2 years from the Closing Date. (“Expiry Date”).
- (b) The options will be issued to Research Capital Corporation and Transocean Securities Pty Ltd (“Optionholders”) in the proportions 50% and 50% respectively.
- (c) Each option is a right in favour of the Optionholder to subscribe for 1 Ordinary Share, or, if the TSX Listing Qualification is not achieved by the Listing Date, 1.1 Ordinary Shares, with a further increase of 0.1 Ordinary Shares for each month after the Listing Date until the TSX Listing Qualification is achieved to a maximum of one additional Ordinary Share, without any adjustment to the per option exercise price.
- (d) Subject to paragraph (e), Optionholders may exercise the options any time prior to the Expiry Date.
- (e) All the unexercised options will be deemed to have been automatically exercised on the TSX Listing Qualification being achieved, and the Company will notify the Optionholder on it achieving the TSX Listing Qualification. The Optionholder must deliver the holding statement and cheque required to be delivered under paragraph (i) to the Company as soon as practicable following receipt of notice from the Company that the TSX Listing Qualification has been achieved.
- (f) Ordinary Shares allotted to Optionholders on exercise of the options will be issued at £1.80 each (“Exercise Price”).
- (g) The Exercise Price will be payable in full on exercise of the options.
- (h) The options will be exercisable by the delivery to the registered office of the Company or the Share Registry of a notice in writing stating the intention of the Optionholder to:
  - (i) exercise all or a specified number of options; and
  - (ii) pay the Exercise Price in full for the exercise of each option (“Notice”).

Where paragraph (e) applies, the Notice will be deemed to have been given by the Optionholder in accordance with this paragraph.

- (i) The Notice must be accompanied by a holding statement and a cheque made payable to the Company for the Exercise Price for the Ordinary Shares. An exercise of only some options will not affect the rights of the Optionholder to the balance of the options held by the Optionholder. The Notice and cheque must be received by the Company prior to the Expiry Date.
- (j) The Company will allot the resultant Ordinary Shares and deliver the holding statement within 15 Business Days of the receipt of the Notice or, where paragraph (e) applies, receipt of the holding statement and cheque required to be delivered by the Optionholder to the Company under paragraph (i).

- (k) The options will be freely transferable.
- (l) Ordinary Shares allotted pursuant to an exercise of the options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
- (m) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the authorised or issued securities of the Company, all rights of the Optionholders will be reconstructed (as appropriate) in accordance with the applicable rules of the TSX.
- (n) The options will not give any right to participate in dividends, bonus issues or new issues until Ordinary Shares are allotted pursuant to the exercise of the relevant options. There is no right to change the exercise price of the options if the Company completes a bonus or new issue.

## Proxy Form – 2007 Extraordinary General Meeting –

*(Note – please refer to the notes and instructions attached for further information)*

### Shareholder details *(please insert)*

Name(s):..... Telephone contact no.:.....

Address:.....

### Appointment of Proxy

I (we), being a (joint) shareholder(s) of Gladstone Pacific Nickel Ltd and entitled to attend and vote hereby appoint the following person(s) as proxy (proxies) to attend and act on my (our) behalf and vote at the Extraordinary General Meeting of Gladstone Pacific Nickel Ltd to be held on 29 May 2007 at 6.00 pm at Suite 9, Level 3, Christie Centre, 320 Adelaide St., Brisbane, Australia, 4000.

1. Name:.....% of shares.....

2. Name:.....% of shares.....

or (in the absence of my (our) nomination above or a failure of my (our) proxy to attend) the Chairman of the meeting. *(If you wish to nominate a proxy (proxies), please insert the full name(s) of your proxy (proxies) and also specify the % of shares they may vote on your behalf. If you wish to appoint the Chairman of the meeting as your proxy for all your shares, then simply leave the spaces blank or insert 'Chairman' in the first line).*

### Voting directions

*(If you wish to direct your proxy (proxies) as to how they should vote on proposed resolution, please mark a box in respect of each agenda item below with an 'X'. If you do not mark a box for a proposed resolution, your proxy (proxies) may vote as the proxy (proxies) thinks fit).*

Agenda item	For	Against	Abstain
1. Issue of Special Warrants			
2. Issue of Options			

*Please note that attendance by Teleconference will not be considered to be attendance for quorum and voting purposes. Refer to Notice Meeting for further details.*

### Signature(s)

*Please sign. If signing on behalf of a company or otherwise on behalf of a shareholder, please insert status (e.g. director, secretary, power of attorney, etc.) – refer to attached notes.*

Shareholder 1:	Shareholder 2:
Date:	Date:
Position:	Position:

## Proxy Form Information & Instructions – 2007 Extraordinary General Meeting –

### Shareholder details

- Please print your name and address as it appears in the Register of Members of the Company. If shares are jointly held please ensure the name and address of each shareholder is completed. Please note that you cannot change your shareholders details using this form.

### Appointment of proxy

- It is not necessary to name any proxy or proxies if you cannot attend the meeting.
- If you name a proxy or proxies and then attend the meeting then the right of your proxy (proxies) to vote is suspended. Shareholders who participate by Teleconference will not be considered to be in attendance for quorum and voting purposes unless physically attending at the meeting venue.
- If you complete and return the form and do not name any proxy (or insert 'Chairman'), the Chairman of the meeting will act as your proxy for all your shares.
- If you wish to name a proxy or proxies then complete the blank(s).
- If you wish to appoint the Chairman of the meeting as your proxy for all your shares, then simply leave the spaces blank or insert 'Chairman' in the first line.
- If you do not specify a % in respect of a sole nominated proxy, then he / she may exercise all your votes
- If you hold 2 or more shares you may appoint a second proxy. If you name more than one proxy, you must specify the % of shares you wish each proxy to vote and if you do not, each proxy may exercise half your votes
- If a named proxy fails to attend the meeting, the Chairman of the meeting will act as your default proxy in respect of the % of shares you authorise the named proxy to vote.

### Voting directions

- You may direct your proxy how to vote by placing an 'X' in one of the boxes opposite each resolution. All your shareholding will be voted in accordance with the relevant direction unless you indicated only a portion of voting rights are to be voted on any resolution by inserting the percentage of shares you wish to vote in the relevant box or boxes.
- If you do not mark a box on any resolution, your proxy may vote as he or she chooses.
- If you place an 'X' against 'Abstain' on any resolution you are directing your proxy not to vote on that resolution.

### Signing the proxy form

- You must sign the form otherwise the proxy appointment will not be accepted.
- If you are the sole shareholder of the shares you must sign; if you are a joint shareholder of the shares then all shareholders must sign.
- If the proxy appointment is signed under Power of Attorney, and you have not previously notified the Company of this document, then a certified copy of this document must be lodged with the proxy form. The status of the person as an attorney must be inserted when signing. If a copy of the power of attorney is not forwarded the proxy will not be accepted.
- If you sign on behalf of a company that is a shareholder, then the proxy form must be signed by 2 directors or a director and the company secretary of the company. If the company has no company secretary and only one director then that director must sign. The status of the person as a relevant office-holder of the company must be inserted.
- If a 'representative' of a company is to attend the meeting, a written appointment in a form reasonably acceptable to Gladstone Pacific Nickel Ltd and duly signed in the same way as the previous paragraph must be presented prior to admission to the meeting.

### Lodgement of the proxy form

The proxy form (and, if relevant where the form is signed on your behalf by your attorney – see above under "Signing the proxy form", a certified copy of the power of attorney) must be received at either address below by no later than 6.00 pm Australian Eastern Standard Time or 9.00 am Greenwich Mean Time on Friday 25 May 2007 or, if the meeting is adjourned, no later than 48 hours prior to the time fixed for the adjourned meeting. Any proxy received after that time will not be accepted.

A proxy can be sent or delivered to the following locations by mail or fax:

Computershare Investor Services PLC  
PO Box 1075  
The Pavilions  
Bridgwater Road, Bristol B599 7NH UK  
or by facsimile to: +44 (0) 870 703 6109

Gladstone Pacific Nickel Ltd  
GPO Box 111, Brisbane QLD 4000  
Australia  
or by facsimile to: + 61 (0) 7 3211 8688