

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

EXPLANATORY MEMORANDUM

IMPORTANT NOTICE

This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the 2008 Annual General Meeting (“AGM”) of the Company. It is given to the Company’s Shareholders to help them determine how to vote on those Resolutions.

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

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

This Explanatory Memorandum is dated 31 October 2008.

1. Item 1 set out in the Notice of AGM relates to receipt of the directors’ report, financial report and auditor’s report for the financial year ending 30 June 2008 and requires no special explanation.
2. Item 2 set out in the Notice of AGM relates to the election of directors.

Pursuant to the Company’s Constitution:

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

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

Messrs Domenic Martino and Benjamin Hill retire as non-executive directors in accordance with the Company’s Constitution and offer themselves for re-election.

Mr Martino has served on the Board since 8 December 2007 and has played a significant role in the development of the Company’s strategies. He has been active in promoting awareness of the Company and the Gladstone Nickel Project and was instrumental in the proposed merger proposal with resource development international (RDI). Mr Martino is the Chairman of Australasian Resources Limited (“ARH”), an ASX listed Australian resource company. He is active in the Australian resource industry and is or has been a Director of a number of Australian public companies. He was Chief Executive Officer of Deloitte 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.

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

Mr Hill has served on the Board since 7 December 2007 and has played a significant role in the development of the Company's strategies. He has been active in promoting awareness of the Company and the Gladstone Nickel Project particularly in the UK. Benjamin is a qualified Lawyer having graduated in Law with Honours in 1997. He has been employed by RAB Capital Plc since its IPO in 2004 and assists with the RAB Special Situations (Master) Fund Limited, an absolute return fund that has approximately US\$2.2 Billion under management. RAB Special Situations (Master) Fund is one of GPN's largest Shareholders, holding approximately 23% of the Company.

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

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

For any enquiries please contact the Chief Executive Officer, Mr. John Downie on +61 (0) 7 3231 7100.

The Directors,
Gladstone Pacific Nickel Ltd.

Date: 31 October 2008