

**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 2009 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 28 October 2009.

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 2009 and requires no special explanation.
2. Item 2 set out in the Notice of AGM relates to the election of directors.

Pursuant to the Company’s Constitution:

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

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

Mr James Henderson retires as non-executive director in accordance with the Company’s Constitution and offers himself for re-election.

Mr Henderson has served on the Board since 17 March,2005 and as Chairman since 30 July 2008 . He has played a significant role in the development of the Company’s strategies and has been instrumental in promoting awareness of the Company and the Gladstone Nickel Project . Mr Henderson is currently Managing Director of Transocean Securities Pty Ltd, a corporate advisory group focused on the emerging company market. His expertise is in the areas of corporate strategy and structure, capital raising and commercial negotiation, and he has operated globally for a number of years particularly in North America, United Kingdom, Africa and Australia. He is involved as a director and advisor to companies across a number of industries and is a director of two Canadian public listed companies, Scorpio Mining Corporation Inc. and West Africa Energy Inc.

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

Mr Mensink was appointed to the Board on the 26 May,2009. Mr Mensink is a Senior Executive Officer and Director of Mineralogy. He has been with Mineralogy for over 15 years. He is also Deputy Chairman of Australasian Resources Ltd (ARH) and Director of International Minerals Pty Ltd.As Project Manager for Mineralogy's numerous exploration programmes, Mr. Mensink has played a key role in the development of ARH's \$2 billion Balmoral South iron ore project. He has led and been instrumental in the success of numerous business delegations which have represented Mineralogy in the Peoples Republic of China. The Board believes Mr Mensink's experience and success with major projects will provide a significant contribution to the development of the Company's major project.

The directors other than Mr Mensink 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 Chairman, Mr. James Henderson on + 61 (0) 2 9252 8455

The Directors,

Gladstone Pacific Nickel Ltd.

Date: 28 October 2009