

**Notice of Extraordinary General Meeting
Incorporating Explanatory Memorandum**

For a General Meeting

to be held at 9:00 am on 14th August, 2008

at the offices of

**Bankside Consultants
1 Frederick's Place
London, EC2R 8AE, England**

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

This Notice of General Meeting and Explanatory Memorandum are important documents and require your immediate attention. Please read them carefully. If you are in doubt as to what you should do, please consult your investment or other professional adviser.

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Letter from the Board

Dear Shareholder,

The Board of Gladstone Pacific Nickel Limited ("**GPNL**" or "**Company**") announced on 22nd July 2008 that GPNL had entered into agreements to acquire 100% of the issued share capital of Egidia Pty Ltd ("**Egidia**") and Dasines Pty Ltd ("**Dasines**") (the "**Acquisitions**"), companies owned 100% by Mr Clive Palmer, in consideration for the issue of GPNL Shares representing a minimum of 50% of the issued shares in GPNL on a fully diluted basis. The Acquisitions are subject to the approval by the shareholders of the Company not associated with Mr Clive Palmer and the satisfaction of certain conditions.

As announced on the 30th January 2008, Egidia has acquired a 33% interest in GPNL's subsidiary, Marlborough Nickel Pty Ltd ("**MNPL**"), through achieving the milestones described in the subscription agreements that were announced to the market on 11 December 2007. This milestone related to the execution of a Memorandum of Understanding ("**MOU**") for the financing and development of the Gladstone Nickel Project ("**Project**") with China Metallurgical Construction (Group) Corporation ("**MCC**").

Dasines holds 20,999,999 converting shares in MNPL which were issued by the Company on 11 December 2007. These will convert to a 24.99% interest in the ordinary shares of MNPL on the achievement of certain milestones, detailed in the subscription arrangements announced to the market on 11 December 2007. Those milestones are a legally binding agreement to finance or underwrite the arrangement of finance for 100% of the Project, or a lesser amount agreed by MNPL, and a legally binding turn-key construction contract to substantially construct the Project as the Company requires.

Upon achievement of all the milestones, Egidia and Dasines will hold a combined interest of 49.99% in MNPL. Mr Palmer has an option to acquire an additional share in MNPL to take his total interest in MNPL to 50%.

The purpose of this General Meeting is to seek the Shareholder approvals necessary to allow the Company to complete the Acquisitions. The general effect of the Acquisitions is that GPNL will regain 100% ownership of MNPL and Mr Palmer's interests in MNPL (held through Egidia and Dasines) will be rolled up to a direct interest in GPNL, thus simplifying the capital structure and facilitating the financing and development of the Project.

The Egidia Acquisition will take effect immediately following Shareholder approval as the share conversion milestones have already been achieved. Upon completion of the Egidia Acquisition, Mr Palmer's interest in GPNL will increase from 13.95% to 48.70%.

The Dasines Acquisition will remain conditional on the achievement of the existing milestones for Dasines being satisfied or, if the third resolution on the agenda discussed below is passed, the satisfaction of an alternative milestone relating to a control proposal being made. Upon completion of the Dasines Acquisition, Mr Palmer's interest in GPNL will initially increase to 63.46% (see section 2.9 of the Explanatory Memorandum for full details of the timing of dilution to 54.83% through the future issue of Shares).

The Company continues to progress the Project. Key recent events include:

- Signed a Memorandum of Understanding with MCC for both financing of the Project and a turn-key construction agreement for construction of the Project.
- Re-focussed strategy to concentrate on the Asia-Pacific region. The Company elected to delist from the Toronto Stock Exchange on 22 February 2008;

- Signed Joint Venture agreement with Société Minière Georges Montagnat (“SMGM”) that provides GPNL with a 49% interest in nickel ore tenements in New Caledonia;
- Completed a drilling program to substantiate historical results on the New Caledonia Joint Venture tenements and commenced an 8,000 metre drilling program in February 2008;
- The Environmental Impact Statement in relation to the Project has been completed and a supplement to that statement is under consideration by Queensland’s Coordinator-General;
- GPNL finalised an agreement with the Queensland Government to acquire land at Gladstone for its refinery and residue storage for A\$33 million;
- Feasibility study results were obtained confirming both operating and capital costs for the Project;
- A change in Board composition was made to provide additional strength and skill to fast track the Project to construction;
- Appointment of General Manager, China to further GPNL’s interest in that country; and
- Management projections based on current global commodity prices indicate that the Project would, if successfully completed, be profitable.

The Project is now well positioned for development. However, it is the Board’s view that it is extremely challenging for a company with a small capitalisation to progress with the development of a US\$3.84 billion Project. The arrangements that were entered into with Egidia and Dasines in December 2007 sought to recognise these challenges and provide the Company with a framework through which Shareholder value may be delivered.

A further proposal is brought to this meeting by way of Resolution 3 which describes the making of a control transaction by Resource Development International Limited (“RDI”) by 31 December 2008 (or a date up to 90 days later at GPNL’s discretion) as an alternative milestone to the current finance and construction milestones for Dasines to earn its interest in MNPL and trigger the Dasines Acquisition by GPNL.

To satisfy the new milestone, this future control transaction (which may be an unconditional takeover bid or a completed scheme of arrangement) must be an all scrip proposal to acquire all the shares in GPNL at a minimum price of £2.20 per Share. RDI is a newly formed company, which is in part being promoted by Mr Palmer and of which Messrs Palmer and Martino are directors. The Board understands that the intention of this company is to acquire a portfolio of resources assets and seek quotation of its shares on the Hong Kong Stock Exchange (or another recognised stock exchange) with a minimum capital raising of US\$1 billion cash.

Shareholders should be aware that there is no public proposal or commitment to implement such a control transaction, no proposal for a control transaction has been announced and no proposal for a control transaction may be forthcoming even if Resolution 3 is passed. Also, there is no certainty that £2.20 in RDI shares will be an attractive offer for GPNL shareholders at the time that any such control transaction is proposed or implemented.

Shareholder approval is sought to make this variation to the milestones in the Dasines subscription arrangements. Resolution 3 is not essential to give effect to the resolutions relating to the Acquisitions, which can stand without Resolution 3 being passed.

Resolutions 1 and 2 for consideration by the Shareholders will lead to a simplification of the capital structure of the Company and, in the opinion of the Directors, will help pave the way to securing finance and turnkey construction commitments for the Project.

Enclosed you will find a Notice of Meeting and Proxy Form, together with an Explanatory Memorandum and Independent Expert's Report, dealing with all the resolutions that the Directors are asking you to consider at the General Meeting of Shareholders scheduled for 9:00 am (BST), 14th August 2008.

Each Resolution will result in a direct or indirect benefit to Mr Clive Palmer, a director of the Company which generally will result in a significant personal gain for him. The extent of those benefits and that gain is discussed in the Explanatory Memorandum.

We recommend you carefully read the Explanatory Memorandum. The Explanatory Memorandum includes a report by an Independent Expert, BDO Kendalls Corporate Finance (Qld) Limited ("**BDO Kendalls**") in relation to the Acquisitions (Resolutions 1 and 2). They have concluded that the Acquisitions are "fair and reasonable" to the shareholders in the Company not associated with Mr Palmer.

Directors Mr John Downie, Mr Benjamin Hill, Mr James Henderson and Mr Domenic Martino being the only Directors who are not associated with Resolutions 1 and 2, consider, having consulted with Grant Thornton UK LLP, the Company's Nominated Adviser ("the Nominated Adviser"), that the terms of Resolutions 1 and 2 are fair and reasonable insofar as the Company's shareholders are concerned. Accordingly the Directors recommend that Shareholders vote in favour of Resolutions 1 and 2. The Directors in forming their view, as to their recommendation, have considered the advantages and disadvantages of the Acquisitions in sections 2.12 and 2.13 and have had regard to the opinions of the Independent Expert and the views of the Nominated Adviser.

The Nominated Adviser has considered the advantages of the proposals in Resolutions 1 and 2, together with the disadvantages, which include the lack of a control premium payable by Mr Palmer in gaining a controlling stake in GPNL and the receipt of additional shares in relation to the SMGM agreement (as outlined in Section 2.9) prior to and irrespective of whether shares in GPNL ever become issuable to SMGM. With regard to both the advantages and disadvantages, the Nominated Adviser has considered the proposals in their entirety, and views the proposals in Resolutions 1 and 2 to be fair and reasonable in accordance with Rule 13 of the AIM Rules for companies. This view, whilst required by the AIM Rules, does not conform with Australian legal requirements. The Nominated Adviser has not been engaged to and does not provide an opinion under the Australian Corporations Act and this AIM view does not meet the requirements of ASIC's Regulatory Guide 111.

Managing Director, Mr John Downie, who is not associated with Resolution 3, considers, having consulted with the Nominated Adviser, that the terms of Resolution 3 are "fair and reasonable" insofar as the Company's shareholders are concerned. Accordingly Mr Downie recommends that Shareholders vote in favour of Resolution 3. Mr Downie in forming his view as to his recommendation, has considered the advantages and disadvantages in section 3.3. Mr Downie states his reasons as follows:

"The opportunity to attract a proposal to acquire the Company at a significant premium to the current share price is attractive. In my opinion, it would be in the interest of Shareholders for Shareholders to encourage an unconditional takeover offer or scheme proposal by accepting Resolution 3 as I believe that the risk that the share price will exceed £2.20 at the time any proposal is made is quite small in comparison to the additional optionality that the offer provides to Shareholders. By Shareholders approving Resolution 3 it is arguable that Shareholders are forgoing the requirement for Mr Palmer to deliver a fully financed project with a turnkey construction agreement. Mr Palmer will in any event have a significant holding in the Company and in my opinion, he is commercially driven to advance the Project. If the proposal never happens or if Shareholders reject any offer, they retain their opportunity of being fully exposed to the Project."

Non Executive Director, Mr Benjamin Hill, who is not associated with Resolution 3, considers, having consulted with the Nominated Adviser, that the terms of Resolution 3 are "not fair and not reasonable" insofar as the Company's shareholders are concerned. Accordingly Mr Hill recommends that Shareholders do not vote in favour of Resolution 3. Mr Hill in forming his view as to his recommendation, has considered the advantages and disadvantages in section 3.3. Mr Hill states his reasons as follows:

“It is clear that given the current share price, a scrip offer of £2.20 would seem attractive. However, Shareholders at this point are unable to know if a proposal, when made, will be attractive. If an offer is made by scheme of arrangement, shareholders will be able to vote for or against the proposal. However, if it is a takeover offer, it is possible that no shareholders will accept the takeover offer. Nevertheless, if the takeover offer is unconditional, just the making of the takeover offer will trigger the issue of GPNL shares to Mr Palmer. This in my view is an unacceptable position for shareholders and hence I recommend shareholders do not vote in favour of Resolution 3.”

The Nominated Adviser concurs with the view of Mr Benjamin Hill that the terms of Resolution 3 are “not fair and not reasonable” insofar as the Company’s shareholders are concerned. In addition to the basis for this view articulated by Mr Hill in the paragraph above, the Nominated Adviser also draws the Shareholders’ attention to the fact that the alternative milestone in Resolution 3, for which no additional consideration has been paid, would grant Mr Palmer a controlling interest in GPNL without the achievement of a binding contract for the financing and construction of the Project, which was a necessary achievement of the milestones in the Subscription Agreement.

Additional information regarding the resolutions is set out in the Explanatory Memorandum.

We look forward to welcoming you at this important General Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Downie', with a stylized flourish at the end.

Mr John Downie, Director
For and on behalf of the Board of
Gladstone Pacific Nickel Limited
22nd July 2008

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: 14th August 2008

Time: 9:00 am – London, England (BST), 6:00 pm - Brisbane, Australia (AEST), 4.00 am Toronto, Canada (EDT)

Venue: Bankside Consultants, 1 Frederick's Place, London, EC2R 8AE, England

The attached Explanatory Memorandum explains the items of business to be considered at the meeting and forms part of, and should be read in conjunction with, this notice. Capitalised terms in this notice are defined in the Explanatory Memorandum.

For the purposes of the meeting, Mr Clive Palmer, the Chairman of GPNL, has declined to chair the meeting as he has a material personal interest in the Resolutions to be considered at the meeting. The Board has resolved that Mr Downie will instead chair the meeting. Mr Downie intends to vote any proxies appointing the Chairman, received from Shareholders which do not direct him how to vote, in favour of the Resolutions.

The Board recommends that you **DO NOT** appoint Mr Palmer or any associate of Mr Palmer as your proxy as any vote cast by such persons under such an appointment may be disregarded.

Agenda

1. RESOLUTION 1 Approval of acquisition of Egidia and for issue of Shares

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

“That, for the purposes of clause 7 of the Company's constitution, section 611, item 7 of the Corporations Act 2001 (Cth) and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, approval be given for:

- a) the Company's acquisition of the entire issued share capital of Egidia Pty Ltd ACN 097 333 554 from Clive Palmer, a related party of the Company, pursuant to the Egidia Share Sale Agreement between the Company and Clive Palmer, the terms of which are summarised in the Explanatory Memorandum accompanying the Notice of Meeting; and
- b) the issue of 28,645,233 Shares in the Company to Clive Palmer as consideration for the acquisition .”

2. RESOLUTION 2 Approval of acquisition of Dasines and for issue of Shares

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

"That, for the purposes of clause 7 of the Company's constitution, section 611, item 7 of the Corporations Act 2001 (Cth) and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, approval be given for:

- a) the Company's acquisition of the entire issued share capital of Dasines Pty Ltd ACN 097 333 545 from Clive Palmer, a related party of the Company, pursuant to the Dasines Share Sale Agreement between the Company and Clive Palmer, the terms of which are summarised in the Explanatory Memorandum accompanying the Notice of Meeting; and
- b) the issue of 28,645,233 Shares in the Company to Clive Palmer as consideration for the acquisition after the conversion of Dasines' shares in MNPL to ordinary shares on satisfaction of the milestones as summarised in the Explanatory Memorandum accompanying the Notice of Meeting and the issue of further Shares to Clive Palmer in the amount determined under the Dasines Share Sale Agreement as further consideration."

3. RESOLUTION 3 Amendments to Dasines Subscription Agreement

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

"That, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company approve amendments to the terms of the Dasines Subscription Agreement to alter the milestones for conversion of the converting shares in Marlborough Nickel Pty Ltd held by Dasines Pty Ltd, in the form tabled at the meeting and described in the Explanatory Memorandum accompanying the Notice of Meeting."

4. Other business

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

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by James Henderson or any of his associates or by Domenic Martino or any of his associates.

The Company will disregard any votes cast on any of the Resolutions by Clive Palmer or any of his associates.

By order of the Board of Directors



Julien McNally
Company Secretary
Gladstone Pacific Nickel Limited
22nd July 2008

EXTRAORDINARY GENERAL MEETING TELECONFERENCE REGISTRATION

Shareholders who are unable to attend in person 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 Australian / Canadian participants by teleconference is 6:00 pm (AEST) on 14th August 2008 and is 4.00 am (EDT) on 14th August 2008, respectively.

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 12th day of August 2008.
- A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy, attorney or representative (who need not be a shareholder in the Company) to vote on his or her behalf at the meeting. A member may appoint no more than two proxies or attorneys. Where a member appoints 2 proxies or attorneys, each proxy or attorney must be appointed to represent a specified proportion of the member's voting rights. If no proportion is specified each proxy or attorney is entitled to exercise half the member's votes. Where a member appoints two proxies or attorneys, neither will be entitled to vote on a show of hands if more than one proxy or attorney attends, and each may only exercise the voting rights the proxy or attorney represents on a poll.
- A proxy form is enclosed. The proxy form must be received at either address below by no later than 6.00 pm (AEST) or 9.00 am (BST) on 12th day of August 2008 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 <i>or by facsimile to: +44 (0) 870 703 6109</i> | Gladstone Pacific Nickel Ltd GPO Box 10267 Adelaide Street, Brisbane QLD 4000 Australia <i>or by facsimile to: + 61 (0) 7 3231 7199</i> |
|--|--|
- 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.
- The required quorum for the meeting is at least 2 natural persons, each of whom is, or represents as a proxy, attorney or corporate representative, a member entitled to vote at the meeting.
- Ordinary Resolutions will be passed if more than 50% of the votes that are cast by members entitled to vote on the resolution are voted in favour of the resolution.
- Voting will be decided on a show of hands unless a poll is demanded by the chairperson or a member or members entitled to do so before the vote is taken, or before or immediately after the declaration of the result on a show of hands.
- On a show of hands, every member shall have one vote.
- On a poll, each member present shall have one vote for each share held by that member and in respect of which that member is entitled to vote.
- If shares are jointly held and more than one of the joint holders vote, only the vote of the holder whose name appears first in the register of members will be counted.

Registered Office:
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Explanatory Memorandum

This Explanatory Memorandum explains the items of business to be considered at the meeting to be held on 14th August 2008 and should be read in conjunction with the Notice of Meeting.

1. Overview

1.1 Resolutions proposed

There are three Resolutions to consider at the general meeting. The first two are required to implement the Acquisitions of Egidia and Dasines, thereby giving effect to the indirect acquisition by GPNL of all the shares in MNPL which it does not own, and the third is to include an alternative milestone to the current finance and construction milestones for Dasines to earn its interest in MNPL and trigger the Dasines Acquisition by GPNL.

Each Resolution will result in a direct or indirect benefit to Mr Clive Palmer, a director of the Company. The extent of those benefits is discussed later in this Explanatory Memorandum.

The subject of the resolutions are:

Resolution 1

The approval of the Company's acquisition of the entire issued share capital of Egidia from Mr Palmer and the issue of 28,645,233 Shares in the Company to Mr Palmer as consideration for that acquisition.

Resolution 2

The approval of the Company's acquisition of the entire issued share capital of Dasines from Mr Palmer and the issue of 28,645,233 Shares in the Company to Mr Palmer as consideration for that acquisition after the conversion of Dasines' shares in MNPL to ordinary shares on satisfaction of the milestones as summarised in this Explanatory Memorandum and the issue of further Shares to Mr Palmer in an amount determined under the Dasines Share Sale Agreement as further consideration.

Resolution 3

The approval of the amendment to the terms of the Dasines Subscription Agreement to the effect that an alternative milestone for the conversion of Dasines' converting shares into ordinary shares in MNPL will be included, being the implementation of a control transaction for GPNL by RDI by 31 December 2008 (or a date up to 90 days later at GPNL's discretion).

Further details on each Resolution are set out in section 5 of this Explanatory Memorandum.

1.2 Important Note

The Explanatory Memorandum has been prepared by the Company, with the exception of:

- sections 2.10 and 2.11 which were prepared by Mr Palmer; and
- the Independent Expert's Report annexed to this Explanatory Memorandum which was prepared by BDO Kendalls, the Independent Expert.

Each of Mr Palmer and BDO Kendalls has given and have not withdrawn their consent to the inclusion in this Explanatory Memorandum of the information prepared by them, as indicated above.

Shareholders should note that sections 2.10 and 2.11 ("**Palmer Sections**") have been prepared solely by Mr Palmer to provide information to the Company's Shareholders. Mr Palmer accepts sole responsibility for the information contained in these sections. By including the Palmer Sections in the Explanatory Memorandum, the Company is merely fulfilling its obligation to pass on information to assist Shareholders in deciding whether or not to vote in

favour of the Acquisitions and the related Resolutions. GPNL and its Directors make no comment on the accuracy of the information contained in the Palmer Sections and to the maximum extent permitted by law, disclaim any responsibility for inaccuracies in, or any omission of information from, those sections.

For ease of reference, the Glossary in section 7 contains an explanation of some of the key terms used throughout this Explanatory Memorandum.

The Directors recommend that Shareholders read this Explanatory Memorandum, including the annexed Independent Expert's Report, in full before making any decision in relation to the Resolutions.

2. Proposed Acquisitions (Resolutions 1 and 2)

2.1 Introduction and Project background

GPNL announced completion of its Integrated Definitive Feasibility Study ("**IDFS**"), which was based on a blend of Marlborough Ores (~30%) and east coast New Caledonia ores (~70%), on 26 October 2007.

This announcement highlighted a significant increase in estimated capital costs from US\$2.8 Billion to US\$3.4 Billion, which has since been revised to US\$3.84 Billion. The Board recognised the difficulties of a junior mining company being able to finance such a Project and consequently a number of financial institutions were contacted in order to identify a Corporate Adviser to assist the Company with its objectives.

Prior to the subscription arrangements entered into with Mr Palmer relating to MNPL, the Company had been in continual discussions with potential joint venture partners which failed to attract any significant interest. The Company had recently raised US\$40 million to progress the Project to a feasibility stage but the Project requires a further significant injection of funds to progress to a bankable stage. Furthermore, normal debt to equity benchmarks indicate that the Company would ultimately be required to raise over US\$1.5 billion of equity in order to proceed with the Project.

The IDFS provided GPNL with a sound understanding of both capital and operating costs for the Project. However, the IDFS was not considered bankable in that there was an insufficient defined quantity of laterite ore for the Project, even though the Company had 23 Mdt post beneficiation Marlborough feed @ 1.18% and had entered into agreements with two New Caledonian companies, Société des Mines de la Tontouta and SMGM, to access nickel ores in New Caledonia. In addition, the Project would require significant further metallurgical testwork and front end engineering design to progress the Project to a bankable stage.

The significant further work required to provide the mineral resource definition needed for bankability was seen as the key potential obstacle to obtaining backing from large organisations with an ability to fund the Project. In discussions with potential Corporate Advisers these concerns were confirmed and GPNL was advised that sufficient defined mineral resources would be necessary to attract the calibre of investor required to develop the Project.

Mr Palmer was introduced to GPNL by Non Executive Director Mr James Henderson. Mr Palmer has a strong track record of progressing large resource projects, with a small balance sheet position, by dealing with large Chinese state owned companies. This, in conjunction with the perceived benefits of an alliance with China, seemed an ideal proposition to improve Shareholder value, especially in light of the limited alternatives available to GPNL at the time. Mr Palmer demonstrated his confidence in fast tracking the Project by initially purchasing 5.9 million GPNL Shares (at a premium to the then current market price) from previous directors of the Company.

Mr Palmer proposed a transaction to acquire shares in MNPL, and thereby acquire an interest in the Project. This proposal legally committed the other assets of GPNL to the Project, which has always been the sole purpose of all of GPNL's assets. Mr Palmer's interest in MNPL, held through Egidia and Dasines, would be earned by achieving certain milestones (discussed in detail in section 2.2).

Time was of the essence for the transaction as the opportunity existed to meet **MCC**, through Mr Palmer, before the Western Christmas and Chinese New Year and before MCC's budgeting period for new projects in 2008, which occurs immediately before the Chinese New Year.

Subscription Agreements were entered into with Egidia and Dasines on the 8th December 2007.

An MOU for the financing and development of the Project with MCC was executed on 30 January 2008. The highlights of the announcement made on this date by GPNL included:

- MCC confirmed it is prepared to provide a commercial offer for the construction of the entire Project and would work with GPNL to evaluate the full construction specification for the Project. MCC further confirmed its intention to provide a turn-key Engineering, Procurement and Construction ("**EPC**") offer for the construction of the Project.
- MCC will establish a special team to meet with the Company to discuss and finalise the turn-key EPC contract specifications. GPNL believes the MCC offer will be commercially competitive and provide guarantees for the construction price and EPC process. The parties will work together to enable MCC to prepare a commercial proposal and offer for the turn-key EPC construction of the entire Project by 21 July 2008 (since extended to 28 July 2008). The target date for construction to commence in Australia is October 2008 with a target to complete turn-key construction by April 2011.
- MCC also offers to finance or assist in arranging finance sufficient to fund the Project from Chinese banks.
- GPNL has requested and MCC has agreed to consider coordination of the sale and off take of nickel in China.
- Upon execution of the turn-key EPC construction contract for the Project, MCC intends to invest (in an amount to be agreed) in the shares of GPNL.
- MCC has an exclusive right to negotiate and finalise financing and construction agreements until September 2008.

In accordance with the MOU, GPNL is working towards finalising a turn-key EPC construction bid with MCC. The terms of any such bid are not yet determined and will be closely linked to any financing proposal. MCC has advised GPNL that the capital structures of GPNL and MNPL need to be simplified in order to secure the bid and any financing proposal. The Directors have sought to achieve this via the acquisition by GPNL of all the shares in MNPL which it does not currently own.

As indicated in the MOU, MCC have shown a strong interest in participating in the Project at an equity level. This is likely to be part of any turn-key EPC construction bid, however the terms are not known at this time.

Irrespective of the outcome of any bid by, or negotiations with, MCC, it is proposed to include an alternative milestone to the current finance and construction milestones for Dasines to earn its interest in MNPL and trigger a roll up of Mr Palmer's interest in MNPL to GPNL through the Dasines Acquisition. The milestone is an all scrip control transaction (either by unconditional takeover bid or scheme of arrangement) for GPNL by RDI at a minimum price of £2.20 per Share. If such a milestone was achieved, this may provide an attractive exit for Shareholders rather than continuing to be fully exposed to a single project in GPNL.

However, Shareholders may reject the new milestone in Resolution 3 and still proceed with Resolutions 1 and 2, in which case GPNL will continue on a standalone basis to work towards completing construction and funding of the Project.

Shareholders should be aware that there is no public proposal or commitment to implement such a control transaction, no proposal for a control transaction has been announced and no proposal for a control transaction may be forthcoming even if the Resolutions are passed.

Also, the control transaction milestone, which would result in the Dasines Acquisition being completed, would be satisfied simply by the making of a takeover bid and it becoming unconditional, not necessarily by the level of acceptance of the takeover bid. To satisfy the milestone by way of a scheme of arrangement, the scheme would need to be finally approved, including by a vote of shareholders.

There is also no certainty that £2.20 in RDI shares will be an attractive offer to GPNL Shareholders at the time that such a control transaction is proposed or implemented.

2.2 Background to original subscription arrangements

On 8 December 2007, GPNL and MNPL entered into the Egidia Subscription Agreement and the Dasines Subscription Agreement with Egidia and Dasines respectively.

Under the Egidia Subscription Agreement, 21,000,000 converting shares in MNPL were issued to Egidia for a subscription of \$21,000. These converting shares were to convert into ordinary shares in MNPL upon the following milestones being met:

- (a) the signing of an MOU by GPNL and a Chinese party providing for that Chinese party to make available or procure sufficient finance to fund the Project; and
- (b) the signing of an MOU by GPNL and a Chinese party that provides for the Chinese party to make a bid for the construction of all or the majority of the Project.

These milestones were satisfied by the signing of the MOU with MCC, which was announced by GPNL on 30 January 2008. Therefore, Egidia's converting shares in MNPL have converted to 21,000,000 ordinary shares in MNPL, representing 33% of MNPL's current issued capital.

Under the Dasines Subscription Agreement (as proposed to be amended), 20,999,999 converting shares in MNPL were issued to Dasines for a subscription of \$21,000. These converting shares are to convert into ordinary shares in MNPL upon the following milestones being met by 8 December 2010:

- (a) 10,500,000 shares on the execution of a legally binding construction loan facility with a Chinese substantially government owned company; and
- (b) 10,499,999 shares on a legally binding turnkey construction contract by a Chinese substantially government owned company.

If these milestones are met, Dasines would have an interest in 20,999,999 ordinary shares in MNPL, representing 25% of the enlarged share capital. Together with the shares held by Egidia, Mr Palmer would have an interest of 49.99% in MNPL.

None of the milestones under the Dasines Subscription Agreement have been met at the time of printing of this Notice of Meeting and Explanatory Memorandum.

Binding of the Assets of GPNL for use by MNPL

The rationale for the transactions is that Mr Palmer, through Egidia and Dasines, would become entitled to an approximate 50% interest in the Project through earning a 49.99% interest in the shares of MNPL by achieving the various milestones in the agreements.

Under each agreement, GPNL commits to hold all of its assets for use by MNPL in developing and operating the Project and will continue to allow MNPL full use and access to those assets during the development and operation of the Project. GPNL also undertakes not to dispose of such assets except with the consent of MNPL (and, in effect its shareholders GPNL, Egidia and Dasines). MNPL is further restricted from borrowing funds or issuing equity.

In addition, under each agreement, GPNL must own all of the issued capital of MNPL before it can take advantage of the milestones as set out above. The details of how that was to be carried out were not described but it was contemplated by the Board of GPNL that it would involve acquisition by GPNL of the Egidia and Dasines interests in MNPL. It was also contemplated that such a transaction would require GPNL Shareholder approval.

It was the Directors' intention that when these two provisions of the agreements are read together, the 49.99% interest in MNPL, once earned, is intended to translate into an equivalent interest in the Project. Given, that all of the assets of the Company are for the sole purpose of the Project, the effect of these provisions is that the value of an MNPL share may be seen as equivalent to the value of a GPNL share being issued under the Acquisitions, as the holder's interest is in the same set of assets being committed to the same Project. This issue is dealt with in the Independent Expert's Report.

2.3 Background to Acquisitions

As a result of further discussions between GPNL and Mr Palmer, the Company has now entered into the Egidia Share Sale Agreement and the Dasines Share Sale Agreement subject to shareholder approval.

The general effect of the Acquisitions is that GPNL will regain 100% ownership of MNPL and Mr Palmer's interests in MNPL (held through Egidia and Dasines) will be exchanged for a direct interest in GPNL, thus simplifying the capital structure and facilitating the financing and development of the Project.

The shares in MNPL are the only assets held by Egidia and Dasines.

The consideration for the Acquisitions is new Shares in GPNL.

Please refer to section 2.9 for a summary of the impact of the Acquisitions and the Share issues on the capital structure of GPNL.

2.4 Summary of the Egidia Share Sale Agreement

Acquisition

Mr Palmer will sell all of the issued shares in Egidia to GPNL in consideration for 28,645,233 new GPNL shares to be issued to Mr Palmer.

It should be noted that Egidia currently has a 33% interest in MNPL. If GPNL was to satisfy the acquisition of Egidia with the issue of GPNL shares such that they equated to a 33% holding in GPNL, then it would have been required to issue Mr Palmer with 21,145,233 GPNL shares. However, as per Resolution 1, Mr Palmer is to receive 28,645,233 shares in GPNL. The additional 7,500,000 shares represent 50% of the shares which may be issued to SMGM in approximately August 2010 under the terms of the agreement between SMGM and GPNL. The reasons for the inclusion of these additional shares are set out in Section 2.9.

Conditions Precedent

The Egidia Share Sale Agreement is not binding until GPNL has obtained the necessary shareholder approvals to the Acquisition and the issue of the consideration Shares in GPNL to Mr Palmer under the Act, GPNL's constitution and any applicable stock exchange rules.

Completion of the Acquisition

Completion is scheduled to take place 14 days after the Egidia Acquisition is approved by Shareholders passing the Resolutions.

At Completion, Mr Palmer must transfer all of his shares in Egidia to GPNL free of all encumbrances. GPNL's principal obligation at Completion is to issue the new Shares in GPNL to Mr Palmer.

Rollover Relief

Mr Palmer and GPNL have jointly chosen to obtain rollover relief pursuant to section 124-M of the Income Tax Assessment Act 1997 (Cth) in respect of the transfer of Mr Palmer's shares in Egidia to GPNL. GPNL must take all necessary steps requested by Mr Palmer to ensure such relief is available to Mr Palmer.

Warranties

Mr Palmer has given warranties of the type commonly found in agreements of this kind which cover matters such as power to enter into the agreement, title to the shares in Egidia, financial standing of Mr Palmer and confirmation that there are no outstanding liabilities or taxes attaching to Egidia.

The warranties are supported by an indemnity in respect of all losses GPNL suffers as a result of the breach of any warranty by Mr Palmer.

2.5 Summary of the Dasines Share Sale Agreement

Acquisition

Mr Palmer will sell all of the issued shares in Dasines to GPNL in consideration for 28,645,233 new GPNL shares to be issued to Mr Palmer at completion and GPNL issuing further new shares in GPNL to Mr Palmer if certain other ordinary shares in GPNL are issued to third parties in accordance with agreements currently in place with those third parties.

It should be noted that Dasines upon converting its converting shares to ordinary shares in MNPL will have a 25% interest in MNPL. If GPNL was to satisfy the acquisition of Dasines with the issue of GPNL shares such that they equated to a 25% holding in GPNL, then it would have been required to issue Mr Palmer with 21,145,233 GPNL shares. However, as per Resolution 2, Mr Palmer is to receive 28,645,233 shares in GPNL. The additional 7,500,000 shares represent 50% of the shares which may be issued to SMGM in approximately August 2010 under the terms of the agreement between SMGM and GPNL. The reasons for the inclusion of these additional shares are set out in Section 2.9.

Conditions Precedent

The Dasines Share Sale Agreement is not binding until:

- (a) the conversion of Dasines' converting shares in MNPL into fully paid ordinary shares in MNPL in accordance with their terms of issue (refer to section 2.2 for details of the milestones that must be met for the conversion to occur); and

- (b) GPNL has obtained the necessary Shareholder approvals to the Acquisition's and the issue of the consideration Shares in GPNL to Mr Palmer under the Act, GPNL's constitution and any applicable stock exchange rules.

Completion of the Acquisition

Completion is scheduled to take place 14 days after the last of the above conditions precedent are satisfied.

At Completion, Mr Palmer must transfer all of his shares in Dasines to GPNL free of all encumbrances. GPNL's principal obligation at Completion is to issue the new Shares in GPNL to be issued at completion to Mr Palmer.

Rollover Relief

Mr Palmer and GPNL have jointly chosen to obtain rollover relief pursuant to section 124-M of the Income Tax Assessment Act 1997 (Cth) in respect of the transfer of Mr Palmer's shares in Dasines to GPNL. GPNL must take all necessary steps requested by Mr Palmer to ensure such relief is available to Mr Palmer.

Warranties

Mr Palmer has given warranties of the type commonly found in agreements of this kind which cover matters such as power to enter into the agreement, title to the shares in Dasines, financial standing of Mr Palmer and confirmation that there are no outstanding liabilities or taxes attaching to Dasines.

The warranties are supported by an indemnity in respect of all losses GPNL suffers as a result of the breach of any warranty by Mr Palmer.

Further shares

At the date of the Dasines Share Sale Agreement GPNL has the obligation to issue approximately 3,742,490 additional GPNL shares in the Company in respect of options that the Company has issued and agreements that it has entered into, to issue Shares. The Dasines Share Sale Agreement provides Mr Palmer with an equivalent number of fully paid Shares in GPNL if Shares in GPNL are issued to third parties in accordance with options granted to and agreements with those third parties. This right provides Mr Palmer with a minimum 50% interest in GPNL from the Acquisitions on a fully diluted basis by reference to those options and other agreements which exist at the date of the Dasines Share Sale Agreement. The MNPL shares form part of the consideration paid for this right by Mr Palmer and there is no additional consideration paid. This right may be assigned by Mr Palmer.

2.6 Further information on the Acquisitions

The values of the benefits being provided to Mr Palmer through the acquisitions of Egidia and Dasines are discussed in section 2.8.

The impact of the Acquisitions on the capital structure of GPNL is set out in section 2.9 of this Explanatory Memorandum.

The perceived advantages and disadvantages or risks involved with the Acquisitions are set out in sections 2.12 and 2.13 respectively of this Explanatory Memorandum.

Completion of the Egidia Acquisition is scheduled to occur 14 days after the Resolution approving that Acquisition is passed by GPNL's Shareholders.

Completion of the Dasines Acquisition is scheduled to occur 14 days after the later of the Resolution approving that Acquisition being passed by GPNL's Shareholders and Dasines' converting shares in MNPL converting to ordinary shares in MNPL as a result of the relevant milestones being met. As the date the milestones will be met is unknown, the date of Completion of the Dasines Acquisition is also unknown at this time. However, if the conditions are not met by 8 December 2010, the agreement will terminate.

2.7 Ranking of Shares

All new Shares issued under the Acquisitions will rank equally with and will carry the same rights as existing GPNL Shares. GPNL will apply to have the new Shares admitted to trading on the AIM Market following completion of the Acquisitions.

2.8 Value of Benefits to Related Parties from Acquisitions

Egidia Acquisition

On the basis of GPNL's 30 day weighted average trading price of £0.89 per Share prior to 26 June 2008, the value of the scrip consideration offered to Egidia is £25,494,257, disregarding any dilutionary effect of the Share issue. This value represents a significant personal gain for Mr Palmer. It is effectively delivered to Mr Palmer, in return for having achieved the agreed milestones, through Egidia. In addition, Mr Palmer paid \$21,000 (£9,595) for the converting shares in MNPL before Egidia achieved the milestones and the converting shares in MNPL converted to ordinary shares in MNPL.

The actual value of these GPNL Shares when issued will depend on a range of factors including general market conditions, the market price of nickel and the dilutionary effect, if any, of the Share issue itself on the Company's share capital. In addition, the value of the milestones that Mr Palmer is required to deliver under the Dasines Subscription Agreement, or alternatively if Resolution 3 is passed, on any consequential control transaction that may arise, will influence the share price and the value of GPNL Shares for all Shareholders including Mr Palmer.

The maximum potential dilutionary effect on the value of a GPNL Share can be indicatively calculated by dividing the market capitalisation of the Company before the issue of the new Shares to Egidia (based on the 30 day weighted average trading price of £0.89 per Share prior to 26 June 2008), by the total number of Shares which will be on issue after completion of the Egidia Acquisition (disregarding the exercise of any options). This results in an indicative price per GPNL Share of £0.53 and a total value of the scrip consideration of £15,181,973.

Dasines Acquisition

On the basis of GPNL's 30 day weighted average trading price of £0.89 per Share prior to 26 June 2008, the value of the scrip consideration offered to Dasines is £25,494,257, disregarding any dilutionary effect of the Share issue. This value represents a significant personal gain for Mr Palmer. It will be effectively delivered to Mr Palmer, through Dasines, in return for achieving the existing milestones of a legally binding construction loan facility and a legally binding turnkey construction contract with a Chinese substantially government owned company. In addition, Mr Palmer paid \$21,000 (£9,595) for the converting shares in MNPL.

If Resolution 3 is passed, there will be an alternative milestone, being an all scrip unconditional offer for GPNL by RDI at a minimum price of £2.20 per Share.

None of these milestones have been achieved to date.

The actual value of these GPNL Shares when issued will depend on a range of factors including general market conditions, the price of nickel and the potential dilutionary effect of

the share issue itself on the Company's share capital. It would be reasonable to expect that on the achievement of the construction, funding or control transaction milestones described above, there may be an uplift in the value of the Project and GPNL's shares which may wholly or partly offset a dilutionary effect.

Given the uncertainty of the effect on the value of the Company's Shares of achieving any of the Dasines milestones, the Directors believe that any estimate of the potential dilutionary effect on an indicative basis would potentially be misleading.

2.9 Impact of Acquisitions and Share issues on voting power in the Company

The voting power in the Company at various stages is shown below:

| | (1) Current voting power (%) | (2) Voting power after Egidia Acquisition completion (%) | (3) Voting power after Egidia and Dasines Acquisition completion (%) | (4) Voting power after Egidia and Dasines Acquisition and issue of Shares to SMGM (%) | (5) Voting power, on fully diluted basis after issue of SMGM shares and exercise of all other options and rights (%) |
|------------------------|---------------------------------------|--|---|---|---|
| Palmer Shareholding | 13.95% | 48.70% | 63.46% | 55.15% | 54.83% |
| Other Shareholders | 86.05% | 51.30% | 36.54% | 44.85% | 45.17% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Note regarding SMGM Agreement:

The Company has reached an agreement with SMGM that it will issue 15,000,000 Shares in the Company, in approximately August 2010, to SMGM for the purchase of a 49% interest in the Ouinne Deposit in New Caledonia. These shares are conditional upon:

- the proving of a minimum reserve target of 30 million dry tonnes at 1.35% nickel; and
- financing of the GPNL Project.

The IDFS assumed that approximately 70% of the feed to the Project would be supplied from New Caledonia. The Directors of GPNL are of the view that the Ouinne Deposit is essential to financing of the Project and that without the successful completion of the above conditions and the issue of the 15 million shares to SMGM, the Project would not be in a position to proceed. In addition, the Directors believe that it is likely that the minimum reserve target will be reached. To show the Directors confidence and commitment to GPNL obtaining a 49% interest in the Ouinne deposit the Directors have assumed that these Shares will be issued under the SMGM Agreement and have therefore added 7.5 million shares to the consideration for each of the Acquisitions.

It should be noted that this has the impact of providing Mr Palmer an increased voting and economic interest in the Company before the SMGM shares are actually issued, or in the event the SMGM shares are not issued.

Note regarding options and other commitments:

As discussed in section 2.2 (headed up Binding of the Assets of GPNL for use by MNPL) a 49.99% interest in the MNPL was intended to translate into a 49.99% interest in GPNL. Given that GPNL shareholders are already committed to dilution due to options and other commitments it has been agreed that Mr Palmer should receive an equivalent number of shares issued under all current options and commitments to issue shares.

In preparing column (4) of the above table, it has been assumed that no options outstanding as at the date of this Explanatory Memorandum will have been exercised and no other shares have been issued. Column (5) shows the fully diluted figures and assumes that GPNL has issued:

- a) 2,980,990 Shares on exercise of options;
- b) 761,500 Shares to Transocean Securities Pty Ltd ("**Transocean**"), assuming an exchange rate of £0.4569/A\$1 on the day Dasines obtains its ordinary shares in MNPL, which is the number of Shares that will be issued under the agreement with Transocean. As described in section 4.4 below, James Henderson is a director and shareholder of Transocean. If the exchange rate at the time of issue differs from £0.4569/A\$1, the number of Shares to be issued to Transocean and Mr Palmer will also differ to ensure the number of shares issued to Transocean equals the number of shares to be issued to Mr Palmer.
- c) 3,742,490 Shares to Mr Palmer as a result of the issue of shares under (a) and (b) above in accordance with Mr Palmer's rights under the Dasines Share Sale Agreement explained in section 2.5 headed "Further Shares".

2.10 Information on Mr Palmer, Egidia and Dasines

Mr Palmer beneficially owns all of the issued capital in each of Egidia and Dasines. The directors of each company are Clive Palmer and Geoffrey Smith, who are also directors of GPNL.

Egidia's and Dasines' sole assets are their shares in MNPL and they have no other assets or activities.

In December 2007, Mr Palmer acquired 5,900,000 Shares at a price of A\$3.88 (approximately £1.65) per Share.

Clive Palmer is the owner and chairman of Mineralogy Pty Ltd, which has interests in iron ore deposits in Western Australia. The company was formed in 1986 to take over the Australian assets of US companies, Tennaco Oil and Minerals and Hanna Mining Company's Australian subsidiary, Australia Hanna, with projects in gold mining and the iron ore industry.

Mr Palmer's companies are currently involved in construction worth over \$8 billion in Western Australia.

Mr Palmer was educated at Aquinas College, Southport, Toowoomba Grammar and Southport State High School, prior to studying at the University of Queensland from 1973 to 1975. He commenced his career in the Public Defender's Office, Queensland, where he instructed over 15 criminal cases in the Supreme Court of Queensland. During the next 30 years, Mr Palmer's career has expanded to include property development and the move into the mining industry.

Mr Palmer has featured as a keynote speaker at many national and international conferences and forums. In June 2002, he was appointed as Adjunct Professor of Business in Deakin University's Faculty of Business and Law, a role he held until 2006. During this time, Mr Palmer delivered a series of lectures as part of Deakin's MBA Residential Programs.

Mr Palmer has retained a strong interest in Australian politics. He has been a member of the National Party since 1974 and was the Party's official spokesperson from 1985 to 1987. In 1992, he was elected an honorary life member of the National Party of Australia and has been a member of the Central Council of the Party since 2000.

Mr Palmer has a wide range of interests outside the business world. He is currently Director of the Greg Norman Golf Foundation; a life member of the Royal Agricultural Society; member of the United Services Club (Brisbane), Western Australian Club and the JF Kennedy Library Foundation, as well as being a Licensed Real Estate Agent.

2.11 Mr Palmer's intentions for GPNL

As at the date of this Explanatory Memorandum and on the basis of the facts and information available to him, if Shareholders approve the Resolutions and the Acquisitions are completed, Mr Palmer:

- (a) has no intention of making any significant changes to the business of GPNL in a manner that may be detrimental to non-associated Shareholders and GPNL will continue to seek to complete the Project;
- (b) does not intend to redeploy any fixed assets of GPNL;
- (c) does not have any present intention to inject further capital into GPNL;
- (d) does not intend to transfer any property between GPNL or any of its subsidiaries, including MNPL, and Mr Palmer or any person associated with him other than as set out in this Notice and Explanatory Memorandum;
- (e) has no current intention to change GPNL's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders; and
- (f) has no current intention to become involved in decisions regarding the future employment of the present employees of the Company and contemplates that they will continue in the ordinary course of business.

MCC will likely seek an equity interest in GPNL as part of any proposal to provide turnkey construction to the Project.

Mr Palmer intends to work toward securing a proposal for a takeover bid or scheme of arrangement for GPNL from RDI which, if implemented, he intends to support in relation to his own shareholdings in GPNL and any that he controls.

2.12 Advantages of Acquisitions

The Company's vision is to build a major long-life nickel refinery at Gladstone, in Central Queensland, Australia. MNPL was established by GPNL to facilitate this sole focus. Neither GPNL nor MNPL own any assets unrelated to the Project.

Under the share subscription agreements, GPNL has committed to hold all of its assets for use by MNPL in developing and operating the Project and will allow MNPL full access to such assets in developing and operating the Project.

The following are the key strategic advantages of the Acquisitions dealt with in Resolutions 1 and 2:

- (a) GPNL entered into the arrangements with Mr Palmer in December 2007 to quickly progress matters with Chinese State owned enterprises. This resulted in Mr Palmer obtaining an MOU with MCC and consequently Mr Palmer obtaining a 33% interest in MNPL. On Dasines meeting its milestones, GPNL's interest in MNPL would be diluted to 50.01%. It is the Directors belief that unless GPNL holds 100% of the Project, it is unlikely to successfully secure funding from MCC.
- (b) The Directors consider simplification of the capital structure strongly desirable as it facilitates the arrangement of finance for the Project and the execution of a turn-key construction contract with a Chinese, substantially government owned entity, such as MCC with which it has entered into the MOU. Simplification of the capital structure may allow an easier introduction of new shareholders at the GPNL level.
- (c) The Directors consider it in the best interests of Shareholders to ensure negotiations with potential Chinese investors/underwriters for the Project and turn-key construction companies are completed as soon as possible. GPNL initially raised sufficient funds principally to complete the IDFS and acquisition of mining tenements in New Caledonia. Both these activities have been completed and only limited funds are available to maintain the Company as a going concern until a major partner takes responsibility for ongoing funding. Resolutions 1 and 2 serve to simplify the capital structure of the Company and facilitate entry of a major Project participant to assist in progressing the Project
- (d) The total Project size of US\$3.84 billion is considered an ambitious undertaking for a junior mining company and a significant cornerstone investor is required to drive the Project forward. Mr Palmer's has experience in engaging Chinese government owned corporations to fund projects and in order to enjoy the benefits of the milestones under the Share Subscription agreements the Company must acquire his shares in MNPL.
- (e) Mr Palmer's pre and post transaction rights to the future potential profits arising from the Project are more or less the same assuming that the SMGM shares are issued to SMGM. The transactions will result in Mr Palmer obtaining an interest in the Project at the parent level which will result in GPNL being able to enjoy the benefits of the milestones delivered by Mr Palmer.
- (f) The Acquisitions facilitate the success of the Project, and hence may enhance value for all Shareholders for the reasons set out in section 2.1.

2.13 Risks and disadvantages associated with the Acquisitions

The Acquisitions involve a number of risks and disadvantages:

- (a) Mr Palmer's voting power in GPNL will increase from 13.95% to 63.46% after both Acquisitions until he is diluted through the issue of additional shares and options as described in section 2.9, and also through the issue of Shares to SMGM which will not take place until August 2010. Currently he has only an influence as Chairman of GPNL and through his interests in MNPL and his current voting power in GPNL of 13.95%. There is a significant period of time during which his voting power will be at the undiluted level of 63.46% during which critical transactions relating to the Project will be considered and entered into. Even after being diluted by the issue of Shares to SMGM in August 2010, in the absence of any other Share issues his voting power will be in excess of 54%. This interest gives Mr Palmer a blocking stake in the Company for any takeover offers and enables him to determine the outcome of any takeover or merger proposal.

- (b) Mr Palmer's voting power increases from 13.95% to 48.70% after the Egidia Acquisition and before the exercise of any GPNL options, the issue of Shares under the agreement with Transocean and the issue of shares to SMGM. This will occur even if the milestones for the Dasines transaction and the transactions referred to in the MOU with MCC or the potential RDI control transaction do not occur. This interest gives Mr Palmer a blocking stake in the Company for any takeover offers and enables him to determine the outcome of any takeover or merger proposal.
- (c) Upon conclusion of the Dasines acquisition Mr Palmer will hold and will continue to hold a controlling interest of greater than 50% of the voting power of the Company. This will mean that Mr Palmer, if he does not transfer a significant portion or all of his holding to RDI, will have a blocking stake in the Company for any takeover offers and will be able to determine the outcome of any takeover or merger proposal.
- (d) Mr Palmer's ability to block a takeover or merger proposal includes an ability to block a takeover or merger proposal made by a third party which is superior to a takeover offer by RDI as described in the proposed new milestone under the Dasines Subscription Agreement in Resolution 3.
- (e) There is a risk that if GPNL shares are not issued to SMGM that Mr Palmer will have received an additional 15 million shares in the Company. However, the Directors believe that this is not a significant risk and that, in any event, if the shares are not issued to SMGM that it is unlikely that the Project would proceed.
- (f) Mr Palmer is not being required to pay a premium for the increase in his decision making power that comes about as a result of the completion of the Acquisitions. However Mr Palmer is Chairman of the Company and in conjunction with the Egidia and Dasines Subscription Agreements has a significant influence over the future of the Company.
- (g) There are risks of pursuing the finance and construction options offered through Chinese sources, including risks associated with government approvals required under Australia's foreign investment policy for equity positions to be taken.

2.14 Impact of Acquisition on the Financials of GPNL

The unaudited historical financial position of the parent GPNL, its subsidiary MNPL and the GPNL consolidated group as at 31 December 2007 is provided in section 6.3. The material impact of the Acquisitions on the GPNL group balance sheet will be recognised with a book entry and will not result in any change to net tangible assets. The book entry will result in an increase in the issued and paid up capital of the group and a corresponding increase in the Non Current Assets of the GPNL Group at the fair market value of the Consideration Shares at the day of issue.

The Independent Experts Report discusses the financial position of the GPNL group as at 30th June 2007.

3. Amendments to Dasines Subscription Agreement (Resolution 3)

3.1 Implications of Resolution 3

The effect of the proposed amendment to the Dasines Subscription Agreement is to include an alternative milestone for the conversion of Dasines' shares in MNPL to ordinary shares, which then results in the Dasines Acquisition being completed.

That milestone is the occurrence of a defined control transaction event in respect of GPNL on or before 31 December 2008, or a date up to 90 days later at GPNL's discretion.

The defined control transaction event in respect of GPNL which will satisfy the milestone is:

- (a) either:
 - (i) a takeover bid at a price equal to or more than a certain bid price (refer below) is made by Resource Development International Limited ("**RDI**") (the securities of which are intended to be quoted on the Hong Kong Stock Exchange or other recognised stock exchange) to GPNL's Shareholders to acquire all of the Shares in GPNL in which RDI does not already have a relevant interest; **OR**
 - (ii) a scheme of arrangement is approved at a meeting of GPNL shareholders and approved by a court of competent jurisdiction under section 411(6) of the Corporations Act under which RDI will acquire all of the issued Shares in GPNL in which RDI does not already have a relevant interest in exchange for shares in RDI at a certain effective price per GPNL share (refer below); and
- (b) RDI raises at least US\$1 billion in cash and RDI's shares are quoted on the Hong Kong Stock Exchange (or such other recognised stock exchange of a size and liquidity acceptable to GPNL); and
- (c) either:
 - (i) the takeover bid is, becomes or is declared unconditional: or
 - (ii) the scheme of arrangement is approved by a court of competent jurisdiction under section 411(6) of the Corporations Act,

on or before 31 December 2008 or, at the absolute discretion of GPNL, a date no later than 90 days after 31 December 2008.

The takeover or scheme must be at an offer price which is a number of shares in RDI for each share in GPNL at a value equal to or exceeding £2.20 per GPNL share which will be calculated according to a formula which values the RDI shares at their cash issue price under its intended IPO prospectus, converted to UK pounds sterling at the then prevailing exchange rate.

IMPORTANT NOTE: In relation to the control transaction milestone, the Board has not received notice of any public proposal or announcement of a control transaction from RDI at this point in time and the milestone should not in any way be interpreted as an announcement of an intention to make a takeover bid in respect of GPNL's shares. No control transaction proposal may be forthcoming from RDI or at all. The milestone only describes an event which, if it was to occur, will trigger the conversion of Dasines' converting shares in MNPL to ordinary shares in MNPL. There is also no certainty that

£2.20 in RDI shares will be an attractive offer at the time it is made depending on the value of GPNL Shares and other prevailing circumstances at that time.

If Resolution 3 is not passed by GPNL's shareholders, the Dasines Subscription Agreement will remain unchanged and the milestones for conversion of Dasines' converting shares in MNPL into ordinary shares will be the execution by 8 December 2010 of a legally binding construction loan facility and a legally binding turnkey construction contract by MCC or a Chinese substantially government owned company to finance and construct the Project.

3.2 Potential financial gain for related party

If Resolution 3 is passed and the alternative conversion milestone adopted, satisfaction of that milestone will lead to Dasines' MNPL converting shares converting to MNPL ordinary shares, satisfaction of the condition precedent for the acquisition of those MNPL ordinary shares by GPNL and the issue of 28,645,233 GPNL Shares to Mr Palmer.

This will bring Mr Palmer's shareholding to 63,190,466 shares which at the minimum stated offer price of £2.20 per GPNL Share under a control transaction by RDI described above would be valued at £139,019,025. Mr Palmer's only cash outlay has been £9,735,000 for 5.9 million GPNL Shares and £19,190 for the MNPL shares acquired in December 2007. Therefore, Mr Palmer's gain from such a control transaction would be approximately £129,264,125.

Mr Palmer's actual gain will depend on the market value of RDI shares at the time of issue under any control transaction. Also, £2.20 may not reflect the value of GPNL Shares at that time and may be less than the market value of those Shares.

Any gain would be obtained without Mr Palmer achieving the construction or funding milestones for GPNL. However, all GPNL shareholders that accept the takeover bid or participate in a scheme of arrangement would receive the benefit of any such control transaction by RDI.

3.3 Advantages and disadvantages of Resolution 3

The key advantages of the amendment of the milestones in the Dasines Subscription Agreement sought to be approved by Resolution 3 are:

- (a) Encouraging a potential unconditional £2.20 scrip offer or proposal for GPNL shares which as at 26 June 2008 would have represented an approximate 150% premium to the 30 day weighted average trading share price prior to that date (Note: whether any premium would be achieved at the time of any takeover bid or scheme of arrangement would depend on the market value of GPNL Shares at that time);
- (b) An offer by a Company that has raised at least US\$1 billion in cash would bring a substantial balance sheet to assist in progressing the Project;
- (c) RDI, a company into which Mr Palmer intends to place his assets such as iron ore, and his share of GPNL, may provide shareholders with a spread of risk across multiple projects rather than one project.

The amendment of the milestones in the Dasines Subscription Agreement to be approved by Resolution 3 involves the following risks and disadvantages:

- (a) There is no certainty that RDI will make a control transaction proposal or that £2.20 in RDI shares will be an attractive offer. Shareholders will need to assess the value of RDI shares at the time that any such proposal is made.

- (b) If a takeover bid is made by RDI and becomes unconditional, Dasines will earn its interest in MNPL and complete the Dasines Acquisition, irrespective of whether that bid is successful or attractive to GPNL shareholders. Therefore Mr Palmer will increase his voting power in GPNL. Given that Mr Palmer currently intends to accept any RDI bid, RDI will become the major shareholder of GPNL.
- (c) The Directors of GPNL currently have little information on RDI or its intentions for the Company, other than what it has presented in this Explanatory Memorandum, and have no detailed control transaction proposal to consider.
- (d) Arguably, if a control transaction occurs, GPNL shareholders will be foregoing the benefits of a potentially fully financed project and a turnkey construction bid in GPNL in return for a position in another entity, RDI.

4. Review of proposed Acquisitions, Resolutions and Directors' Recommendations

4.1 Directors' recommendations for Resolutions 1

Directors Mr John Downie, Mr Benjamin Hill, Mr James Henderson and Mr Domenic Martino being the only Directors who do not have a direct financial interest in Resolution 1, consider, having consulted with Grant Thornton UK LLP, the Company's Nominated Adviser, that the terms of Resolution 1 are "fair and reasonable" insofar as the Company's shareholders are concerned. Hence, the Directors recommend that Shareholders vote in favour of Resolution 1. The Directors in forming their view, as to their recommendation, have considered:

- (a) that the advantages of the Acquisitions in section 2.12 outweigh the disadvantages in section 2.13;
- (b) the opinion of the Independent Expert and in particular its conclusion on "fairness" and the equivalence of values of the GPNL Shares and the MNPL shares; and
- (c) the views of the Nominated Adviser.

The Nominated Adviser has considered the advantages of the proposals in Resolution 1, together with the disadvantages, which include the lack of a control premium payable by Mr Palmer in gaining a controlling stake in GPNL and the receipt of additional shares in relation to the SMGM agreement (as outlined in Section 2.9) prior to and irrespective of whether shares in GPNL ever become issuable to SMGM. With regard to both the advantages and disadvantages, the Nominated Adviser has considered the proposals in their entirety, and views the proposals in Resolution 1 to be "fair and reasonable" in accordance with Rule 13 of the AIM Rules for companies. This view, whilst required by the AIM Rules, does not conform with Australian legal requirements. The Nominated Adviser has not been engaged to and does not provide an opinion under the Australian Corporations Act and this AIM view does not meet the requirements of ASIC's Regulatory Guide 111.

4.2 Directors' recommendations for Resolutions 2

Directors Mr John Downie, Mr Benjamin Hill, Mr James Henderson and Mr Domenic Martino being the only Directors who do not have a direct financial interest in Resolution 2, consider, having consulted with the Nominated Adviser, that the terms of Resolution 2 are "fair and reasonable" insofar as the Company's shareholders are concerned. Hence, the Directors recommend that Shareholders vote in favour of Resolution 2. The Directors in forming their view, as to their recommendation, have considered:

- (a) that the advantages of the Acquisitions in section 2.12 outweigh the disadvantages in section 2.13;
- (b) the opinion of the Independent Expert and in particular its conclusion on "fairness" and the equivalence of values of the GPNL Shares and the MNPL shares; and
- (c) the views of the Nominated Adviser.

The Nominated Adviser has considered the advantages of the proposals in Resolution 2, together with the disadvantages, which include the lack of a control premium payable by Mr Palmer in gaining a controlling stake in GPNL and the receipt of additional shares in relation to the SMGM agreement (as outlined in Section 2.9) prior to and irrespective of whether shares in GPNL ever become issuable to SMGM. With regard to both the advantages and disadvantages, the Nominated Adviser has considered the proposals in their entirety, and views the proposals in Resolution 2 to be "fair and reasonable" in accordance with Rule 13 of the AIM Rules for companies. This view, whilst required by the AIM Rules, does not conform

with Australian legal requirements. The Nominated Adviser has not been engaged to and does not provide an opinion under the Australian Corporations Act and this AIM view does not meet the requirements of ASIC's Regulatory Guide 111.

4.3 Directors' recommendations for Resolution 3

Managing Director, Mr John Downie, who does not have a direct financial interest in Resolution 3, considers, having consulted with the Nominated Adviser, that the terms of Resolution 3 are "fair and reasonable" insofar as the Company's shareholders are concerned. Hence, Mr Downie recommends that Shareholders vote in favour of Resolution 3. Mr Downie in forming his view, as to his recommendation, has considered the advantages and disadvantages in section 3.3. Mr Downie states his reasons as follows:

"The opportunity to attract a proposal to acquire the Company at a significant premium to the current share price is attractive. In my opinion, it would be in the interest of Shareholders for Shareholders to encourage an unconditional takeover offer or scheme proposal by accepting Resolution 3 as I believe that the risk that the share price will exceed £2.20 at the time any proposal is made is quite small in comparison to the additional optionality that the offer provides to Shareholders. By Shareholders approving Resolution 3 it is arguable that Shareholders are forgoing the requirement for Mr Palmer to deliver a fully financed project with a turnkey construction agreement. Mr Palmer will in any event have a significant holding in the Company and in my opinion, he is commercially driven to advance the Project. If the proposal never happens or if Shareholders reject any offer, they retain their opportunity of being fully exposed to the Project."

Non Executive Director, Mr Benjamin Hill, who does not have a direct financial interest in Resolution 3, considers, having consulted with the Nominated Adviser, that the terms of Resolution 3 are "not fair and not reasonable" insofar as the Company's shareholders are concerned. Hence, Mr Hill recommends that Shareholders do not vote in favour of Resolution 3. Mr Hill in forming his view, as to his recommendation, has considered the advantages and disadvantages in section 3.3. Mr Hill states his reasons as follows:

"It is clear that given the current share price, a scrip offer of £2:20 is undoubtedly attractive. However, Shareholders at this point are unable to know if a proposal, when made, will be attractive. If an offer is made by scheme of arrangement, shareholders will be able to vote for or against the proposal. However, if it is a takeover offer, it is possible that no shareholders will accept the takeover offer. Nevertheless, if the takeover offer is unconditional, just the making of the takeover offer will trigger the issue of GPNL shares to Mr Palmer. This in my view is an unacceptable position for shareholders and hence I recommend shareholders do not vote in favour of the Resolution 3."

The Nominated Adviser concurs with the view of Mr Benjamin Hill that the terms of Resolution 3 are "not fair and not reasonable" insofar as the Company's shareholders are concerned. In addition to the basis for this view articulated by Mr Hill in the paragraph above, the Nominated Adviser also draws the Shareholders' attention to the fact that the alternative milestone in Resolution 3, for which no additional consideration has been paid, would grant Mr Palmer a controlling interest in GPNL without the achievement of a binding contract for the financing and construction of the Project, which was a necessary achievement of the milestones in the Subscription Agreement.

4.4 Interests of directors

Clive Palmer is a director of the Company and the sole shareholder of Egidia and Dasines and is the vendor under the Acquisitions for which shareholder approval is being obtained. Therefore, Clive Palmer has a material personal interest in the transaction and has abstained from making a recommendation on either Resolutions 1 or 2. As the outcome of Resolution 3

has an indirect effect on the Dasines Acquisition, Clive Palmer has a material personal interest in the variation and has abstained from making a recommendation on Resolution 3.

Geoffrey Smith is a director of the Company, an employee of Mineralogy Pty Ltd (a company controlled by Mr Palmer) and a director of Egidia and Dasines, but has no financial interest in those companies.

James Henderson is a director of the Company and a director and shareholder of Transocean which is entitled to receive a success fee of \$2 million in GPNL Shares upon the conversion of Dasines' converting shares in MNPL to ordinary shares in MNPL. Therefore James Henderson has a material personal interest in the amendment of the Dasines Subscription Agreement milestones and has made no recommendation on Resolution 3.

Domenic Martino is a director of the Company and has entered into an arrangement with Transocean to receive 50% of the Transocean success fee which is to be paid by transferring or directing the issue of \$1 million in GPNL Shares to Mr Martino. Therefore Domenic Martino has a material personal interest in the amendment of the Dasines Subscription Agreement milestones and has made no recommendation on Resolution 3.

Clive Palmer and Domenic Martino are directors of RDI. Mr Palmer currently has a controlling shareholding in RDI.

4.5 Independent Expert's Opinion

The Board believes that the Acquisitions represent an exciting opportunity for the Company to further develop its opportunities. To ensure that GPNL Shareholders are fully and fairly informed, the Board has sought an independent expert's report from BDO Kendalls on the Acquisitions and has annexed the BDO Kendalls report for GPNL Shareholders to consider. BDO Kendalls have not expressed an opinion on Resolution 3.

5. Regulatory Basis for Resolutions

5.1 Resolution 1 - Approval of Acquisition of Egidia and for issue of Shares

(a) **Resolution 1 is required by:**

- (i) clause 7 of the Company's constitution which requires Shareholder approval for issues of Shares exceeding 15% of the Company's issued share capital in any 12 month period;
- (ii) section 611, item 7 of the Act which allows Shareholders to approve the acquisition by Mr Palmer of a relevant interest in Shares in the Company giving him voting power in the Company of more than 20% without complying with the takeover provisions of the Act; and
- (iii) Chapter 2E of the Act which requires Shareholder approval to be obtained for the giving of a financial benefit by GPNL to Mr Palmer as a related party.

(b) **Discussion**

This resolution is required by clause 7 of GPNL's constitution which provides that Shareholder approval is required for issues of Shares that will result in new Shares representing more than 15% of the Company's issued share capital being issued in any 12 month period.

The resolution is also required to qualify for the exception in section 611, item 7 of the Act to the prohibition in section 606 of the Act.

Section 606 prohibits a person from acquiring a relevant interest in a company's voting shares if that results in that or another person's voting power in the Company increasing from below to more than 20%, unless the acquisition takes place under a permitted exception.

Section 611, item 7 permits such an acquisition to proceed with shareholder approval provided that the person making the acquisition and the associates of that person do not vote and provided that shareholders are given all information made known to the persons making the acquisition, or their associates, or known to the company, that is material to the decision on how to vote on the resolution.

The information required to be given to Shareholders of GPNL is set out in this Explanatory Memorandum.

Resolution 1 also seeks Shareholder approval for the giving of a financial benefit by GPNL to Mr Palmer by virtue of the Company entering into, and performing its obligations under, the Egidia Share Sale Agreement.

This Resolution is also required pursuant to Chapter 2E of the Act, which requires any financial benefits to be given to a related party by a public company to be approved by members in accordance with the requirements of sections 217-227 of the Act, unless an exception applies.

As a director of the Company, Mr Palmer is a related party of GPNL.

The related party transaction that the Egidia Share Sale Agreement requires to be implemented is the issue by GPNL to Mr Palmer on Completion of the Egidia Acquisition of Shares as consideration for the acquisition by GPNL from Mr Palmer of all the issued shares of Egidia.

(c) **Voting restrictions**

As indicated in the Notice of Meeting, Mr Palmer and his associates may not vote in respect of Resolution 1.

5.2 Resolution 2 - Approval of Acquisition of Dasines and for issue of Shares

(a) **Resolution 2 is required by:**

- (i) clause 7 of the Company's constitution which requires Shareholder approval for issues of Shares exceeding 15% of the Company's issued share capital in any 12 month period;
- (ii) section 611, item 7 of the Act which allows Shareholders to approve the acquisition by Mr Palmer of a relevant interest in shares in the Company giving him voting power in the Company of more than 20% without complying with the takeover provisions of the Act; and
- (iii) Chapter 2E of the Act which requires Shareholder approval to be obtained for the giving of a financial benefit by GPNL to Mr Palmer as a related party.

(b) **Discussion**

This resolution is required by clause 7 of GPNL's constitution which provides that Shareholder approval is required for issues of Shares that will result in new Shares representing more than 15% of the Company's issued share capital being issued in any 12 month period.

The resolution is also required to qualify for the exception in section 611, item 7 of the Act to the prohibition in section 606 of the Act.

Section 606 prohibits a person from acquiring a relevant interest in a company's voting shares if that results in that or another person's voting power in the Company increasing from below to more than 20%, unless the acquisition takes place under a permitted exception.

Section 611, item 7 permits such an acquisition to proceed with shareholder approval provided that the person making the acquisition and the associates of that person do not vote and provided that shareholders are given all information made known to the persons making the acquisition, or their associates, or known to the company, that is material to the decision on how to vote on the resolution.

The information required to be given to Shareholders of GPNL is set out in this Explanatory Memorandum.

Resolution 2 also seeks Shareholder approval for the giving of a financial benefit by GPNL to Mr Palmer by virtue of the Company entering into, and performing its obligations under, the Dasines Share Sale Agreement.

This Resolution is also required pursuant to Chapter 2E of the Act, which requires any financial benefits to be given to a related party by a public company to be approved by members in accordance with the requirements of sections 217-227 of the Act, unless an exception applies.

As a director of the Company, Mr Palmer is a related party of GPNL.

The related party transaction that the Dasines Share Sale Agreement requires to be implemented is the issue by GPNL to Mr Palmer on Completion of the Dasines Acquisition of Shares as consideration for the acquisition by GPNL from Mr Palmer of all the issued shares of Dasines.

(c) **Voting restrictions**

As indicated in the Notice of Meeting, Mr Palmer and his associates may not vote in respect of Resolution 2.

5.3 Resolution 3 - Amendments to Dasines Subscription Agreement (Deed of Variation)

(a) **Resolution 3 is required by:**

Chapter 2E of the Act which requires Shareholder approval to be obtained for the giving of a financial benefit by GPNL to Mr Palmer, Mr Henderson and Mr Martino as related parties.

(b) **Discussion**

This Resolution is required pursuant to Chapter 2E of the Act, which requires any financial benefits to be given to a related party by a public company to be approved by members in accordance with the requirements of sections 217-227 of the Act, unless an exception applies.

As directors of the Company, Mr Palmer, Mr Henderson and Mr Martino are related parties of GPNL.

The related party transaction that Resolution 3 will implement is the amendment of the terms of the Dasines Subscription Agreement under which Dasines' converting shares in MNPL will convert to ordinary shares in MNPL. This indirectly affects whether the Dasines Acquisition (in which Mr Palmer has an interest) may be completed and the time that Transocean, which is associated with Mr Henderson, will receive the success fee to which it is entitled upon such conversion and which it has agreed to share with Mr Martino. This success fee arrangement is described in section 4.

(c) **Voting restrictions**

As indicated in the Notice of Meeting, Mr Palmer and his associates, Mr Henderson and his associates and Mr Martino and his associates may not vote in respect of Resolution 3.

6. Additional Information

6.1 Directors' Interests

The Directors of GPNL and their associates or related parties hold the following number of Shares in the Company as at the date of this notice:

| Director | No. of GPNL Shares | % of Current Issued Capital |
|--------------------|--------------------|-----------------------------|
| Mr Clive Palmer | 5,900,000 | 13.95% |
| Mr James Henderson | 190,375 | 0.45% |
| Mr Domenic Martino | 190,375 | 0.45% |
| Mr John Downie * | - | - |
| Mr Geoffrey Smith | - | - |
| Mr Benjamin Hill | - | - |

* It should be noted that Mr Downie holds 750,000 options, with a right to one share for each option held, with exercise prices between £1.70 and £2.00.

6.2 Dividend policy

The Company has not, since the date of its incorporation, declared or paid any dividends on its Shares nor made any other distributions to its Shareholders.

The Company does not currently have a policy with respect to the payment of dividends. For the immediate future the Company will be developing the Project and does not envisage any earnings arising from which dividends could be paid. Once the Project becomes operational, the Company anticipates that it will initially retain future earnings and other cash resources for the operation and development of its business and in order to meet likely Project finance commitments, which may prohibit the payment of dividends. The payment of dividends in the future will depend on the earnings, if any, and the Company's financial condition and such other factors as the Directors of the Company consider appropriate at that time.

6.3 Balance Sheet as at 31st December 2007

| | Dec-07 (\$A) Unaudited | Dec-07 (\$A) Unaudited | Dec-07 (\$A) Unaudited |
|---|------------------------------|------------------------------|------------------------------|
| | GPNL | MNPL | CONSOLIDATED |
| CURRENT ASSETS | | | |
| Cash assets | 30,496,244 | 545,315 | 31,093,645 |
| Receivables | 6,213,480 | 435,499 | 6,919,266 |
| Other Current Assets | 37,646 | - | 39,599 |
| TOTAL CURRENT ASSETS | 36,747,370 | 980,814 | 38,052,510 |
| NON CURRENT ASSETS | | | |
| Property, Plant and Equipment | 219,014 | 409,991 | 733,747 |
| Deferred evaluation and exploration costs | 1,423,082 | 39,950,816 | 44,246,534 |
| Investment in Subsidiary – MNPL | 32,452,079 | - | - |
| Investment in Subsidiary – Other | 73,006 | - | - |
| Prepayment -Construction in Process | - | 3,789,557 | 3,789,557 |
| Prepayment -Transaction Costs | - | 3,789,557 | 3,789,557 |
| Receivables | 3,611,256 | 915,846 | 2,637,175 |
| Deferred tax assets | 9,195,734 | 64,823 | 9,260,557 |
| TOTAL NON CURRENT ASSETS | 46,974,171 | 48,920,590 | 64,457,127 |
| TOTAL ASSETS | 83,721,541 | 49,901,404 | 102,509,637 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 1,059,690 | 269,470 | 2,583,728 |
| Provisions | 63,709 | 8,193 | 84,206 |
| TOTAL CURRENT LIABILITIES | 1,123,399 | 277,663 | 2,667,934 |
| NON CURRENT LIABILITIES | | | |
| Trade and other payables | 118,036 | 742,297 | 860,333 |
| Deferred tax liabilities | 1,421 | 11,972,005 | 12,375,896 |
| Provisions | 11,100 | 176,550 | 187,650 |
| TOTAL NON CURRENT LIABILITIES | 130,557 | 12,890,852 | 13,423,879 |
| TOTAL LIABILITIES | 1,253,956 | 13,168,515 | 16,091,813 |
| NET ASSETS / LIABILITIES | 82,467,585 | 36,732,889 | 86,417,824 |
| EQUITY | | | |
| Contributed equity | 83,278,272 | 32,494,079 | 83,278,272 |
| Reserves | 1,904,003 | 7,579,114 | 9,483,117 |
| Retained earnings / (Accumulated losses) | (2,714,690) | (3,340,304) | (6,385,565) |
| Minority Interests | - | - | 42,000 |
| TOTAL EQUITY | 82,467,585 | 36,732,889 | 86,417,824 |

7. Glossary

| | |
|---------------------------------------|---|
| A\$, \$ or cents | such amounts in Australian currency |
| Acquisitions | the Egidia Acquisition and the Dasines Acquisition |
| Act | Corporations Act 2001 (Cth) |
| AIM | the AIM Market operated by London Stock Exchange plc |
| ASIC | Australian Securities and Investments Commission |
| Board | the board of Directors of GPNL |
| BDO Kendalls | BDO Kendalls Corporate Finance (Qld) Limited |
| Company | Gladstone Pacific Nickel Limited ACN 104 261 887, also referred to as GPNL |
| Completion | completion of the Acquisitions in accordance with the Egidia Share Sale Agreement or the Dasines Share Sale Agreement as the case may be |
| Dasines | Dasines Pty Ltd ACN 097 333 545 |
| Dasines Acquisition | the acquisition by GPNL of the entire issued share capital of Dasines from Mr Palmer under the Dasines Share Sale Agreement |
| Dasines Share Sale Agreement | the share sale agreement for the acquisition of the entire issued share capital of Dasines entered into on 22nd July 2008 between the Company and Mr Palmer |
| Dasines Subscription Agreement | the share subscription agreement for the issue of shares to Dasines in MNPL entered into on 8 December 2007 between Dasines, MNPL and GPNL |
| Director(s) | director(s) of GPNL |
| Egidia | Egidia Pty Ltd ACN 097 333 554 |
| Egidia Acquisition | the acquisition by GPNL of the entire issued share capital of Egidia from Mr Palmer under the Egidia Share Sale Agreement |
| Egidia Share Sale Agreement | the share sale agreement for the acquisition of the entire issued share capital of Egidia entered into on 22nd July 2008 between the Company and Mr Palmer |
| Egidia Subscription Agreement | the share subscription agreement for the issue of shares to Egidia in MNPL entered into on 8 December 2007 between Egidia, MNPL and GPNL |
| Explanatory Memorandum | this booklet, comprising the Letter from the Board, Notice of Meeting, Explanatory Notes and its accompanying documents |
| GPNL | Gladstone Pacific Nickel Limited ACN 104 261 887, also referred to as the Company |
| Independent Expert | BDO Kendalls Corporate Finance (Qld) Limited, the independent expert commissioned by the Company to prepare the report for Shareholders to confirm that the Acquisitions are fair and reasonable to non-associated Shareholders |
| RDI | Resource Development International Limited, a company intended to be incorporated in the Cayman Islands |
| MCC | China Metallurgical Construction (Group) Corporation |
| MNPL | Marlborough Nickel Pty Ltd ACN 076 403 873 |
| MOU | The Memorandum of Understanding for the financing and development of the Project between GPNL and MCC. |
| Mr Palmer | Clive Palmer, the vendor of the shares in Dasines and Egidia |

| | |
|------------------------------------|---|
| Notice or Notice of Meeting | the notice of meeting, incorporating the Chairman's letter and Explanatory Memorandum, enclosed in this booklet |
| Project | the construction of a mine in the Marlborough area of Queensland to mine nickel and a refinery in the Gladstone area of Queensland to refine nickel at a minimum rate of 20,000 Tonnes per annum, together with associated infrastructure |
| Resolutions | the resolutions set out in the Notice of Meeting |
| Shareholders | registered holders of Shares |
| Shares or GPNL Shares | fully paid ordinary shares in the Company |
| SMGM Agreement | an agreement dated 18 August 2007 between the Company, its New Caledonian subsidiary, Gladstone Nouvelle Caledonie SAS, a New Caledonian mining company, Societe Minere Georges Montagnat SARL and its shareholders relating to the indirect acquisition by the Company of a 49% interest in a nickel limonite deposit in New Caledonia |
| Transocean | Transocean Securities Pty Ltd ACN 009 230 120 |

Independent Expert's Report

As Attached