



GLADSTONE PACIFIC NICKEL LTD

9 September 2008

Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear Sir/Madam,

Gladstone Area Water Board (GAWB) Investigation of Contingent Water Strategy Pricing Practices – Part (B).

In response to your question to further review the Draft Report on GAWB's Investigation of Contingent Water Supply Strategy Pricing Practices, the following information is provided.

Gladstone Pacific Nickel Limited (GPNL) is an Australian mining development company recently having undertaken an Integrated Definitive Feasibility Study (IDFS) for the Gladstone Nickel Project (GNP).

The company's vision is to build a major long-life nickel cobalt refinery at Yarwun, north of Gladstone, to treat abundant high grade nickel laterite ores from New Caledonia and other south-west Pacific islands, underpinned by beneficiated ores from its own Marlborough deposits in Qld. This project has been awarded Major Project Facilitation status by the Australian Government and Significant Project Status by the Coordinator General of Queensland.

Access to a reliable source of fresh raw water for this AUS \$3.65 billion project and GAWB's ability to supply GPNL by the projected 30 April 2011 production start date are critical to the success of the project. From GPNL's perspective, the proposals set out by GAWB provide a sound framework and appropriate level of vigilance which is consistent with the increasing uncertainty relating to maintenance of fresh water reserves on the east coast of Australia.

With reference to your review of this process we would like to submit the following comments;

- a) We do not see the proposed extension to the time within which customers must respond to a notice of potential argumentation as being consistent with the management strategy proposed by GAWB. A water demand reduction strategy should be an integral part of the operating plans of all industrial users and reviewed and validated as part of the annual strategic planning process. Assuming industrial water users have optimized water efficiency, any requirement to reduce off-take will by definition have a direct effect on productivity and therefore it is inadequate to begin to investigate demand reduction options at the time a notice is issued. Therefore GPNL support GAWB's original proposal for customers to respond to a potential augmentation notice within 60 days.



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- b) Given that the objective of GAWB's proposed process is to avoid the financial burden of unnecessary / excessive capital investment in infrastructure and minimize the risks associated with supply failure, GPNL strongly endorse the proposal put forward by GAWB to have guidelines prepared for the approval of capital expenditure providing the basis for a response which parallels the economic efficiencies built in to the water pricing principles.

We would like to thank you for the opportunity to comment and trust that it is of some assistance. If you have any issues about our response please contact the undersigned or Mr James Kastelein on 07-3231-7100.

Yours sincerely

A large black rectangular box redacts the signature of Bruce McCleary.

Bruce McCleary
Commercial Manager