DIRECT NICKEL LIMITED

ACN 003 087 689

Financial Report
for the year ended
30 June 2014

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Directors' Report

The Directors present their report on the Company and its controlled entities (the Group) for the financial year ended 30 June 2014.

Information on Directors

The Directors of the Company who held office during the year and up to the date of this report are:

Andrew Vickerman ***Non-Executive Chairman***

Mr Vickerman was appointed to the Board of the Legal Parent on 7 May 2014.

Qualifications & Experience: Mr Vickerman has extensive experience as a senior executive in major mining companies and is based in London. During the period 1998 to 2009 he was a member of the Operating and Executive Committees of Rio Tinto with responsibility for communications and external relations. During the period 1994 to 1998 he was Finance Director of Lihir Gold Limited and prior to that worked with RTZ Mining & Metals as commercial advisor. With a background in economics and finance he has previously worked as a consultant for the World Bank and has travelled extensively over the past thirty years.

Special Responsibilities: Nil

Interest in Shares: Nil

Directorships held in Other Listed Entities: Nil

Mr Russell Debney ***Managing Director***

Mr Debney was appointed to the Board of the Legal Parent on 2 October 2012 and the Group on 11 May 2005.

Qualifications & Experience: Mr Debney has worked in the mining and resources industry since 1975 after being admitted as a lawyer. He was a director and Senior VP of Global Engineering International Limited, an international consulting engineering and project management company specialising in the offshore oil and gas industry. He joined Sly and Weigall in 1988 and was CEO until 1993 when the firm became Deacons (and later Norton Rose Fulbright). Mr Debney was Chairman of John Storey Group and of Nautilus Minerals Limited until it's listing in Toronto in mid-2006. He has been actively involved in all aspects of the financing and development of Nautilus and remains as a director. Mr Debney has been Managing Director and CEO of Direct Nickel Projects Pty Ltd since June 2009 and is one of its substantial shareholders.

Special Responsibilities: Nil

Direct & indirect Interest in Shares: Shares 18,189,309

Directorships held in Other Listed Entities: Nautilus Minerals Limited (TSX) joined on 24 August 2007

Mr William Drinkard ***Non-Executive Director***

Mr Drinkard was appointed to the Board of the Legal Parent on 7 October 2012 and the Group on 3 November 2006

Qualifications & Experience: Mr Drinkard is a chemical engineer and inventor with 40 plus years' experience developing hydrometallurgical processes for the profitable recovery of metals. He developed the core technology which is the foundation of the Direct Nickel process. As the President and CEO of Drinkard Research and Development Corp. and Drinkard Metalox, Inc., he is well-known for his chemical process innovation involving the commercial application of ammonia, nitric, and nitric oxide chemistry. He holds many patents world-wide. His companies have had significant relationships with multinationals including American Zinc, Dow Chemical, Eveready Battery, Falconbridge Nickel, Hickson, Kennecott, Nucor, and Rio Tinto. In addition, he works with ventures worldwide in the hydrometallurgical recovery of metals from traditional mining ores to electronic waste and ore waste materials.
Mr Drinkard graduated with a degree in Chemical Engineering from North Carolina State University. He is a member of various metallurgical and chemical societies. He has presented a number of papers to technical societies in North American and internationally.

Interest in Shares: Shares 26,800,000

Directorships held in Other Listed Entities: Nil

Mr Christopher Gower ***Non-Executive Director***

Mr Gower was appointed to the Board of the Legal Parent on 15 November 2012.

Experience: Mr Gower's career began in 1984 in the marketing department of Butterworths Pty Ltd with his last position being Marketing Manager of Lexis/Nexis, an on-line information system, in Australasia and Asia. From 1992 to 1998 Christopher was in-house counsel in Waste Management International PLC, followed by a legal position at Arjo Wiggins Appleton Plc, one of Britain's largest paper manufacturers. He became General Counsel in 2001 and ultimately assumed responsibility for managing the company's exposure to a large environmental clean-up.

In 2009 Mr Gower became CEO of Arjo Wiggins Appleton Ltd (which changed its name to Windward Prospects Ltd in 2011) and since then, he has continued to be involved in legal and environmental issues in the US as well as overseeing the management of the company's assets in the UK. He has a Diploma in Law (B.A.B) & Graduate Diploma in Legal Practice from University of Technology (Syd).

Special Responsibilities: Chairman of the Nomination and Remuneration Committee

Indirect Interest in Shares: Shares 13,701,827

Directorships held in Other Listed Entities: Nil

Mr Graham Brock ***Executive Technical Director***

Mr Brock was appointed to the Board of the Legal Parent on 5 July 2013.

Qualifications & Experience: Mr Brock is a process engineer and project manager and has worked in the mining industry for over 40 years. From 1968 to 1980 he had a number of roles at producing mines covering tin, nickel, copper and zinc. From 1981 he moved into project work involved in all aspects of project development from test work, feasibility studies, construction, commissioning and operational management. As Group Metallurgist of Australian Consolidated Minerals and then MPI Mines and General Manager Projects for LionOre Mr Brock was involved in developing gold, copper, zinc and nickel mines in Australia, New Zealand, USA and Turkey. Joining the Group in 2007 as Project Manager, he is responsible for all technical aspects of commercialising the Direct Nickel Process.

Special Responsibilities: Chief Technical Officer

Interest in Shares: Shares 3,068,795

Directorships held in Other Listed Entities: Non-Executive Director Southern Cross Goldfields (ASX:SXG) until 23 September 2013.

Mr Vincent Sweeney ***Non-Executive Director***

Mr Sweeney was appointed to the Board of the Legal Parent on 7 October 2011 and the Group from 7 October 2012.

Qualifications & Experience: Mr Sweeney is the managing partner at an investment banking advisory firm. Vincent spent many years as a senior partner at a Big 4 accounting firm, where he served on the national management team and was the managing partner for multiple divisions including Audit and Assurance, and Corporate Finance. He holds a Bachelor of Commerce, an MBA and is a member of the Australian Institute of Company Directors and other professional organisations.

Special Responsibilities: Company Secretary and Chairman of Audit and Compliance Committee.

Indirect Interest in Shares: Shares 2,260,928 (indirect interest)

Parties associated with Mr Sweeney also have pre-existing rights to invest one million dollars in the future (see Note 13 of the financial statements).

Directorships held in Other Listed Entities: CB Australia Limited (Chairman) joined on 6 December 2012, Ausmani Limited (Chairman) joined on 31 May 2012.

Directors' Meetings

During the financial year 30 June 2014 meetings of Directors were held. There were no separate meetings held during the year of the Nomination and Remuneration Committee and Audit and Compliance Committee. In addition to some informal and strategy workshops there were 3 formal board meetings and attendances by each Director during the year were as follows:

Directors' Meetings ***(Continued)***

	Directors' Meetings	
	Attended	**Eligible to Attend**
Mr Vincent Sweeney	3	3
Mr Russell Debney	3	3
Mr William Drinkard	3	3
Mr Chris Gower	2	3
Mr Graham Brock	2	3
Mr Andrew Vickerman	-	-

Details of Directors' remuneration can be found in the Remuneration Report.

Review of Operations

The Group's business includes the research and development and commercialisation of patented technology which uses recycled acids in processing Nickel laterites. The Group has developed a test plant, in conjunction with CSIRO in Perth, which it uses to market its process. In addition to this the Group continues to invest in its 50% interest in Oro Nickel Limited which owns a nickel deposit in Papua New Guinea with its 50% joint venture partner Regency Mines PLC and to invest in its 80% owned PT Direct Nickel Limited which is based in Indonesia.
The results of the Group for the year ended 30 June 2014 was a loss after tax of $7,951,287 inclusive of an impairment charge of $4,489,144 compared to 2013 which incurred a loss of $5,449,310. The majority of the expenses/loss relates to the Perth operations supporting the test plant.

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

Significant Changes in the State of Affairs

During the year, the group made significant advances towards the establishment of the first commercial scale plant using the DNi process by advancing proposals for a joint venture with PT ANTAM, one of Indonesia's largest nickel processors.

The Directors resolved to fully impair the Perth Plant as at 31 December 2013 due to the current formative stages for such plans, the linkage those plans will have with the timing of future economic benefits which are expected to accrue to the Group and the uncertainty of timing of sales contracts linked to the plant. Notwithstanding they are planned to have significant future use. There were no further significant changes in the state of affairs other than outlined in this report.

Events Subsequent to Balance Date

Since 30 June 2014 the Group has had no subsequent events to report other than a loan facility as reported in Note 2.

Likely Developments

Information on likely developments in the operations of the consolidated group and the expected results of operations have not been included in this report because the directors believe that to disclose such information could unreasonably prejudice the group.

Indemnification of Officers or Auditors

The Company has agreed to indemnify the current and former Directors and officers for any liability incurred by that person (as an officer of the Company) to a person other than the Company or a related body corporate of the Company unless the liability arises out of the conduct on the part of the officer which is contrary to the Company's express instructions.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Company.

Environmental Regulations

The operations of the Company are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories or any law of any country in which the economic entity operates.

Corporate Governance

In recognising the need for good standards of corporate behaviour and accountability, the Directors of Direct Nickel Limited support the principles of corporate governance. The Company's Corporate Governance Statement is contained in this report.

Remuneration Report - Audited

This report details the nature and amount of remuneration for each Director of Direct Nickel Limited, and for the executives receiving significant remuneration.

Remuneration Policy

The remuneration policy of the Group is designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short and long-term incentives based on key performance areas affecting the economic entity's financial results. The board, during the year, approved a Long Term Incentive Plan for key staff members and directors and this was submitted and approved by shareholders at the AGM. Under the plan the Group will finance the purchase of Ordinary shares to approved participants through an interest free loan secured against the shares. As at 30 June 2014 no shares were issued under this plan and as a result no loans have been provided.

Compensation paid to and contracts entered into with specified executives who form part of key management personnel but are not non-executive directors are set and approved by the Board. Fees and compensation paid to non-executive directors are determined by the Remuneration and Nomination Committee.

The Group remunerates all key management personnel at market rates based on comparable companies for time commitment and responsibilities. Independent external advice is sought when required. None such advice was sought during the financial year (2013: nil).

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is set periodically by shareholders at the Annual General Meeting. In October 2012 shareholders approved the maximum aggregate for Directors fees to be $600,000. Fees for Non-Executive Directors are not linked to the performance of the economic entity.

Remuneration Report for the Group

Remuneration for each Director and key management personnel of the Group during the year was as follows:

	2014		
	Short Term Benefits Salary, Fees, Commissions & Deferred Remuneration	**Long Term Benefits**	**Total**
Directors	**$**	**$**	**$**
Mr V. Sweeney	45,231	23,699	68,880
Mr R. Debney	388,658	35,000	423,658
Mr W. Drinkard	41,693	-	41,666
Mr C. Gower	41,693	-	41,666
Mr G. Brock	348,517	44,993	393.510
Mr A. Vickerman (appointed 7 May 2014)	-	-	-
Other Key Management Personnel			
Mr R. Carlton	265,549	43,744	309,293
	1,131,287	**147,386**	**1,278,673**

	2013		
	Short Term Benefits Salary, Fees, Commissions & Deferred Remuneration	**Long Term Benefits**	**Total**
Directors	**$**	**$**	**$**
Mr V. Sweeney	73,575	-	73,575
Mr R. Debney	408,112	25,415	433,527
Mr W. Drinkard	44,259	-	44,259
Mr C. Gower	33,333	-	33,333
Mr G. Brock	680,945	52,989	733,934
Mr R. Taylor (Resigned 2 October 2012)	-	-	-
Mr S. Liebeskind (Resigned 7 October 2012)	-	-	-
Other Key Management Personnel			
Mr R. Carlton	637,464	45,764	683,228
Mr J. Malnic (for the 11 weeks to 14 September 2012)	357,805	3,904	361,709
	2,235,493	**128,072**	**2,363,565**

Remuneration Report for the Group *(Continued)*

Deferred remuneration relates to wages & salaries that have been deferred based on agreement to assist the company's working capital and as a result remain unpaid.

Employment Contracts of Senior Executives

Remuneration and other terms of employment for the chief technical officer and chief operating officer are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods.

All contracts with executives may be terminated by the executive with 2 months' notice. The company can terminate without cause subject to termination payments as detailed below:

Name	Terms of Agreement	Base Salary including Superannuation*	Termination Benefit
Mr G. Brock Chief Technical Officer	Ongoing commencing 1 January 2007	$436,000	12 months base salary
Mr R. Carlton Chief Operating Officer	Ongoing commencing 1 January 2007	$381,500	12 months base salary

*Base salaries are at the year ended 30 June 2014. They are reviewed annually by the remuneration committee. The employees have however reduced their days per week worked on a voluntary basis.

Shareholding Interests

Number of shares held by the senior executive officers and key management personnel (directly and indirectly) at balance date was as follows:

2014 Shares in Holding company	Balance 1 July 2013	Issued During the Year	Granted as Remuneration	Disposed During the Year	Balance 30 June 2014
Mr V Sweeney (1)	2,260,928	-	-	-	2,260,928
Mr R. Debney	18,189,309	-	-	-	18,189,309
Mr W. Drinkard	26,800,000	-	-	-	26,800,000
Mr C. Gower	13,701,827	-	-	-	13,701,827
Mr G Brock	3,068,795	-	-	-	3,068,795
Mr A Vickerman	-	-	-	-	-
Mr R. Carlton	4,285,052	-	-	-	4,285,052
	87,222,913	-	-	-	87,222,913

2013 Shares in Holding company or equivalent rights in Direct Nickel Projects Pty Ltd	Balance 1 July 2012	Issued During the Year	Granted as remuneration	Disposed During the Year	Balance 30 June 2013
Mr V Sweeney (1)	893,081	1,367,847	-	-	2,260,928
Mr R. Debney	18,189,309	-	-	-	18,189,309
Mr W. Drinkard	26,800,000	-	-	-	26,800,000
Mr C. Gower	-	13,701,827	-	-	13,701,827
Mr R. Taylor	-	-	-	-	-
Mr S. Liebeskind	-	-	-	-	-
Mr J Malnic	19,487,175	-	-	(570,173)	18,917,002
Mr G Brock	3,068,795	-	-	-	3,068,795
Mr R. Carlton	4,285,052	-	-	-	4,285,052
	72,723,412	15,069,674	-	(570,173)	**87,222,913**

(1) The issued shares during the year relate to conversion of debt from the Convertible Loan and Subscription Agreement at time of the transaction, a liability which previously existed with the Legal Parent.

This ends the audited remuneration report.

Proceedings on Behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

No Directors or Officers Are Former Auditors

No Director or officer of Direct Nickel Limited has been a partner of an audit firm or a Director of an audit company that is or was an auditor of any entity in Direct Nickel Limited during the year ended 30 June 2014.

Non – Audit Services

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

For the financial year ended 30 June 2014, William Buck Audit (Vic) Pty Ltd, the company's auditor, did not perform any non - audit services in relation to the company or its related parties.

Unissued but granted ordinary shares and options

The Group has granted the following shares and options, which at the date of this report remain unissued:

- Shares which have been granted to the CSIRO in respect of their services in the development of both the Perth Pilot Plant and in co-contributing to the Group's research and development program. As at 30 June 2014 a total of $4,311,961 in services had been rendered by CSIRO from inception which has been satisfied through the granting or issue of ordinary shares, some of which remain to be physically issued.
- Subject to shareholder approval, warrants to acquire two million shares have been granted to Windward Prospects Limited, exercisable at 55 cents per share up until March 2019.
- Share rights entitling investors who were part of the reverse acquisition transaction in December 2012 as set out in note 13(c); and
- Shares for 5 employees under long term incentive plan approved at the last AGM as set out in note 13(d).

Signed in accordance with a resolution of the Board of Directors.

Russell Debney
Managing Director
29 August 2014

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF DIRECT NICKEL LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

J.C. Luckins
Director
Dated this 29th day of August, 2014

CHARTERED ACCOUNTANTS & ADVISORS

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Corporate Governance Statement

Introduction

Direct Nickel Limited is committed to good Corporate Governance practices.

In accordance with Listing Rule 4.10, this statement discloses the extent to which Direct Nickel Limited has followed the Recommendations. The relevant Recommendations are considered under each of the Corporate Governance principles identified by the ASX Corporate Governance Council. Where a Recommendation has not been followed, Direct Nickel Limited is obligated to disclose the reasons why the Recommendation has not been followed. This is referred to as "if not, why not" reporting. Unless otherwise stated, Direct Nickel Limited has adhered to the Recommendation for the full period of this report.

It should be noted that Corporate Governance Principles and Recommendations are largely recommendations. It is recognised that not all of the Recommendations will be suitable for all companies at all times in their corporate development. In this regard, the Board recognises that Direct Nickel Limited's Corporate Governance practices must continue to evolve and develop as it grows.

Principle 1 – Lay solid foundations for management and oversight

Direct Nickel Limited has established the functions reserved for the Board and those delegated to senior executives. The Board, which has a formal charter in accordance with the Recommendations, operates under a framework designed to provide strategic guidance for the Company and oversight of management. Active Board involvement designed to clarify and guide management includes:

(a) in relation to the Managing Director the appointment, removal, determination of remuneration (including any financial incentives) and conditions of service, entitlements on termination, and performance review, including the development and maintenance of a succession plan;

(b) in relation to the Chief Financial Officer the appointment, removal, determination of remuneration (including any financial incentives) and conditions of service, entitlements on termination, and performance review;

(c) ratifying the appointment, removal, remuneration and conditions of service including financial incentives of direct reports to the Managing Director, including the Company Secretary;

(d) the authorisation, within the constraints of the Corporations Act 2001, the ASX Listing Rules and the Direct Nickel Limited Trading in Securities Policy, of the issue of any shares, options, equity instruments or other securities in Direct Nickel Limited;

(e) authorisation of expenditure and other matters in excess of the discretion limits delegated to the Managing Director and senior management in relation to business transactions, credit transactions, risk limits and other exposures;

(f) the establishment of an incentive plan for the Company's officers and employees;

(g) the remuneration of Non-Executive Directors with the assistance of the Nomination and Remuneration Committee;

(h) input into and final approval of management's development of corporate strategy and performance objectives including the strategic plan and business plan;

(i) ensuring that management has in place appropriate processes for:

> (i) risk management, internal compliance and controls, codes of conduct, and legal compliance; and
>
> (ii) that such processes are regularly reviewed by management;

(j) ensuring that the Company maintains appropriate insurance;

(k) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;

(l) evaluating, approving and monitoring the progress of major capital expenditure and other major company transactions;

(m) approving and monitoring financial and other reporting;

(n) appointment and removal of the External Auditor;

(o) appointments and removal of members to all Board Committees;

(p) approval and review of the Board Charter and the Charters of all Board Committees;

(q) approval and review of delegations to management; and

(r) approval of all relevant policies for the good governance of Direct Nickel Limited, in addition to those already approved by the Board.

The Managing Director is responsible to the Board for the overall management and performance of the Company. The Managing Director should manage the Company in accordance with the strategy, plans and policies approved by the Board to achieve the agreed goals.

The Managing Director is expected to provide:

(a) leadership;

(b) strategic vision;

(c) high-level business judgment and wisdom; and

(d) the ability to meet immediate performance targets without neglecting longer-term opportunities.

The Recommendations provide that Direct Nickel Limited should disclose the process of evaluating the performance of senior executives. The full Board Charter and Evaluation Policy can be requested if not available on the Company's website.

Principle 2 – Structure the Board to add value

The skills and experience of each of the Directors is detailed in the Directors' Report. During and since the reporting period there have been a number of changes to the composition of the Board which have resulted in the Board not meeting the Recommendations as follows.

The Recommendations provide that the majority of the Directors should be independent and that the Chairperson should also be independent. Recommendation 2.1 was not met during the period as less than 50% of the Directors of Direct Nickel Limited are independent.

The Board has adopted specific principles with respect to assessing the independence of Directors. Under the Australian Investment Managers' Association (AIMA) guidelines, in order to be independent, the Director must be independent of management, must not be a substantial shareholder of the company and must be free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered or independent judgment.

On the basis of these measures, the following Directors of Direct Nickel Limited during the reporting period are/were considered to be independent:

Name	**Position**
Mr Vincent Sweeney	Non-Executive Director (appointed 07/10/2011 for Legal Parent) from 27 December 2012
Mr Andrew Vickerman	Non-Executive Director, Chairman (appointed 07/05/2014)

The following Directors of Direct Nickel Limited are/were considered not to be independent:

Name	**Position**
Mr Russell Debney	Managing Director & CEO (appointed 02/10/2012)
Mr William Drinkard	Non-Executive Director (appointed 07/10/2012)
Mr Christopher Gower	Non-Executive Director (appointed 15/11/2012)
Mr Graham Brock	Executive Technical Director (appointed 5/7/2013)

The skills, qualifications and experience of the Directors at the date of this report are outlined in the Directors' Report. The Board may increase the size of the Board to approximately seven Directors in the future. Additional members who are selected should be independent and will ideally have previous experience in managing resource or processing companies.

Recommendation 2.3 is met as the roles of the Chairman and Managing Director have not been exercised by the same person at any time during the reporting period.

The Recommendations provide that the Board should establish a Nomination Committee to consider and make recommendations to the Board with respect to a range of matters relating to the selection and performance of Directors. The Board assigned these functions to the Remuneration Committee, which is known as the Nomination and Remuneration Committee.

The Recommendations suggest that both Nomination and Remuneration Committee should consist of a majority of independent Directors, including a Chairperson from their number. The Nomination and Remuneration Committee did not meet these best practice suggestions during the financial year as the majority of members are not independent Directors.

Directors are entitled to seek independent advice at the Company's expense, subject to prior approval of the Chairman, which shall not be unreasonably withheld. A copy of the advice received by the Director will be made available to all members of the Board.

Principle 3 – Promote ethical and responsible decision making

The Company's business affairs are conducted legally and ethically with strict observance of the high standards of integrity and propriety. The Board has adopted a formal Corporate Code of Conduct. The Board's decision making process assesses the circumstances surrounding matters at all times considering responsible legal and ethical obligations, thereby demonstrating commitment to appropriate corporate practices.

The Code of Conduct can be requested if not available on the Company's website. Any person who becomes aware of a suspected breach of compliance with this code is to report it directly to the Managing Director or Chairperson, as appropriate.

Recommendation 3.2 suggests that companies should establish and disclose a policy concerning diversity, including that the Board establish measurable objectives for achieving gender diversity. For several years the Company has had an Equal Employment Opportunity (EEO) policy. The EEO policy prohibits the Company and its representatives from making employment decisions based on any factor other than merit. As such any policy aimed at achieving gender or any other measure of diversity would be in conflict with the existing EEO policy. The Board believes that the current EEO policy is the only way to guarantee the Company hires the best available personnel.

In accordance with the Recommendations, Direct Nickel Limited has a policy relating to the trading of securities by Directors and employees. Directors and employees of the Company are precluded from dealing in Direct Nickel Limited's shares from July 1 each year until after the announcement of the preliminary financial results, and from January 1 each year until after the announcement of half yearly results.

Share trading is also precluded if a Director or employee is in possession of material price sensitive information which is not available to the market and could reasonably be expected to influence the market if it was in possession of the information.

Any transaction conducted by the Directors in shares in Direct Nickel Limited is notified to the Australian Securities Exchange immediately.

Principle 4 – Safeguard integrity in financial reporting

In accordance with the Recommendations and Listing Rule 12.7, Direct Nickel Limited has an Audit Committee (known as the Audit and Compliance Committee).

The Audit and Compliance Committee: The responsibilities of the Audit and Compliance Committee have been assumed by the Board until further notice.

The primary objective of the Audit and Compliance Committee is to assist the Board of Directors in fulfilling its Corporate Governance and overseeing responsibilities relating to accounting and reporting practices.

Where conflicts of interest arise, measures are in place to ensure that they are properly managed and that the interests of all shareholders are protected.

The Board has established a charter for the Audit and Compliance Committee can be requested if not available on the Company's website. The meetings of the Audit and Compliance Committee which are held before reporting the half year and year-end financial results, or as required upon request from any member of the Committee. Two meetings were held during the year.

Principle 5 – Make timely and balanced disclosure

Direct Nickel Limited complies with its continuous disclosure obligations in accordance with the requirements of the ASX Listing Rules and the Corporations Act. The Chairman has primary responsibility for ensuring the market is properly informed.

In settling the wording of announcements, drafts are circulated as appropriate to managers, Directors and the Chairman who can provide relevant input and raise any issues with respect to the particular wording of announcements. This provides quality control of both the content and expression of announcements.

Direct Nickel Limited has developed a culture of complying with its continuous disclosure obligations under the leadership of the Managing Director and/or Chairman. In accordance with Recommendation 5.1, a detailed disclosure policy can be requested if not available for review on the Company's website.

Principle 6 – Respect the rights of shareholders

The Board of Directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company and the Board. This reflects the core value of the Company for quality communications with all stakeholders.

Information on all major developments affecting the Company is communicated to the shareholders through the Annual Report, Half-yearly Report and the Annual General Meeting and through the Company's website which is a key communication tool. Transcripts of material such as the Chairman's address and media briefings will often be made available on the website. Shareholders may provide feedback to the Company and ask questions through these forums.

Whilst it is a legal requirement to provide shareholders with an opportunity to ask questions at the Annual General Meeting, the Company and the Board encourages a culture where shareholders can ask questions and receive feedback at any time.

Principle 7 – Recognise and manage risk

The Recommendations provide that companies should establish policies for the oversight and management of material business risks. In addition, the Recommendations provide that the Board should require Management to design and implement the risk management and internal control systems to manage the Company's material business risks. The Directors have adopted a Risk Management Policy which can be requested if not available for viewing on the Company's website.

In summary, Management has identified, considers and reports to Board Meetings on areas of material risk as they arise. The following have been identified as material areas of risk:

(a) Financial and Treasury Risk

(b) OH&S Risk

(c) Human Resources Risk

(d) Market Risk

(e) Supplier Risk

(f) Litigation Risk

(g) Technology Risk

(h) Intellectual Property protection

This list is indicative of material areas of risk but is not comprehensive.

This report reviews the systems for identifying, monitoring and managing risks and internal reporting procedures. In so doing the Board considers the interest of all relevant stakeholders, and its obligations as required by Recommendation 7.2 of the ASX Corporate Governance Principles.

The Board requires assurance from the Managing Director and Chief Financial Officer prior to release to the market of financial records that the declaration as to the financial records and statements made under section 295A of the Corporations Act 2001 has been founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

The relevant function of the Nomination and Remuneration Committee under Recommendation 8.2 is held by the Board to focus the Company on matters relating to compensation of Direct Nickel Limited's Directors, Executive Management and senior personnel. Mr Gower has responsibility for this function.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors and Management. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations, and risks.

The Company's compensation policy, which sets the terms and conditions for the Managing Director and other senior executives is developed and approved by the Board. All executives receive a base salary, superannuation and in some cases performance incentives. The Board reviews executive packages annually by reference to executive performance, comparable information from industry sectors and independent advice. The performance of executives is measured against annual criteria, which is based on growth in profit and shareholder's value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The amount of compensation, for all Directors and the three highest paid executives, including all monetary (base, superannuation and bonus performance payments) and non-monetary components, are detailed in the Remuneration Report section. Non-Executive Directors are paid a fixed amount, being the amount approved by a General Meeting of Shareholders.

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 16 to 31, are in accordance with the Corporations Act 2001, and:

(a) comply with Accounting Standards, which as stated in accounting policy Note 2 to the financial statements comply with International Financial Standards (IFRS); and
(b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company;

2. the Board of Directors has declared that:

(a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
(b) the financial statements and notes for the financial year comply with the Accounting Standards; and
(c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Russell Debney
29 August 2014

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	Consolidated 2014 $	Group 2013 $
Income			
Variation of licence rights		-	2,700,000
Research and development grant credits received		3,756,645	1,005,801
Fees from services rendered		96,324	215,968
Interest income		26,976	24,035
Operating Expenses			
Loss on investment		-	(89,883)
Administration and corporate expenses		(1,647,349)	(2,878,453)
Impairment charge for Perth Demonstration Plant	7	(4,489,144)	-
Set up costs for establishing foreign operations			
Indonesia		(468,594)	(413,139)
Papua New Guinea		(87,061)	(67,748)
Research and development expenses		(5,139,084)	(5,945,891)
Loss before income tax expense		(7,951,287)	(5,449,310)
Income tax expense	4	-	-
Loss attributable to members of the Company		(7,951,287)	(5,449,310)
Other comprehensive income		-	-
Total comprehensive income attributable to members of the Company		**(7,951,287)**	**(5,449,310)**
Earnings per share attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share in cents		(6.35)	(5.01)
Weighted average of shares used in the calculation of basic and diluted Earnings per share		125,253,822	108,877,276

The accompanying notes form part of these financial statements

Direct Nickel Limited

Statement of Financial Position

As at 30 June 2014

	Note	Consolidated Group 2014 $	2013 $
Current Assets			
Cash and cash equivalents	6	93,658	2,930,304
Receivables		56,584	674
Prepayment and bond		188,567	38,547
Total Current Assets		**338,789**	**2,969,525**
Non- Current Assets			
Plant and equipment	8(a)	-	744,044
Perth Demonstration Plant capitalised costs	8(b)	-	3,657,650
Intellectual Property	9	524,578	524,578
Total Non-Current Assets		**524,578**	**4,926,272**
Total Assets		**713,367**	**7,895,797**
Current Liabilities			
Trade and other payables		709,273	871,906
Provisions for employee entitlements	11	769,186	746,316
Total Current Liabilities		**1,478,459**	**1,618,222**
Non-Current Liabilities			
Loan from shareholder	12	987,796	-
Provisions for employee entitlements	11	4,900,619	5,272,575
Total Non-Current Liabilities		**5,888,415**	**5,272,575**
Total Liabilities		**7,366,874**	**6,890,797**
Net Deficiency of Assets		**(6,503,507)**	**1,005,000**
Equity			
Share capital	13	28,130,732	27,753,432
Share option reserve	14	65,480	-
Accumulated losses		(34,699,719)	(26,748,432)
Total Equity		**(6,503,507)**	**1,005,000**

The accompanying notes form part of these financial statements

Direct Nickel Limited

Statement of Changes in Equity

for the year ended 30 June 2014

Consolidated Group

	Share Capital	Share Option Reserve	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2012	17,418,380	-	(21,299,122)	(3,880,742)
Total Comprehensive income	-		(5,449,310)	(5,449,310)
Issue of ordinary fully paid shares	11,295,134	-	-	11,295,134
Shares granted but not issued	941,152	-	-	941,152
Cost of equity	(1,901,234)	-	-	(1,901,234)
Balance at 30 June 2013	**27,753,432**	**-**	**(26,748,432)**	**1,005,000**
Balance at 1 July 2013	**27,753,432**	**-**	**(26,748,432)**	**1,005,000**
Total Comprehensive income	-	-	(7,951,287)	(7,951,287)
Shares granted but not issued	150,000	-	-	150,000
Share option reserve	-	65,480	-	65,480
Issue of ordinary fully paid shares	227,300	-	-	227,300
Balance at 30 June 2014	**28,130,732**	**65,480**	**(34,699,719)**	**(6,503,507)**

The accompanying notes form part of these financial statements

Direct Nickel Limited

Statement of cash flows

for the year ended 30 June 2014

	Note	Consolidated Group 2014 $	2013 $
Cash Flows From Operating Activities			
Customers		50,046	2,978,005
Research and development credits from the ATO		3,756,645	1,005,801
Interest income		26,976	24,035
Set up costs for establishing PNG and Indonesia		(555,655)	(480,887)
Suppliers and employees		(7,254,508)	(6,483,550)
Net Cash used in Operating Activities	18	**(3,976,496)**	**(2,956,596)**
Cash Flows From Investing Activities			
Proceeds from sales of assets		-	274,424
Acquisition of plant and equipment		(87,450)	(98,260)
Net Cash from Investing Activities		**(87,450)**	**176,164**
Issue of share capital		227,300	5,150,000
Proceeds from shareholders loan		1,000,000	-
Cost of issuing shares		-	(81,000)
Net cash provided from Financing Activities		**1,227,300**	**5,069,000**
Net Increase in cash and cash equivalents held		**(2,836,646)**	**2,288,568**
Cash and cash equivalents at the beginning of the Year		2,930,304	641,736
Cash And Cash Equivalents At The End Of The Year	6	**93,658**	**2,930,304**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the year ended 30 June 2014

NOTE 1 - General information

The financial statements cover Direct Nickel Limited (the “Legal Parent”), Direct Nickel Projects Pty Ltd (the “Company”) and its subsidiaries (together the “Group”). Direct Nickel Limited is an ASX listed public company, incorporated and domiciled in Australia.

The registered office and its principal place of business is Level 10, 15 – 17 Young Street, Sydney NSW 2000.

The financial statements were authorised for issue by the Directors of the Company on the date of signing the attached Directors Declaration.

NOTE 2 - Summary of significant accounting policies

The financial statements of the Group comply with all International Financial Reporting Standards (IFRS) in their entirety.

Basis of Preparation

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

Going Concern Basis

For the twelve months ended 30 June 2014 the Group incurred net cash outflows from operations totalling $3,976,496 and had a net working capital deficiency of $1,089,670. These conditions indicate the existence of a material uncertainty relating to the Group’s status as a going concern. Notwithstanding this, the Directors continue to apply the going concern basis of accounting in these financial statements for the following reasons:

- The Group has a solid track record over the past seven years of raising funding from its investors, and it may seek to attract further funding from its investors as it furthers its business objective of commercially exploiting its intellectual property which has been developed under its research and development program;
- Cash outflows in the twelve months to 30 June 2014 principally represent payments to contractors and employees in-respect of the completion of the commissioning and operation of the Perth Demonstration Plant, which now is complete;
- The Group will apply for research and development credits within the next 12 months; in line with the process of the last five years and in respect of those payments highlighted above to contractors and employee’s for the commissioning of the Perth Demonstration Plant and its other eligible research and development work. Credits exceeding $2.48 million are anticipated and since year end the Company has negotiated a facility of cash of $750,000 as an advance against the R&D tax receipts ;
- The Group has leave balances owing to senior employees of $399,186 as at 30 June 2014; these senior employees have confirmed they do not intend to seek a payout of these leave entitlements for a period of at least 12 months from the signing date of this financial report;
- Deferred employment entitlements amounting to $5,077,924 as at 30 June 2014 which represents unpaid remuneration to senior employees will only be paid in the 2015 financial year to the extent of 15% of the research and development credits received. As such approximately only $360,000 will be paid and is disclosed as current liability in the Statement of Financial Position. The senior employees with entitlements owing have confirmed they do not intend to call for the remaining balance for a period of at least 12 months from the signing date of this financial report unless as disclosed in Note 11 certain other conditions occur;
- The Group has the ability to vary its cash outflows going forward in order to manage its available working capital levels prudently. Its non-cancellable lease commitment relates to office premises in Sydney. As at 30 June the minimum lease payments payable over the next year in-respect of the lease is $35,000;
- The Group has made advances towards the establishment of the first commercial side plant using the DNi process by advancing a joint venture in Indonesia;
- Although not anticipated legally, the Oro Nickel Joint Venture requires funding in accordance with the Mambare (Oro Nickel) Joint Venture Agreement between Direct Nickel Pty Ltd and Regency Mines plc. Should Direct Nickel Pty Ltd default on making payments under this agreement, Direct Nickel Pty Ltd could lose a proportion but not all of its interests under the agreement;

NOTE 2 - Summary of significant accounting policies (Continued)

- The Group has an obligation to repay a one million dollar loan plus interest/fees of 16.5% p.a. to Windward Prospects Ltd, however this is not due for a period of at least 12 months from the signing date of this financial report; and

Based on the reasons provided above, the Directors believe the Company will be able to pay its debts as and when they fall due, and accordingly, these financial statements are presented applying the going concern basis of accounting. Should the Group be unable to apply the going concern basis of accounting, this may necessitate a change to the value of recorded assets and liabilities as expressed in the Statement of Financial Position, and the ensuing effect that may have on the Group's profit or loss result thereon.

The accounting policies have been consistently applied by the Group and are consistent with those of the previous financial year.

a) Principles of consolidation

A controlled entity is any entity controlled by Direct Nickel Projects Pty Ltd, the deemed parent for accounting purposes. Control exists where Direct Nickel Projects Pty Ltd has the power over the investee, both through its rights and exposures to variable returns from its involvement with the investee, but also from its ability to affect those variable returns in the investee.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 20 to the financial statements.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies adopted by the parent.

b) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour and an appropriate portion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Plant and equipment has depreciation rates between 10 to 33% per annum.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

c) Impairment of Non-Financial Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

NOTE 2 - Summary of significant accounting policies *(Continued)*

d) Intangible Assets

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Intellectual Property

All intellectual properties, including licences are recognised at cost of acquisition. Intellectual property with an infinite life is subsequently carried at cost less any impairment losses. Such intellectual property is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units representing the lowest level at which such intellectual property is monitored not larger than an operating segment.

e) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

f) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

g) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods, licence rights or variation to those rights is recognised upon the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods or licence rights.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

h) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTE 2 - Summary of significant accounting policies *(Continued)*

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

i) Goods and Services Tax (GST) and Value Added Tax (VAT)
Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST and /or VAT.

j) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held with banks and other short term high liquid investments with original maturities of three months or less.

k) Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received during the reporting period which remain unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

l) Financial Instruments
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Subsequent measurement
Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events ("loss events") having occurred, which has an impact on the estimated future cash flows of the financial assets.

In case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

NOTE 2 - Summary of significant accounting policies *(Continued)*

l) Financial Instruments *(Continued)*

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant accounting involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

m) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Statement of Changes in Equity. These differences are recognised in the profit or loss in the period in which the operation is disposed of.

n) Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

Where the company has retrospectively applied an accounting policy, made retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

o) Joint Arrangements

A joint arrangement is one where two parties have a contractually agreed control sharing arrangement, requiring unanimous consent on decisions concerning relevant activities in the joint arrangement. A joint operation is a joint arrangement where a party retains the rights to the assets and liabilities that form part of the arrangement. A joint venture is a joint arrangement where the parties have rights to the net assets in the arrangement.

The Group's interest in joint venture entities are recorded using the equity method of accounting.

Under the equity method of accounting, the initial investment is recorded at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss or comprehensive income of the investee. Distributions received from the investee reduce the carrying value of the investment.

p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

The Group tests annually or more frequently if events or changes in circumstances indicate impairment. Whether the intellectual property has suffered any impairment in accordance with the accounting policy in Note 1. The recoverable amount of this asset has been determined based on value-in-use calculation. This calculation requires the use of assumptions, including estimates discount rates based on the current cost of capital and growth rates of the estimated future cash flows. For key assumptions used, refer to Note 9.

NOTE 2 - Summary of significant accounting policies (*Continued)*

p) Critical accounting estimates and judgements *(Continued)*

During the financial year, the following key judgments and estimates were exercised by the Group:

- The assessment of available tax losses (refer to Note 4)
- The impairment of the Perth Demonstration Plant (refer to Note 8)
- The expensing of costs in the PNG Joint Venture (refer to Note 10)

q) Share-based payments

Share-based payments to non-employees are measured at the fair value of goods or services received, or if it is determined that the fair value of goods or services received cannot be reliably measured, at the fair value of the equity instruments issued. The value of the goods and services received is recognised in equity when no option exists to settle the arrangement in cash, and is accrued in proportion to the timing of delivery of those goods and services.

r) New Accounting Standards for Application in Future Periods

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory or were also available for use but not mandatory. There was no significant recognition, measurement or disclosure impact from adopting those standards in these financial statements.

NOTE 3 – Employee benefits expenses and directors fees

	2014	2013
	$	$
Salaries, wages and directors fees	1,733,119	2,710,084
Superannuation	73,773	100,515
Payroll on-costs	95,433	57,261
	1,902,325	**2,867,860**

NOTE 4 – Income Tax Expense

As at 30 June 2014 the Group has $12,559,428 in accumulated tax losses (June 2013: $10,346,215). The Directors believe losses may be available to offset future assessable income, however due to the inherent uncertainty prevalent in recognising such an asset, the quantum of this asset cannot be recognised in the statement of financial position nor reliably estimated for disclosure purposes.

NOTE 5 - Auditor's remuneration	**2014**	2013
Remuneration of the auditor:	**$**	$
- Auditing or reviewing the financial report and half yearly report	32,000	36,000

NOTE 6 – Cash and Cash Equivalents

	2014	2013
	$	$
Cash at bank	93,658	2,930,304
	93,658	**2,930,304**

As at 30 June 2014 cash and cash equivalents included cash totalling $8,936 (June 2013: $217,208) held specifically for the expenditure on research and development projects at the Group's Demonstration Plant in Perth.

NOTE 7 – Impairment charge for the Perth Demonstration Plant

During the year the Perth Demonstration plant was successfully commissioned and operated and now the technology and intellectual property represented in the cost to build the Perth Demonstration Plant will be further developed commercially with the Group's Indonesian partners and with other parties. Notwithstanding this, the Directors resolved to fully impair the Perth Plant as at 31 December 2013 due to the current formative stages for such plans, the linkage those plans will have with the timing of future economic benefits which are expected to accrue to the Group and the uncertainty of timing of sales contracts linked to the plant.

NOTE 8 – Plant and Equipment / Perth Demonstration Plant capitalised costs

NOTE 8(a) – Plant and Equipment

At cost:

	2014	2013
	$	$
Perth Demonstration Plant	-	663,101
Other plant and equipment	-	192,124
	-	**855,525**
Accumulated Depreciation:		
Perth Demonstration Plant	-	-
Other plant and equipment	-	(111,181)
	-	**(111,181)**

Movements in the carrying value of plant and equipment are as follows:

	2014	2013
	$	$
As at the beginning of the financial year	744,044	652,556
Additions	-	98,260
Depreciation expense	-	(6,772)
Impairment charge	(744,044)	**-**
As at the end of the financial year	-	**744,044**

NOTE 8(b) – Perth Demonstration Plant capitalised costs

These costs represent expenditures attributed to the development of the Group's intellectual property that is embodied in the Perth Demonstration Plant.

Movements in the carrying value of the Perth Demonstration Plant capitalised costs are as follows:

	2014	2013
	$	$
As at the beginning of the financial year	3,657,650	2,417,583
Additional costs	87,450	-
Additions through share-based payments (1) and Note 13(e)	-	1,240,067
Impairment charge	(3,745,100)	**-**
As at the end of the financial	-	**3,657,650**

(1) The Group has an agreement with the CSIRO under the Approved Growth Partnerships (AGP) scheme of the federal government. Under the terms of this agreement, the CSIRO is to provide goods and services to the Group in connection with the development of the Perth Demonstration Plant. In consideration for these services, the Group has agreed to grant and issue ordinary shares which are equivalent to the value of the goods and services rendered by CSIRO to the Group and also equivalent to the capital price per share as at the date that the shares were granted. Refer Note 13(e).

NOTE 9 – Intellectual Property

	2014	2013
	$	$
Licence – at cost	524,578	524,578
	524,578	**524,578**

The Group signed an exclusive license agreement with Drinkard Metalox Inc. on 3 November 2006 and paid a consideration of USD500,000 to the entity which entitles the Group to use the patented technology and process perpetually in its application to nickel laterites subject to some exclusions. This has been strengthened by additional patents granted in recent years in over ten countries. As a result, the intellectual property is considered to have an indefinite useful life.

The recoverable amount of the cash generating unit is determined based on value-in-use calculations which consider the value of the Group's cash-generating units. The Group has one cash-generating unit, its operating segment, as disclosed in Note 24. Value-in-use is calculated based on the present value of cash flow projections based on financial budgets approved by management covering a five-year period.

NOTE 9 – Intellectual Property *(Continued)*

The following assumptions were used in the value-in-use calculations:

	2014	2013
Discount rate	15%	15%
Terminal value growth rate	2.5%	2.5%

The discount rate of 15% pre-tax reflects management's estimated time value of money, the Group's weighted average cost of capital and the risk free rate of the market.

Based on the above, there is no impairment charge on the intellectual property for the financial year of 30 June 2014 (2013: $nil).

NOTE 10 – Interest in Joint Venture Entity

The Group owns a 50% interest in Oro Nickel Limited, a joint venture entity created for the management and operation of the Mambare project domiciled in Papua New Guinea. The joint venture is still in its formative stage and consequently the joint venture entity did not hold any assets or liabilities in its statement of financial position as at financial year end.

During the year the entity continued to hold no assets and liabilities and no contributions were made to or refunded by the Joint Venture Entity (2013: $nil).

NOTE 11 – Provisions for Employee Entitlements

	2014	2013
	$	$
Current		
Annual Leave	399,186	346,316
Deferred employee entitlement	370,000	400,000
	769,186	746,316
Non-current		
Long Service Leave	192,695	159,799
Deferred employee entitlement	4,707,924	5,112,776
	4,900,619	5,272,575
	5,669,805	**6,018,891**
Movements in provisions		
Balance as at 1 July	6,018,891	4,922,709
Additional provision recognised	214,410	1,247,052
Amount utilised	(563,496)	(150,870)
Balance as at 30 June	**5,669,805**	**6,018,891**

A provision has been recognised for employee entitlements relating to long service leave of $192,695. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2.

Deferred employee entitlements of $5,077,924 are unsecured and will only be payable from 15% of untied fundraising or research and development credits received from the ATO. On that basis, they have been reflected as non-current liabilities (with the exception of the portion expected to be paid out in-relation to the aforesaid) in these financial statements. The deferred entitlements shall be payable on the occurrence of any of the following in addition to the above:

- In the event of the Company going into administration or liquidation,
- At any time at the discretion of the Company's directors,
- By a broker sponsored share allocation/placement, provided there are no attaching escrow conditions, and
- From a public offering in which the payment is described as part of the allocated funds.

Movements in the amounts owing for deferred employee entitlements owing to key management personnel are as follows:

	2014	2013
	$	$
As at the beginning of the financial	5,075,033	4,245,295
Cease being key management personnel	(1,263,829)	-
Fees, salary and wages accrued	113,212	965,998
Amounts repaid	(391,369)	(136,260)
As at the end of the financial	**3,533,047**	**5,075,033**

NOTE 12 – Loan from Shareholder

Direct Nickel Projects Pty Limited (the subsidiary) a 100% owned subsidiary of Direct Nickel Limited borrowed $1,000,000 from Windward Prospects Limited a substantial shareholder in the holding company. The loan is for 2 years from 24th March 2014. The interest rate is sixteen and a half percent per annum compounding monthly and may accrue up to the date of the maturity of the loan. The loan is secured over the assets of the subsidiary but is not guaranteed by the holding company.

The loan has attached warrants to acquire two million shares in the holding company at a price of fifty five cents per share. These warrants are exercisable, once issued, up until 24 March 2019. The issue of the warrants is subject to shareholders ratification. The warrants have a grant date of 24 March 2014.

	2014
Summary of Loan	**$**
Amount borrowed at 24 March 2019	1,000,000
Add accrued interest on loan coupon payments	44,753
Total owing at 30 June 2014	1,044,753
Less amount apportioned for value of options	(65,480)
Add amortised interest expense on loan principal	8,523
Balance at 30 June 2014	**987,796**

NOTE 13 – Share Capital

	2014 No.	2013 No.
Issued and paid up capital of Direct Nickel Limited		
Balance at the beginning of the financial period	125,074,266	1,372,439
Shares allotted on reverse takeover of Direct Nickel Holdings Pty Ltd, and subsidiaries	-	110,000,000
Issue of fully paid ordinary shares	378,833	13,701,827
Balance at the end of the financial period	**125,453,099**	**125,074,266**

(a) Share Capital of the Group

2014	**Issued Capital $**	**Cost of equity $**	**Total Issued Capital $**
Balance at beginning of financial period	29,654,666	(1,901,234)	27,753,432
Shares granted but not issued (Note 8)	150,000		150,000
Issue of ordinary fully paid shares	227,300	-	227,300
Balance at end of financial period	**30,031,966**	**(1,901,234)**	**28,130,732**

2013	**Issued Capital $**	**Cost of equity $**	**Total Issued Capital $**
Balance at beginning of financial period	17,418,380	-	17,418,380
Conversion of 2010 and 2011 convertible notes	3,328,177	-	3,328,177
Issue of ordinary fully paid shares (pre-acquisition)	151,500	-	151,500
Shares issued as part of the cost of acquisition of the reverse takeover	1,319,294	(1,319,294)	-
Shares issued to Direct Nickel Limited shareholders on reverse takeover	500,940	(500,940)	-
Issue of ordinary fully paid shares	5,995,223	(81,000)	5,914,223
Shares granted but not issued	941,152	-	941,152
Balance at end of financial period	**29,654,666**	**(1,901,234)**	**27,753,432**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.

In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of administration.

NOTE 13 – Share Capital *(Continued)*

(b) Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

(c) Rights to invest

Arising from the RTO transaction in 2011, certain parties have the right to invest the sum of $1 million, with the exercise price calculated by a formula currently 36.5 cents per share, and these rights expire in tranches with one third expiring 1, 2 and 3 years after quotation of the company or group shares on a national stock exchange.

(d) Employee Long Term Incentive Plan

In May 2013 the Board of Directors resolved to implement a Long Term Incentive Plan (LTIP), utilising a Share Loan Purchased Plan. In addition, the Board made an allocation of shares with a matching loan repayment requirement on extinguishment at $0.50 per share. The allocation was to 5 middle management personnel / consultants at different quantities and totalled 2,850,000 shares. This plan including the proposed allocation was approved at the AGM on 25 November 2013. As at the date of this report no shares have been issued under this plan.

(e) CSIRO share based payments

As at 30 June 2014, the Group had accrued $1,091,152 (2013: $941,152) in services from CSIRO which will be settled through the issue of 2,851,573 ordinary fully paid shares (2013: 2,726,630 shares). For the year ended 30 June 2014 this was charged to the profit & loss as a cost of research & development.

NOTE 14 – Share Option Reserve

A loan of $1,000,000 to Direct Nickel Projects Pty Ltd, had attached warrants for the acquisition of two million shares. Refer to Note 12. The warrants were valued using a Black-Scholes model. As at the grant date of 24 March 2014, the following inputs were used for valuing the options: share price - 60 cents; risk-free rate - 2.50%; dividend yield - 0%; exercise price - 55 cents per share; marketability discount - 80%; volatility - 20%.

NOTE 15 - Contingent Assets and Liabilities

An indemnity guarantee of $38,548 exists in relation to a premises lease that expires on 31 December 2014. The liability for next 6 months is $33,579. No option to renew exists.

NOTE 16 – Key Management Personnel Remuneration

Refer to the Remuneration Report contained in the Directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014 and 30 June 2013

The total remuneration paid to KMP of the Group during the year is as follows:

Key Management Personnel Remuneration	**2014** **$**	2013 $
Short-term benefits	1,131,287	2,235,493
Long-term benefits	147,386	128,072
Total	**1,278,673**	**2,363,565**

NOTE 17 – Related Parties

The following people were Key Management Personnel during the financial period Mr R Debney, Mr V Sweeney, Mr W Drinkard, Mr C Gower, Mr G Brock, Mr A Vickerman and Mr R Carlton.

Professional Services

Sydney Capital Partners, of which Mr Sweeney is a principal, provides professional services and is entitled to charge on an hourly basis in accordance with a schedule comparable to other professional advisory firms.

- In the period from 1 July 2013 to 30 June 2014 professional fees invoiced by Sydney Capital Partners amounted to $41,380 and this was for services by staff other than Mr Sweeney and were payable by Direct Nickel Limited.

Other than disclosed in the financial statements, there were no other transactions by the Company with Directors during the financial year for:

NOTE 18 – Cash Flow Information

	2014	2013 $
(a) Reconciliation of Cash	**93,658**	**2,930,304**
(b) Reconciliation of Cash Flow from Operations		
Loss for the Year	(7,951,287)	(5,449,310)
Impairment charge	4,489,144	-
Depreciation	-	37,257
Share based payments for research & development expenses	150,000	667,323
Accrued interest on loan from shareholder	53,276	-
Loss on investment	-	89,883
Movements in working capital		
(Increase)/Decrease in receivables and other assets	(205,930)	35,919
(Decrease)/Increase in trade creditors and loans	(162,633)	566,150
(Decrease)/Increase in employee entitlements	(349,086)	1,096,182
	(3,976,496)	**(2,956,596)**

NOTE 19 – Financial Instruments

The consolidated group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable and loans.

Treasury Risk Management

The Board of Directors meets periodically to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts and the Company's position.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Financial Risk Exposures and Management

The main financial risk the group is exposed to through any financial instruments is liquidity risk.

Liquidity Risk

For a detailed analysis of the company's liquidity risk, particularly in managing cash flow for working capital needs, refer to Note 25. As at 30 June 2014 trade and other payables had payment due dates ranging up to 60 days. The repayment of deferred employee entitlements is discussed in note 11.

NOTE 20 – Controlled Entities

The following outlines the Group structure of the Legal Parent:

Name of entity	Country of incorporation	Equity Holding 2014 %	Equity Holding 2013 %
Direct Nickel Holdings Pty Ltd	Australia	100	100
Direct Nickel Projects Pty Ltd	Australia	100	100
East Coast Nickel Pty Ltd	Australia	100	100
Oro Nickel (BVI) Limited	British Virgin Island	100	100
PT Direct Nickel Pte	Indonesia	80	80
DNi Nominees Pty Ltd	Australia	100	100

NOTE 21 – Commitments

With the exception of the lease agreement discussed in Note 15, the Group had no commitments as at 30 June 2014 and 30 June 2013.

NOTE 22 – Legal Parent Information

The following information has been extracted from the books and records of the Legal Parent Direct Nickel Limited and has been prepared in accordance with Australian Accounting Standards.

	2014 $	2013 $
Statement of comprehensive income		
Profit/(Loss) after tax	(133,509)	368,516
Total comprehensive income	(133,509)	368,518
Statement of financial position		
Total current assets	4,184,098	4,148,827
Total non-current assets	40,680,706	40,680,706
Total assets	**44,864,804**	**44,829,533**
Total current liabilities	-	(74,000)
Total liabilities	**-**	**(74,000)**
Net assets	**44,864,804**	**44,755,533**
Equity		
Share Capital	45,662,347	45,485,047
Share Option Reserve	65,480	-
Accumulated losses	(863,023)	(729,514)
Total Equity	**44,864,804**	**44,755,533**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The Legal Parent entity has no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities

The Legal Parent entity has no contingent liabilities as at 30 June 2014 and 30 June 2013.

Commitments

The Legal Parent entity has no capital and lease commitments as at 30 June 2014 and 30 June 2013 other than rent on its Sydney premises as discussed in Note 15.

Significant accounting policies

The accounting policies of the Legal Parent entity are consistent with those of the Group as disclosed in Note 2 to the financial statements.

NOTE 23 – Company Details

The address of the registered office and principal place of business is:
Level 10, 15 – 17 Young Street,
Sydney, NSW 2000

NOTE 24 – Segment Note

As at 30 June 2014 the Group was involved in one operating segment being the research and development of nickel processing technology within the Oceania region.

NOTE 25 – Events Subsequent to Balance Date

Since 30 June 2014 the Group has had no subsequent events to report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT NICKEL LIMITED

Report on the Financial Report

We have audited the accompanying financial report comprising Direct Nickel Limited (the company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHARTERED ACCOUNTANTS & ADVISORS
Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT NICKEL LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, attention is drawn to the following matter. As a result of the matters described in the going concern assumption paragraph in note 2 to the financial statements, there is inherent uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Direct Nickel Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT NICKEL LIMITED

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Direct Nickel Limited for the year ended 30 June 2014 included on Direct Nickel Limited's web site. The company's directors are responsible for the integrity of the Direct Nickel Limited's web site. We have not been engaged to report on the integrity of the Direct Nickel Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

J.C. Luckins
Director

Dated this 29th day of August, 2014

Australian Stock Exchange (ASX)

Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules, and not disclosed elsewhere in this report. Options refer only to listed options.

1) Shares And Options

a) Class of shares and Voting Rights

As at the date of the Directors signing the Financial Report 25 August 2014, there were 584 holders of the 125,453,098 shares of the Company. The only shares on issue are Ordinary Shares. There were no options on issue at year end. Each share has one vote.

b) Distribution of shareholders

Size of holding	Total Holders	Units held
1-1,000	496	8,468
1,001-5,000	26	65,633
5,001-10,000	3	18,722
10,001-100,000	27	1,134,708
100,001and over	32	124,225,568

At least 500 of these holdings are unmarketable parcels

c) Top 20 Shareholders

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Drinkard Metalox Inc	26,800,000	21.4
2	Mr Julian Malnic	18,917,002	14.4
3	Mr Russell Stuart Debney	17,001,250	13.6
4	Windward Prospects Ltd	13,701,827	11.0
5	Regency Mines PLC	8,693,927	7.0
6	Teck Resources Limited	5,347,357	4.3
7	Mr Richard Carlton	4,285,052	3.4
8	CSIRO	3,206,892	2.6
9	Mr Graham Brock	3,068,795	2.5
10	Leafgum Pty Ltd	2,598,473	2.1
11	Piemag Pty Ltd <Piemag Unit A/C>	2,285,551	1.8
12	ABEnergy Hobart Pty Ltd	2,260,928	1.8
13	CSIRO <First Agreement A/C>	2,039,433	1.6
14	Peter Roberts Pty Ltd <Peter Roberts Family A/C>	1,857,883	1.5
15	Nine One Four Pty Ltd <Super Vida Fund A/C>	1,455,055	1.2
16	Oz Minerals Limited	1,196,573	1.0
17	Enfin Group Limited	1,188,059	.9
18	Nine One Four Pty Ltd <Libro Two A/C>	1,046,657	.8
19	Chesrob Pty Ltd <Roberts Super Fund A/C>	983,084	.8
20	Huntly Properties Pty Ltd <Spillane Investment	963,084	.8
	Top 20 Shareholders	**118,057,294**	**94.1%**
	Total Shares on Issue	**125,453,099**	**100%**

d) Substantial Shareholders

The shareholders numbered 1 to 5 above are substantial shareholders in the Company.

e) Unquoted Securities

None of the shares are presently trading on the ASX as the Company has chosen to continue to have the shares suspended from quotation.

2) Company Secretary

Mr Sweeney

3) Registered Office

The address of the registered office and Principal place of business:
Level 10 15 – 17 Young Street
Sydney, NSW 2000

4) **Register Of Securities**
Boardroom Limited
Level 7, 207 Kent Street
Sydney NSW 2000

5) **Shares and Stock Exchange**
Quotation has been granted for some of the ordinary shares of the company on the Australian Securities Exchange Limited. The home exchange is Sydney, Australia.

6) **ASX Listing Code**
DIR

7) **Website**
www.directnickel.com

8) **Bank**
ANZ Bank
115 Pitt Street
Sydney, NSW 2000

9) **Auditors**
William Buck Audit
Level 20, 181 William Street
Melbourne, VIC 3000