

## Notice of Annual General Meeting

Notice is hereby given that the 2013 Annual General Meeting of the Members of Direct Nickel Limited ACN 003 087 689, will be held at the offices of Sydney Capital Partners Level 6, 2 Bulletin Place, Sydney at 8am on 22 November 2013.

### Items of Business

1. 2013 Financial Statements and Reports – To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2013.
2. Remuneration Report  
Resolution 1: Remuneration Report – To consider and, if thought fit, pass the following non-binding resolution: the Remuneration Report forming part of the Directors' Report for the year ended 30 June 2013 be adopted.  
*Voting exclusion: Votes may not be cast by or on behalf of anyone whose remuneration is included in the report.*
3. Election of Directors  
Resolution 2: Election of Mr Sweeney – To consider and if thought fit pass the following resolution: That Mr Sweeney be re-elected as a Director of the Company. *Note: Under the constitution one third of Directors retire by rotation and Mr Sweeney therefore retires and being eligible offers himself for re-election.*  
Resolution 3: Election of Mr Brock – To consider and if thought fit pass the following resolution: That Mr Brock be elected as a Director of the Company. *Note: Mr Brock was appointed during the year and hence requires election at the meeting.*
4. Approval to refresh the Company's 15% share placement capacity  
Resolution 4: To approve for all purposes, including for the purpose of ASX Listing Rule 7.4, the issue of 13,701,827 ordinary shares to Windward Prospects Ltd for a total of \$5.0 million during the past year. *Voting exclusion: Votes may not be cast by or on behalf of any person who participated in the issue and an associate of that person (or those persons).*
5. Employee Long Term Incentive Plan  
Resolution 5 – That for the purposes of ASX Listing Rule Chapter 7 and all other purposes, to approve the adoption of the Company Long Term Incentive Plan ("LTIP") consistent with the terms set out in the attached Explanatory Information.  
Resolutions 6(a) to 6(f): In accordance with Listing Rule Chapter 10, the names of all persons referred to in rule 10.14 entitled to participate in the scheme are listed from 6(a) to (6)f. For the purposes of ASX Listing Rule 7.1, 10.14 and Chapter 2E of the Corporations Act and for all other purposes, approval be given for the grant to the persons below, or their permitted nominee, in accordance with the Long Term Incentive Plan, with the total number of shares below, one third vesting on each of May 2014, 2015 and 2016, and requiring repayment or extinguishment of the loan amount shown below:  
Resolution 6(a): 750,000 ordinary shares, a loan to and repayment of \$375,000 from Mr Sweeney, Chairman  
Resolution 6(b): 500,000 ordinary shares, a loan to and repayment of \$250,000 from Mr Gower, Non-Executive Director  
Resolution 6(c): 500,000 ordinary shares, a loan to and repayment of \$250,000 from Mr Drinkard, CEO  
Resolution 6(d): 2,000,000 ordinary shares, a loan to and repayment of \$1,000,000 from Mr Debney, CEO  
Resolution 6(e): 2,600,000 ordinary shares, a loan to and repayment of \$1,300,000 from Mr Brock, Executive Director  
Resolution 6(f): 1,800,000 ordinary shares, a loan to and repayment of \$900,000 from Mr Carlton, COO

*Voting exclusion: The Company will disregard any votes cast on each of Resolution 5 and 6(a) to 6(f) by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the entity) and an associate of that person (or those persons). However, the Company will not disregard a vote cast by a director (including the chairman of the meeting) or an associate of a director, as a proxy for a shareholder entitled to vote, in accordance with the directions on the proxy form, or in accordance with a direction on the proxy form to vote as the proxy decides.*

After the close of the formal meeting there will be a company update over morning coffee.



V Sweeney – Chairman – 21 October 2013

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## Notes

- 1. How to Vote and Voting Entitlements** - You may vote by attending the Meeting in person, by proxy or authorised representative. Eligible voters will be those registered holders of Shares 48 hours prior to the meeting or any adjournment thereof.
- 2. Voting in Person or by Corporate Representative** - To vote in person, attend the Annual General Meeting on the date and time at the place set out above. If a corporate Member wishes to appoint a person to act as its representative at the Meeting that person should be provided with a letter or certificate authorising him or her as the company's representative. The appointment must comply with the requirements of section 250D of the Corporations Act 2001 (Cth) and the representative should bring to the Meeting evidence of their appointment, including any authority under which such appointment is signed.
- 3. Voting by Proxy** - A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy need not be a Member of the Company. If the Member is entitled to cast 2 or more votes, the Member may appoint not more than 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- 4. Your Annual Report** - The statutory Annual Financial Report will be mailed to all shareholders who have requested to receive annual reports. A copy of the Annual Report is already available to download from the ASX website.
- 5. Questions** - If you have any questions about this notice please contact 02 8264 2400.

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## Explanatory/Supplementary Information

### Director Backgrounds

#### Resolution 2: Vincent Sweeney

Mr Sweeney is currently the Chairman of the Board of Directors and is also the only independent Director on the Board of the Company. He is the managing partner at Sydney Capital Partners, an investment banking advisory firm. For much of his work he specialises in debt and equity strategies for small-cap ASX companies or project managing companies entry into the ASX. He has been an adviser to Direct Nickel since January 2011.

Vincent spent many years as a senior partner at major accounting firm Deloitte, where he served on the national management team and was their managing partner for multiple divisions, including the dominant Audit & Assurance division and later, the Corporate Finance division. He holds a Bachelor of Commerce, an MBA and is a member of the Australian Institute of Company Directors and other professional organisations.

#### Resolution 3: Graham Brock

Mr Brock is the Project Manager of the Company and joined the Board during the year as the second management representative. Since 1984 Graham has been involved in the full range of mine development activities from scoping studies through to construction and commissioning. Before joining DNi he was General Manager of Projects for LionOre Australia, responsible for expansions at Black Swan and Lake Johnston nickel mines and studies on the large Honeymoon Well disseminated nickel project.

In his role at DNi he is responsible for all technical aspects related to the commercialisation of the DNi Process and has established and nurtured DNi's presence in Perth and the design and construction of the plant there. Graham has a BSc (Eng) in Mineral Technology from Imperial College London, is an Associate of the Royal Schools of Mines, London and a Fellow of the Australasian Institute of Mining and Metallurgy.

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#### Resolution 4: Refreshing the 15% share placement capacity

The Board believes that it is in the best interests of the Company to maintain its ability to issue the normal 15% share placement capacity permitted under ASX Listing Rules Chapter 7 so that the Company retains financial flexibility and can take advantage of new commercial opportunities which may arise.

ASX Listing Rule 7.1 generally precludes companies issuing new securities if the cumulative number of new securities to be issued exceeds 15% of the company's issued securities measured on a 12 month rolling basis. However ASX Listing Rule 7.4 provides a procedure under which company shareholders may ratify any past issue of securities, provided that the previous issue did not breach ASX Listing Rule 7.1, thereby enabling the 15% issuing capacity to be restored.

Accordingly, solely for this purpose, the Company is seeking Shareholder approval for the past issue of 13,701,827 ordinary shares to Windward Prospects Ltd for a total sum of \$5.0 million used as working capital, under arrangements made in October 2012. The ordinary shares issued ranked equally in all aspects from the date of allotment with all other ordinary shares on issue.

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## Resolution 5: Employee Long term Incentive Plan

The Board has always intended that like many other resources companies and early stage companies, an incentive plan should be available to employees and directors and should provide - incentives to achieve and to over-achieve in the pursuit of the objectives of the Company, rewards for achievement and a means of encouraging the retention of key personnel.

In establishing any plan it is important that as far as possible, the Plan should align the interests of the beneficiaries of the Plan with the interests of all stakeholders and especially shareholders.

Industry data and empirical measurement of representative Plans have been obtained from a Special Report on Remuneration and Rewards commissioned by Direct Nickel in 2012 from McDonald & Company, a leading human resources and consulting company specialising in the mining, mineral processing and resources industry.

The Board has accepted that since the company is some way from generating profit and cash flow, a formulated short term incentive or bonus scheme, usually expressed as a percentage of salary, and generating debt in the balance sheet, is not appropriate at this stage. The ability to measure minimum, targeted and stretch performance is severely limited and the sorts of Key Performance Indicators (KPIs) that are usually specified for key personnel are really a repeat of the job description at this stage of the Company's development.

The traditional method of providing longer term incentives to directors and employees has been by way of share option schemes. Options are usually issued with a strike price at a small premium to market and the options usually vest over a period of time. However, amendments recently to the Income Tax legislation in Australia has meant that options are no longer a viable method due to the options being valued at the date of issue using the Black-Scholes formula, frequently resulting in an unintended tax liability. A variation on options is a share loan purchase plan under which shares are acquired at a price at or above market using funds loaned by the Company under an interest free limited recourse agreement. At the time of due repayment, the employee has the option of either repaying the loan, or delivering the shares in full repayment. If the tax laws change in the future and there is any tax impost to the Company, the plan mechanics will be adjusted so that the company does not bear the cost of any taxes. Shares are acquired under the plan according to the same timetable as would apply for options vesting over time. Both an options plan or a share loan purchase plan align the interests of employees and shareholders with a real incentive to generate strong share price increases.

Having considered all of the above, the Board resolved in its May board meeting to implement a Long term Incentive Plan (LTIP), utilising a Share Loan Purchase Plan which it is now submitting for shareholder approval. The key terms of the Plan are as follows :

1. Shares issued under the Plan on a cumulative basis be limited to ten percent by number of the shares on issue excluding any Incentive Plan shares.
2. The value or price of any shares issued would be the then price of any shares quoted on a stock exchange by reference to the recently traded share price. Since Direct Nickel is presently listed, but its shares are not quoted, the Board determined that although the most recent share issue price was \$0.365, as this was set in October 2012 and as the Company is presently attempting to raise new capital at \$0.50 per share, this higher number of \$0.50 per share should be used. Based on the 125 million shares presently on issue this represents a company valuation of approximately \$63 million before plan shares.
3. As the Company moves into operational phases the vesting may be subject to physical milestones and profit related outcomes, but at this stage as the plan rewards have no value unless the management achieve a significant increase in share price this first round does not include physical outcomes for vesting.
4. The allocations under the plan should be subject to vesting timing requirements of one-third each twelve months after the Board meeting approval. The loan term is recommended to be four years and interest free with the recipient responsible for paying any FBT. These periods are broadly in line with our technical and corporate development timetable for the first Direct Nickel plant.
5. Subsequent allocations under the plan are expected to be made during annual remuneration reviews. However allocations to any Director or any other person whose remuneration is included in the annual remuneration report will be subject to confirmation at the following meeting of shareholders.

As a result the allocations forming resolutions 6(a) to 6(f) are submitted to shareholders for their approval. Additional information on the personnel and their remuneration is included in the annual financial report for the year to 30 June 2013.

In addition the Board has determined to make the following allocations, with matching loan repayment requirements or extinguishment at \$0.50 per share:

Ian Warden	1,000,000 shares	Project Development Manager and key for developing the Indonesian project.
Fiona McCarthy	900,000 shares	Process engineer and 2IC at our Perth operations
Geoff Woodbridge	600,000 shares	Process scientist and a key member of our Perth team
Pat Raleigh	250,000 shares	Consultant based in Canada and formerly senior executive of Falconbridge Nickel
Chamika Don	100,000 shares	Staff member at Perth operations

All securities to be issued under this approval will be issued within 3 years. If shareholders approve Resolution 5 then issues under the plan will no longer form part of the 15% share issuing cap, under ASX Listing Rule 7.1, in accordance with Listing Rule 7.2 exception 9.

**Resolution 6:** Please refer to the information set out above for Resolution 5. No securities have been issued to date under the plan. The names of all persons entitled to participate are already set out above and in the Notice of Meeting.

Details of any securities issued under the Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under Listing Rule 10.14. Any additional directors who become entitled to participate in the employee incentive scheme after the resolution was approved and who were not named in this notice of meeting will not participate until approval is obtained under Listing Rule 10.14.

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**PROXY FORM – DIRECT NICKEL LIMITED – AGM 2013**

I/We.....  
 (PLEASE PRINT NAME AND ADDRESS – EXACTLY AS SHOWN ON YOUR HOLDER STATEMENT)

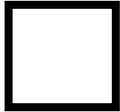
Of.....(address)

being a member/members of Direct Nickel Limited ACN 003 087 689

**A Appoint** .....(PLEASE PRINT NAME)  
 or failing the person so named (or if no person is named) the **Chairman of the Meeting** as proxy to vote in accordance with the following directions (or if no directions have been given as the proxy or the Chairman sees fit) at the **2013 Annual General Meeting** to be held on 22 November 2013 and at any adjournment thereof.

**B Exercise of Proxy by Chairman**

For undirected proxies, the Chairman intends to vote in favour of each resolution. If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on any resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.



*If the person you are appointing as your proxy is someone other than the Chairman of the meeting:*

*Write the name of that person in the box below.*

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*If you hold two or more Shares you may appoint a second proxy and specify the % of your shares they represent:*

*Write the name of your second proxy below & their %.*

	%
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**C Business**

	For	Against	Abstain
Resolution 1 Remuneration Report			
Resolution 2 Sweeney re-appointment			
Resolution 3 Brock appointment			
Resolution 4 Refresh 15% placement capacity			
Resolution 5 Approve LTIP			
Resolution 6(a) Approve LTIP Sweeney			
Resolution 6(b) Approve LTIP Gower			
Resolution 6(c) Approve LTIP Drinkard			
Resolution 6(d) Approve LTIP Debney			
Resolution 6(e) Approve LTIP Brock			
Resolution 6(f) Approve LTIP Carlton			

**D Email**

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**E Insert your daytime telephone number**

(      )
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**F Signature** (corporate shareholders see below)

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**G Name**

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**Signatures if Corporate Shareholder**  
 Executed in accordance with section 127 of the Corporations Act

Director/Sole Director - sign and print name \_\_\_\_\_

Director/Secretary - sign and print name \_\_\_\_\_

Kindly return to: Direct Nickel Limited, GPO Box 1658, Sydney NSW 2001 Or fax to: 02 8264 2411

Note: For your proxy to be entitled to vote your Shares at the Meeting, the completed Proxy Form must be received at least 48 hours before the Meeting.