

**DIRECT NICKEL LIMITED**

ABN 36 003 087 689

**Appendix 4D  
Interim Financial Report**

**for the half-year ended  
31 December 2013**

To be read in conjunction with the 30 June 2013 Annual Report  
In Compliance with Listing Rule 4.2A

## DIRECT NICKEL LIMITED

ABN 36 003 087 689

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Current Reporting Period: Half-year ended 31 December 2013  
Previous Reporting Period: Half-year ended 31 December 2012

<b>Results to be announced to the market</b>			<b>A\$</b>
<b>Revenue from ordinary activities</b>	increased 32.1%		<b>3,799,090</b>
<b>Loss after tax attributable to members</b>	increased 440.0%	to	<b>5,567,938</b>
<b>Loss for the half-year attributable to members</b>	increased 440.0%	to	<b>5,567,938</b>

#### Dividends

No dividends have been paid or provided for during the half year

<b>Other Information</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Net Tangible Assets per ordinary share</b>	(.035)	0.76

*Refer to the Directors' Report – Review of Operations for an explanation of the above information and the attached financial statements.*

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

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## COMPANY PARTICULARS

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### DIRECTORS

Mr Vincent Sweeney (Non-Executive Chairman)  
Mr Russell Debney (Managing Director)  
Mr William Drinkard (Non-Executive Director)  
Mr Christopher Gower (Non-Executive Director)  
Mr Graham Brock (Executive Technical Director)

### REGISTERED OFFICE

Level 10, 15-17 Young Street  
Sydney NSW 2000

Telephone: (61) 2 8014 7780  
Facsimile: (61) 2 8324 6366  
[www.directnickel.com](http://www.directnickel.com)

### COMPANY SECRETARY

Mr Vincent Sweeney

### PRINCIPAL PLACE OF BUSINESS

Level 10, 15-17 Young Street  
Sydney NSW 2000

### AUDITORS

William Buck  
Level 20, 181 William Street  
Melbourne Vic 3000

### STOCK EXCHANGE LISTING

Direct Nickel Limited shares are listed on  
the Australian Securities Exchange Limited  
ASX Code: DIR

### SHARE REGISTRY

Boardroom Limited  
Level 7, 207 Kent Street,  
Sydney NSW 2000

### CORPORATE ADVISORS

Sydney Capital Partners  
[www.sydneycapital.com.au](http://www.sydneycapital.com.au)

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## DIRECTORS' REPORT

The Directors present their report together with the financial statements of Direct Nickel Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2013, and the independent auditor's review report thereon.

### DIRECTORS

The names of the Directors in office at any time during or since the end of the half-year are:

**Vincent Sweeney**

**Russell Debney**

**William Drinkard**

**Christopher Gower**

**Graham Brock** (appointed 5 July 2013)

### REVIEW OF OPERATIONS

The group's progress during the last six months was very successful. During the six months the group's primary focus was on the completion of the Perth Test Plant Demonstration Programme. This was concluded successfully during December. The group also made significant advances towards the establishment of the first commercial scale plant using the DN<sub>i</sub> process by advancing proposals for a joint venture with Pt Antam, one of Indonesia's largest nickel processors.

The results of the entity for the half-year ended 31 December 2013 was an operating loss before impairment charges, of \$1,078,794 and a loss after income tax of \$5,567,938 compared to 2012 which incurred a loss of \$1,031,112. This result was in line with expectations. The impairment charge arose because Directors felt it prudent to write down the carrying value of the Perth assets to nil, notwithstanding they are planned to have significant future use.

### SUBSEQUENT EVENTS

Since 31 December 2013 the Company has no subsequent events to report in these accounts. Shareholder updates are provided via ASX announcements and by direct email and through the company web site.

### LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Lead Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors:



Vincent Sweeney  
Chairman  
Sydney  
28 February 2014

**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 31 December 2013 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



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



**J.C. Luckins**  
Director

Dated this 28<sup>th</sup> day of February, 2014

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Group	
		31 December	
		2013	2012
		\$	\$
<b>Income</b>			
Research and development grant credits received		3,756,645	1,005,801
Variation of licence rights		-	1,800,000
Fees from services rendered		21,172	64,234
Interest income		21,273	8,626
<b>Operating Expenses</b>			
Loss on investment		-	(93,333)
Administration and corporate expenses		(1,148,779)	(2,996,905)
Impairment charge		(4,489,144)	-
Setup costs for establishing foreign operations			
Indonesia		(272,398)	(213,821)
Papua New Guinea		(67,575)	(73,971)
Research and development expenses		(3,389,132)	(531,743)
<b>Loss before income tax expense</b>		<b>(5,567,938)</b>	<b>(1,031,112)</b>
Income tax expense		-	-
<b>Loss attributable to members of the Company</b>		<b>(5,567,938)</b>	<b>(1,031,112)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income attributable to members of the Company</b>		<b>(5,567,938)</b>	<b>(1,031,112)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents)		4.451	1.017
Weighted average number of shares used in determining basic and diluted loss per share		125,098,973	101,384,215

*The accompanying notes form part of these financial statements.*

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## BALANCE SHEET

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Group	
		31 December 2013 \$	30 June 2013 \$
<b>Current Assets</b>			
Cash and cash equivalents		884,244	2,930,304
Receivables		-	674
Other current assets		44,547	38,547
<b>Total Current Assets</b>		<b>928,791</b>	<b>2,969,525</b>
<b>Non-Current Assets</b>			
Plant and equipment	2	-	744,044
Perth demonstration plant capitalised costs	2	-	3,657,650
Intellectual property		524,578	524,578
<b>Total Non-Current Assets</b>		<b>524,578</b>	<b>4,926,272</b>
<b>Total Assets</b>		<b>1,453,369</b>	<b>7,895,797</b>
<b>Current Liabilities</b>			
Trade payables		287,940	871,906
Provisions for employee entitlements		629,142	746,316
<b>Total Current Liabilities</b>		<b>917,082</b>	<b>1,618,222</b>
<b>Non-Current Liabilities</b>			
Provisions for employee entitlements		4,871,925	5,272,575
<b>Total Non-Current Liabilities</b>		<b>4,871,925</b>	<b>5,272,575</b>
<b>Total Liabilities</b>		<b>5,789,007</b>	<b>6,890,795</b>
<b>Net Deficiency of Assets</b>		<b>(4,335,638)</b>	<b>1,005,000</b>
<b>Equity</b>			
Issued capital		27,980,732	27,753,432
Accumulated losses		(32,316,370)	(26,748,432)
<b>Total Equity</b>		<b>(4,335,638)</b>	<b>1,005,000</b>

*The accompanying notes form part of these financial statements.*

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2012</b>	17,418,380	(21,299,122)	(3,880,742)
Total comprehensive income	-	(1,031,112)	(1,031,112)
Issue of ordinary fully paid shares	8,145,137	-	8,145,137
Cost of equity	(1,820,237)	-	(1,820,237)
<b>Balance at 31 December 2012</b>	<b>23,743,280</b>	<b>(22,330,234)</b>	<b>1,413,046</b>
<b>Balance at 1 July 2013</b>	<b>27,753,432</b>	<b>(26,748,432)</b>	<b>1,005,000</b>
Total comprehensive income	-	(5,567,938)	(5,567,938)
Issue of 378,833 ordinary fully paid shares	227,300	-	227,300
<b>Balance at 31 December 2013</b>	<b>27,980,732</b>	<b>(32,316,370)</b>	<b>(4,335,638)</b>

*The accompanying notes form part of these financial statements.*

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Group	
		31 December	
		2013	2012
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts for variation of license and project activities		21,172	1,931,089
Research and development credits		3,756,645	1,005,801
Interest income		21,273	8,626
Payments to suppliers and employees		(5,727,477)	(2,364,234)
Set up costs for establishing PNG and Indonesia operations		(339,973)	(213,821)
<b>Net cash from/(used in) operating activities</b>		<b>(2,268,360)</b>	<b>367,461</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of assets		-	270,974
<b>Net cash from investing activities</b>		<b>-</b>	<b>270,974</b>
Issue of share capital (net of costs)		227,300	2,251,103
<b>Net cash provided from financing activities</b>		<b>227,300</b>	<b>2,251,103</b>
Net increase in cash and cash equivalents held		(2,041,060)	2,889,538
Cash and cash equivalents at the beginning of the half-year		2,930,304	641,736
<b>Cash and cash equivalents at the end of the half-year</b>		<b>889,244</b>	<b>3,531,274</b>

*The accompanying notes form part of these financial statements.*

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

#### 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

These consolidated general purpose interim financial statements comprising the financial statements of Direct Nickel Limited (the Company) and its controlled entities (the Group) for the interim half-year period ending 31 December 2013 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Accounting Standards.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of the Group. Accordingly they do not contain information on relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2013, together with any announcements made during the half-year.

#### **New accounting standards adopted for these interim financial statements**

The Group has changed some of its accounting policies as a result of new or revised accounting standards which became effective for annual reporting periods commencing on 1 July 2013.

##### *Accounting for employee leave provisions*

The revised standard AASB 119 has changed the methodology that the Group uses to account for annual leave. Any annual leave expected to be taken in-excess of 12 months as at reporting date is now discounted to present values. As the Group expects all of its employees to take all of their outstanding annual leave balances within 12 months, this policy change did not affect these financial statements.

##### *Application of fair value measurement principles*

The other new standard applicable for the first time in the current half year is AASB 13 Fair Value Measurement. The adoption of this standard has not affected accounting policies or amounts recognised or disclosed in these half year financial statements due to the nature of the Group's financial instruments.

#### 2. IMPAIRMENT CHARGE FOR THE PERTH DEMONSTRATION PLANT

During the six months to 31 December 2013 the Perth Demonstration plant was successfully commissioned and operated and now the technology and intellectual property represented in the costs 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 have resolved to fully impair the Perth Plant as at 31 December 2013 due to the current formative stages of 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.

#### 3. GOING CONCERN

For the six months to the end of December the Group incurred cash outflows from operations totalling \$2,268,360. These are in-excess of its available working capital as at 31 December, which was \$11,709. These conditions prima facie 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:

# DIRECT NICKEL LIMITED

ABN 36 003 087 689

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

#### 3. GOING CONCERN (continued)

- 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;
- The cash outflows represented in the six months to 31 December represent principally 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-respect of those payments highlighted above to contractors and employees in-respect of the commissioning of the Perth Demonstration Plant and its other eligible research and development work. Credits exceeding \$1 million are anticipated;
- The Group has obligations owing to its senior staff. As disclosed in the 30 June 2013, these obligations are only required to be paid out in certain conditions, including a public offering or broker-sponsored share placement (without escrow conditions), or through 15% of research and development credits receipted (refer above). With the exception of the 15% condition, which is represented as a current liability in the financial statements, none of the other conditions have occurred or are explicitly forecast to occur in the current business plans of the Group; and
- 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 relate to office premises in Sydney. As at 31 December the minimum lease payments payable over the next year in-respect of the lease is \$75,000.

Based on these points, 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 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.

#### 4. SEGMENT NOTE

As at 31 December 2013 the Group was involved in one operating segment being the research and development of nickel processing technology.

#### 5. SUBSEQUENT EVENTS

Since 31 December 2013 the Group has nothing to report.

#### 6. CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2013, and aside from the contingent liabilities and assets reported by the Group as at 30 June 2013 which continued to 31 December 2013. There were no contingent assets and liabilities applicable to the Group requiring reporting.

#### 7. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at 31 December 2013 fair values of financial instruments were equivalent to their carrying value.

## DIRECT NICKEL LIMITED

ABN 36 003 087 689

### DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) giving a true and fair view of the Group financial position as at 31 December 2013 for the half-year ended on that date.
2. In the Director's opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



**Vincent Sweeney**  
Chairman

Dated in Sydney, Australia on this 28th day of February 2014.

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DIRECT NICKEL LIMITED AND CONTROLLED ENTITIES

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Direct Nickel Limited and its controlled entities (the Group), which comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity, and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Direct Nickel Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of Direct Nickel Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Direct Nickel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

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

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DIRECT NICKEL LIMITED AND CONTROLLED ENTITIES (CONT)

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Direct Nickel Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of Direct Nickel Limited's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- b) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Emphasis of Matter*

Without modifying our conclusion, we draw attention to Note 3 in the Financial Report, which indicates that the Group is dependent upon raising future capital. This and other matters described Note 3 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the group maybe unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that reads 'J.C. Luckins'.

**J.C. Luckins**  
Director

Dated this 28<sup>th</sup> day of February, 2014