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Direct Nickel completes successful Nickel Production Demonstration Program

Direct Nickel (ASX: DIR and "DNi" or the "Company"), is pleased to advise shareholders of the formal completion of its successful Nickel Production Demonstration Program ("Demonstration Program"), and the delivery of a major step in the Company's strategy to become a leading global nickel producer.

Significantly, the completion of the program positions DNi for its first commercial plant and underlines its objective to become a global nickel producer using the proprietary DNi Process to access and process laterite resources.

In addition to a significantly lower CAPEX profile, the DNi Process offers processing costs estimated to be as competitive as US\$2.00 to 3.00/lb of Ni (before by product credits) for some markets such as Indonesia.

During 2013, DNi built and operated a one tonne per day Test Plant at the CSIRO's Australian Minerals Research Centre in Waterford, Western Australia. The test plant operation was completed successfully in December 2013 after 12 months of operation, and the Demonstration Program formally concluded with the delivery of the program's validation report.

The DNi Process is an atmospheric hydrometallurgical process able to treat most nickel laterite ores to produce a number of final saleable products. The key to the process is the use of nitric acid as the leaching agent and the subsequent use of a patented recovery and recycling process returning +95% of the nitric acid for re-use.

Following the success of the Nickel Production Demonstration Program at the DNi Test Plant, a Feasibility Study is underway for a DNi Process Plant to produce up to 10-20,000 tonnes per annum of nickel in concentrate. For this commercial plant, Direct Nickel has partnered with Indonesia's largest nickel miner, PT ANTAM (Persero) Tbk (IDX: ANTM; ASX: ATM; ANTAM).

When operational, the plant will be the first commercial processing plant to use the revolutionary DNi processing technology and will be established at ANTAM's Buli operation in Halmahera, Indonesia.

2013 Nickel Production Demonstration Program - Highlights

The results of the Nickel Production Demonstration Program demonstrate that the DNi Process has the potential to provide the step-change the nickel industry needs to overcome high capital and operating costs in a low commodity price environment.

In summary, the DNi Process delivers:

- "Elegant" process chemistry where reagents are regenerated and recycled within the process
- Ability to treat limonite and saprolite ores and blends without loss in nickel recovery
- Low process intensity not requiring high temperatures or pressures
- "Off-the-shelf" equipment with a well-known design and scale up methodology

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- No exotic materials of construction
- Low volume, benign tailings that can be disposed as landfill
- Valuable by-products of MgO and hematite

These features all combine to offer attractive operating and capital costs and simple operability benefits.

Key deliverables and take-outs from the program are listed below:

- The DNi Process has proved to be simple and safe to operate on a continuous basis
- Metal recoveries for pay metals Ni, Co, Fe and Mg match laboratory results with +90% for Ni
- +95% recycling of nitric acid achieved
- High standards of occupational health, safety and environment demonstrated
- A working, accurate process model has been developed and verified
- Commercially available 304 stainless steel remains the construction material of choice
- Water and energy balances have been confirmed
- A simplified flowsheet has resulted in reduced processing capital costs
- Processing operating costs of US\$2.00 to \$3.00/lb (before credits) have been confirmed
- MHP grades of 32%Ni were achieved, with scope to further improve identified

Through the successful Nickel Production Demonstration Program and by effectively de-risking the scale-up of the DNi Process with a highly experienced team at the Test Plant, Direct Nickel has established the fundamentals to progress the commercialisation of its new technology as it transitions to commercial scale.

The commitment of one of Asia's leading nickel producers to support the new technology through its partnering with Direct Nickel is further evidence of the success of the Demonstration Program and the global potential of the DNi Process.

Moving towards commercial production

Following the success of the Demonstration Program, Direct Nickel is committed to the commercialisation of its new process technology.

Direct Nickel CEO Russell Debney said the Company's strategy to become a leading global nickel producer had progressed materially as a result of the work in 2012-2013 at the DNi Test Plant.

"The completion of the Nickel Production Demonstration Program positions DNi for our first commercial plant. As importantly, its success will increase awareness of the availability of a commercially viable solution in the DNi Process to access and process nickel laterite resources," Mr Debney said.

Among other end-user groups, Direct Nickel is targeting the stainless steel sector as the cost and production efficiencies associated with the DNi Process have the potential to reduce stainless steel pricing globally.

Mr Debney said that Direct Nickel's decision to proceed with a Feasibility Study with its partner PT ANTAM was a clear indication of both parties' confidence in the Demonstration Program, especially as PT ANTAM had contributed ore to the Test Plant for assessment during 2013.

"Some of the ore for this demonstration was sourced from ANTAM's Buli operation. For the ores tested, the Demonstration Program has shown the DNi Process has very high recoveries of nickel, and other valuable by-products such as cobalt, hematite and magnesium oxide," Mr Debney said.

The DNi Process is expected to be very competitive in the Indonesian setting, as well as offering low environmental impact due to the recycling of nitric acid used in the process.

Additionally, by developing a DNi Process Plant in Indonesia, Direct Nickel is positioned to take advantage of the Indonesia ore export ban which took effect in January 2014 and which now requires export markets such as China's massive steel sector to buy processed nickel concentrate instead of importing direct shipping ore.

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Direct Nickel has developed a game changing process for extracting nickel from nickel laterite deposits. It will position Direct Nickel as one of the lowest cash cost producers in the global nickel industry in the next 5 years. The Process offers unparalleled cost efficiency, capital savings and environmental benefits.

Nickel is a strategic metal and a vital alloy in quality stainless steel. As a result of the decline in production from sulphides and technical difficulties with completion and start-up of alternative nickel laterite processing plants, nickel is forecast to suffer a supply shortfall commencing in 2017.

Direct Nickel has operations in Sydney and Perth. It also operates in Indonesia through its subsidiary, PT Direct Nickel with offices in Jakarta.

Additional information on the Company, the DNi Process, the Test Plant and related activities, including photographs, is available at www.directnickel.com, or by request from the Company.