

QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 30 JUNE 2014

Perth, Australia – 31 July 2014: Mirabela Nickel Limited (**Mirabela** or the **Company**) (ASX: MBN) announces its unaudited second quarter results for the period ended 30 June 2014.

Production Statistics

		Three months ended 30 Jun 2014	Three months ended 31 Mar 2014	% change favourable/ (unfavourable)	Year to Date 2014
Mining					
Total Material Mined	Tonnes	5,567,790	6,145,679	(9)	11,713,469
Ore Mined	Tonnes	833,188	1,191,754	(30)	2,024,942
Nickel Grade	%	0.42	0.42	-	0.42
Processing					
Total Ore Processed	Tonnes	1,410,574	1,380,704	2	2,791,278
Nickel Grade	%	0.40	0.42	(5)	0.41
Copper Grade	%	0.09	0.10	(10)	0.09
Cobalt Grade	%	0.01	0.01	-	0.01
Nickel Recovery	%	49	51	(4)	50
Copper Recovery	%	73	69	6	71
Cobalt Recovery	%	26	27	(4)	26
Production					
Nickel in Concentrate	DMT	2,767	2,938	(6)	5,705
Copper in Concentrate	DMT	886	915	(3)	1,801
Cobalt in Concentrate	DMT	50	53	(6)	103
Sales					
Nickel in Concentrate ⁽¹⁾	DMT	2,366	3,810	(38)	6,176
Copper in Concentrate ⁽¹⁾	DMT	801	1,197	(33)	1,998
Cobalt in Concentrate ⁽¹⁾	DMT	43	69	(38)	112

⁽¹⁾ Includes sales volume adjustments upon finalisation of assays.

OPERATIONS

On 25 June 2014, Mirabela Nickel Ltd successfully completed its restructure when the Deed of Company Arrangement (DOCA) was fully effectuated, the Deed Administrators retired, the DOCA terminated and the day to day management of the Company reverted to the Company's directors. Although the Brazilian subsidiary was able to continue production during the four months the Company was under voluntary administration, production was restricted by the challenging financial position the Company was experiencing.

The board and management will focus the second half of the 2014 financial year on returning the operation to normalised production levels, re-assessing capital requirements and cost base to prepare the Company for 2015. As a result the Company is not in a position to provide any operational, unit cash cost or capital guidance for the remainder of 2014.

Safety

Mirabela's twelve month moving average Lost Time Injury Frequency Rate (LTIFR) closed the quarter at 1.22. The LTIFR has been impacted by four minor incidents during the quarter. Mirabela continues to target further improvements to its safety record through ongoing safety training and safety improvement programs.

Mining

Total mined material movement for the quarter was 5.6 million tonnes of material moved for 0.8 million tonnes of ore. Loading equipment productivity was adversely impacted during the quarter by the lack of infrastructure equipment whereby the trucks were stopped awaiting support at the loading square, thus limiting material movement. The Company situation during the quarter resulted in ore being preferentially mined causing broken ore stocks to be drawn down during this period. As a result, waste catch-up will be required in subsequent months. Infrastructure equipment is required to prepare the drill floors, clean-up around the excavating machines and push waste on the dumps. The effect of the aforementioned issues has resulted in a change in the mine schedule where the South zone of the core pit was avoided and replaced with ore from the Central zone, thus unfavourably impacting both quantity and quality of ore. The Central zone ore is higher in deleterious MgO which in-turn results in a lower quality and recovery of ore. South zone clean-up is still delayed by low dozer availability with rebuilds still currently underway. Upon completion of the clean-up in the South zone the drilling schedule will be recommenced. Mine grades of 0.42% were in line with the previous quarter.

Processing

During the quarter 1.4 million tonnes of ore was milled, at an average head grade of 0.40% nickel and achieving an average recovery of 49%. Plant performance overall was adversely impacted by preventative maintenance requirements on the Primary and Secondary Crushers and SAG Mills. Recoveries were adversely affected by low water availability due to less reclaimed water from the tailings dam, which improved towards the latter part of the quarter, resulting in the desliming process recommencing.

Phase 1 of the tailings dam lift is progressing and scheduled to finish in August 2014. Additional resources were employed on the dam to further manage the tailings deposition strategy while Phases 2 and 3 are under construction. The tailings dam construction is currently behind schedule due to the Company's near term situation which resulted in the delayed mobilisation of equipment and people. Mobilisation of Phases 2 and 3 commenced in May 2014 and as such estimated completion of Phases 2 and 3 will be June 2015. Due to the delay in the dam construction, water quality and quantity which feeds the plant has been unfavourably affected. This in turn reduced the through-put rate of the mill and the recovery by not utilising desliming. Return water management has been managed with an interim plan and the desliming process is now running, but with a reduced total plant through-put.

During the quarter Mirabela produced 2,767 tonnes of contained nickel in concentrate, 886 tonnes of contained copper in concentrate, and 50 tonnes of contained cobalt in concentrate. During the quarter a total of 1,849 tonnes of nickel in concentrate was sold in country to an international and foreign domiciled trading house (ITH) and 794 tonnes of nickel in concentrate was sold to Norilsk Nickel Harjavalta Oy pursuant to a long term offtake agreement. A new short term offtake agreement was entered into during the quarter with ITH, which extends to 31 December 2014 resulting in all production to 31 December 2014 being supported by executed offtake agreements. The Company expects to commence a full tender process in Q3 of 2014 to secure a long-term offtake agreement for approximately 50% of production from 1 January 2015 onwards.

Exploration

Exploration activity for the quarter continued to focus on tenement maintenance only. Growth activities remain deferred in order to preserve cash.

Unit Cash Costs

		Three months ended 30 Jun 2014	Three months ended 31 Mar 2013	% change favourable/ (unfavourable)	Year to Date 2014
Payable Nickel Production ⁽¹⁾	Lbs	4,941,149	5,246,511	(6)	10,187,659
Production Costs					
Mining Cost	US\$/lb	4.80	3.65	(32)	4.21
Processing Costs	US\$/lb	2.09	1.92	(9)	2.01
Administration Cost	US\$/lb	0.83	0.83	-	0.83
Subtotal	US\$/lb	7.72	6.40	(21)	7.05
Selling Costs					
Transport/Shipping Cost	US\$/lb	0.67	0.88	24	0.77
By-Product Credit ⁽²⁾	US\$/lb	(1.09)	(1.40)	(22)	(1.24)
Smelter Charges	US\$/lb	1.13	1.41	20	1.27
Subtotal	US\$/lb	0.71	0.89	20	0.80
C1 Unit Cash Cost	US\$/lb	8.43	7.29	(16)	7.85
Unit Royalty Cost	US\$/lb	0.48	0.39	(23)	0.43
Realised Nickel Price ⁽²⁾	US\$/lb	6.91	6.07	14	6.49
Realised Copper Price ⁽²⁾	US\$/lb	2.05	3.47	(41)	2.76
Realised Cobalt Price ⁽²⁾	US\$/lb	1.95	12.31	(84)	7.13
Average US\$/Real Exchange Rate		2.23	2.36	(6)	2.30

⁽¹⁾ Average payability of 81%

⁽²⁾ Including prior period QP adjustments

Mirabela recorded a C1 unit cash cost for the second quarter of US\$8.43/lb, taking the average unit cash cost for the first half of the year to US\$7.85/lb. Unit cash costs for the second quarter of 2014 were higher than the first quarter of 2014 predominantly due to lower payable nickel production and weaker exchange rate.

In absolute terms, production costs are lower than the previous quarter due in part to lower material movement and ore mined along with lower electricity consumption and lower usage of mill materials due to plant shut downs during the quarter for preventative maintenance and repairs. However, as a result of the lower production and weaker exchange rate, along with a greater utilisation of broken ore inventories through the mill, the resulting unit cash cost is higher in Q2 2014.

Legal: Brazil

In accordance with the dispute resolution terms under the Santa Rita Concentrate Sales Agreement (**Agreement**) between Mirabela Brazil and Votorantim Metais S.A. (**Votorantim**), on 3 June 2014 the parties signed the Terms of Reference to the formal commencement of arbitration proceedings under the rules of the Center for Arbitration and Mediation CCBC, Sao Paulo Brazil. The arbitration proceeding is in relation to the validity of the alleged force majeure claimed by Votorantim and the obligations of Votorantim under the Agreement. Mirabela Brazil is requesting compensation for loss.

Cash and Debt

Mirabela closed the second quarter with cash on hand and on deposit of US\$62.42 million. The increase in cash on hand from 31 March 2014 (US\$42.96 million) was driven by a combination of factors including: proceeds from the issue of Senior Convertible Secured Notes of US\$55.00 million and the final US\$10.00 million of the \$45.00 million Syndicated Note Subscription Deed (**SNSD**) provided by the Ad-hoc Group of Senior Unsecured Noteholders (both forming part of the company's recent restructure process); offset in part by negative cash flow from operations and capital expenditure of US\$11.56 million (mostly attributable to the tailings dam work and equipment rebuilds).

Corporate

Mr Richard Newsted, Mr Ross Griffiths and Mr Mark Milazzo were appointed as non-executive directors of the Board effective 25 June 2014.

Ms Maryse Belanger was appointed Chief Executive Officer and Managing Director of Mirabela effective 27 June 2014.

Dr Linda Tompkins was appointed Company Secretary effective 25 June 2014.

Mr Ian Purdy resigned as Managing Director effective 5 May 2014 and as Chief Executive Officer effective 31 May 2014.

Mr Christiaan Els resigned as Company Secretary effective 19 May 2014.

Company Restructure

The Deed Administrators gave notice to ASIC on 25 June 2014 that the deed of company arrangement (DOCA) entered into on 13 May 2014 had been fully effectuated, the Deed Administrators retired, the DOCA terminated and the day to day management and control of Mirabela reverted to the Company's directors.

The status of various restructure matters as at quarter close was:

- The Senior Unsecured Noteholder debt (US\$395.00 million 8.75% Senior Unsecured Notes due 15 April 2018) (**Original Noteholders**) and incurred interest were extinguished on 25 June 2014, and in return the Original Noteholders became entitled to approximately 98.2% of Mirabela's ordinary shares on issue at that time (**DOCA Shares**) (and their pro rata share of a US\$5.00 million subordinated note). The DOCA Shares were transferred from existing shareholders of Mirabela (by order of the Supreme Court of New South Wales) to a trustee who holds them as bare trustee for the Original Noteholders.
 - In order to take possession of the DOCA Shares to which they are entitled, Original Noteholders are required to submit certain documentation evidencing their entitlement; and
 - As at 30 June 2014, eligible Original Noteholders entitled to approximately 27% of the DOCA Shares had submitted the relevant documentation and taken possession of their share of the DOCA Shares.
- The US\$115.00 million 9.5% Senior Convertible Secured Notes (**SCSN**) due 2019 were issued on 24 June 2014.
 - The SCSNs are convertible into Mirabela ordinary shares at the discretion of the SCSN Holders up to the maturity date of 24 June 2019. No SCSNs were converted into Mirabela ordinary shares as at 30 June 2014; and
 - Mirabela has the option to redeem the SCSNs on or after the third anniversary of the issuance of the SCSNs, based on specified terms.
- The SCSN Holders were issued 52,909,069 new ordinary shares in the Company on 24 June 2014 in accordance with the terms of the recapitalisation, as follows:
 - 34,532,547 ordinary shares were issued to the SNSD lenders for rolling over the SNSD debt and incurred interest into the SCSNs (**Rollover Shares**); and
 - 18,376,522 ordinary shares were issued to the new capital parties subscribing to the US\$55.00 million of SCSNs (**Fee Shares**).
- For further information on the SCSNs, Rollover Shares and Fee Shares please see the Company's prospectus and supplementary prospectus lodged with ASX on 26 May 2014 and 12 June 2014, respectively.

Share Capital

The securities of the Company were reinstated to official quotation with the ASX from the commencement of trading on 30 June 2014. As at the date of reinstatement the Company's issued share capital consisted of 929,710,216 ordinary shares.

The balance of 400,000 unlisted options expired on 30 June 2014.

482,263 performance rights were outstanding at 30 June 2014, relating to the "*Mirabela Nickel Limited Performance Rights Plan*" (originally approved at a Shareholders' meeting held on 13 September 2010) which were in holding lock and vested on 31 December 2013 but which were subsequently suspended by the previous Board on 10 January 2014.

115,000 US\$1,000 9.5% Senior Convertible Secured Notes due 2019 were issued on 24 June 2014.

CONTACT DETAILS

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