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## QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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Perth, Australia – 24 October 2014: Mirabela Nickel Limited (**Mirabela** or the **Company**) (ASX: MBN) announces its unaudited third quarter results for the period ended 30 September 2014.

### HIGHLIGHTS

- Production for the quarter of 2,628 tonnes of nickel in concentrate (Q2 2014: 2,767).
- Sales for the quarter of 2,823 tonnes of nickel in concentrate (Q2 2014: 2,366).
- Unit cash costs of US\$9.02/lb for the quarter (Q2 2014: US\$8.43/lb).
- Year-to-date production of 8,333 tonnes of nickel in concentrate at an average unit cash cost of US\$8.22/lb.
- Average mined nickel grade of 0.43% for the quarter (Q2 2014: 0.42%) and total mining material movement of 6.7 million tonnes (Q2 2014: 5.6 million tonnes).
- Processing plant throughput for the quarter of 1.5 million tonnes (Q2 2014: 1.4 million tonnes).
- Average processing plant nickel recovery of 45% (Q2 2014: 49%) and average nickel feed grade of 0.39% (Q2 2014: 0.40%) for the quarter.
- Cash on hand and on deposit of US\$34.14 million at quarter end (Q2 2014: US\$62.42 million).

### OPERATIONS

Mirabela's third quarter saw improvement in total material movement and processing plant throughput, since exiting voluntary administration. However, the lower quantity of ore mined resulted in the requirement to blend with marginal grade ore to ensure adequate feed to the plant. This adversely impacted the grade of ore being fed to the plant as well as overall production output. Lower plant availability in July was due to ongoing preventative maintenance. The operations focus during most of the third quarter remained on waste stripping.

The board and management are continuing to focus the remainder 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.

### *Safety*

Mirabela's twelve month moving average Lost Time Injury Frequency Rate (**LTIFR**) closed the quarter at 1.23. The LTIFR has been impacted by three minor incidents during the quarter. Mirabela continues to target further improvements to its safety record through ongoing safety training and safety improvement programs.

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## Production Statistics

		Three months ended 30 Sept 2014	Three months ended 30 Jun 2014	% change favourable/ (unfavourable)	Year to Date 2014
<b>Mining</b>					
Total Material Mined	Tonnes	<b>6,655,526</b>	5,567,790	20	18,368,995
Ore Mined	Tonnes	<b>823,138</b>	833,188	(1)	2,848,080
Nickel Grade	%	<b>0.43</b>	0.42	2	0.42
<b>Processing</b>					
Total Ore Processed	Tonnes	<b>1,512,587</b>	1,410,574	7	4,303,865
Nickel Grade	%	<b>0.39</b>	0.40	(2)	0.40
Copper Grade	%	<b>0.07</b>	0.09	(22)	0.09
Cobalt Grade	%	<b>0.01</b>	0.01	-	0.01
Nickel Recovery	%	<b>45</b>	49	(8)	48
Copper Recovery	%	<b>59</b>	73	(19)	67
Cobalt Recovery	%	<b>23</b>	26	(12)	25
<b>Production</b>					
Nickel in Concentrate	DMT	<b>2,628</b>	2,767	(5)	8,333
Copper in Concentrate	DMT	<b>660</b>	886	(26)	2,461
Cobalt in Concentrate	DMT	<b>49</b>	50	(2)	152
<b>Sales</b>					
Nickel in Concentrate <sup>(1)</sup>	DMT	<b>2,823</b>	2,366	19	8,999
Copper in Concentrate <sup>(1)</sup>	DMT	<b>738</b>	801	(8)	2,736
Cobalt in Concentrate <sup>(1)</sup>	DMT	<b>50</b>	43	16	161

<sup>(1)</sup> Includes sales volume adjustments upon finalisation of assays.

### Mining

Total mined material movement for the quarter was 6.7 million tonnes of material moved for 0.8 million tonnes of ore. The productivity of loading and hauling equipment improved during the quarter to finally reach forecasted levels during September. Earlier in the year, the lack of operator and relief crews resulted in low overall utilisation of the mining fleet. The resolution of this issue is currently underway. Long periods of rainfall have also adversely impacted material movement. Targeted productivity improvements continue to focus on equipment availability and utilisation. During the quarter, focus also concentrated on waste stripping. Mine grades of 0.43% are slightly up on the previous quarter.

### Processing

During the quarter 1.5 million tonnes of ore was milled, at an average head grade of 0.39% nickel and achieving an average recovery of 45%. A large proportion of ore fed to the mill during the quarter originated from stockpiled material. Preventative maintenance on the Primary Crusher adversely impacted plant performance, including the replacement of the spider bushing, housing and eccentric, along with the replacement of 600 metres of conveyor #2. Desliming performed at normal levels during the quarter, however, it was negatively impacted by an obstruction of the pulp distributor of the SAG mill, which contributed to a lower nickel recovery.

During the quarter Mirabela produced 2,628 tonnes of contained nickel in concentrate, 660 tonnes of contained copper in concentrate, and 49 tonnes of contained cobalt in concentrate. During the quarter a total of 1,894 tonnes of nickel in concentrate was sold to Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**), pursuant to a long-term offtake agreement, and 929 tonnes of nickel in concentrate was sold in country to an international and foreign domiciled trading house (ITH), pursuant to a short-term offtake agreement which extends to 31 December 2014. As such, all production to 31 December 2014 is supported by executed offtake agreements. The Company is currently tendering a long-term offtake agreement for approximately 50% of production from early 2015 onwards.

***Legal: Brazil***

Arbitration proceedings under the rules of the Center for Arbitration and Mediation CCBC, Sao Paulo Brazil, formally commenced on 3 June 2014 between Mirabela Brazil and Votorantim Metais S.A. (**Votorantim**). The arbitration proceeding is in relation to the validity of the alleged force majeure claimed by Votorantim and the obligations of Votorantim under its offtake agreement with Mirabela Brazil. Mirabela Brazil is also requesting compensation for loss.

***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 Sept 2014	Three months ended 30 Jun 2014	% change favourable/ (unfavourable)	Year to Date 2014
Payable Nickel Production <sup>(1)</sup>	Lbs	4,692,931	4,941,149	(5)	14,880,590
<b>Production Costs</b>					
Mining Cost	US\$/lb	4.36	4.80	9	4.26
Processing Costs	US\$/lb	2.20	2.09	(5)	2.07
Administration Cost	US\$/lb	0.94	0.83	(13)	0.86
Subtotal	US\$/lb	7.50	7.72	3	7.19
<b>Selling Costs</b>					
Transport/Shipping Cost	US\$/lb	0.70	0.67	(4)	0.75
By-Product Credit <sup>(2)</sup>	US\$/lb	(0.99)	(1.09)	(9)	(1.16)
Smelter Charges	US\$/lb	1.81	1.13	(60)	1.44
Subtotal	US\$/lb	1.52	0.71	(114)	1.03
<b>C1 Unit Cash Cost</b>	US\$/lb	<b>9.02</b>	8.43	(7)	8.22
Unit Royalty Cost	US\$/lb	0.59	0.48	(23)	0.48
Realised Nickel Price <sup>(2)</sup>	US\$/lb	10.01	6.91	45	7.66
Realised Copper Price <sup>(2)</sup>	US\$/lb	2.94	2.05	43	2.82
Realised Cobalt Price <sup>(2)</sup>	US\$/lb	5.43	1.95	178	6.56
Average US\$/Real Exchange Rate		2.28	2.23	2	2.29

<sup>(1)</sup> Average payability of 81%

<sup>(2)</sup> Including prior period QP adjustments

Mirabela recorded a C1 unit cash cost for the third quarter of US\$9.02/lb, taking the average unit cash cost for the first nine months of the year to US\$8.22/lb. Unit cash costs for the third quarter of 2014 were higher than the second quarter of 2014 predominantly due to lower payable nickel production.

In absolute terms, mining costs are higher than the previous quarter due mostly to higher material movement. However, the impact of increased waste stripping capitalisation resulted in a lower mining unit cash cost for the quarter. Production costs are higher than the previous quarter due in part to higher ore milled along with the adverse impact of plant preventative maintenance and repairs. However, overall, as a result of the lower production along with a greater utilisation of broken ore inventories through the mill, the resulting unit cash cost is higher in Q3 2014.

## Cash and Debt

Mirabela closed the third quarter with cash on hand and on deposit of US\$34.14 million. The decrease in cash on hand from 30 June 2014 (US\$62.42 million) was driven primarily from a combination of factors including: negative cash flow from operations resulting from a September sale proceed being received early October; capital expenditure of US\$19.06 million (mostly attributable to the tailings dam work and equipment rebuilds); repayment of borrowings for the Caterpillar and Atlas Copco finance facilities of US\$2.78 million; and interest payments relating to the Banco Bradesco working capital facility, and Caterpillar and Atlas Copco finance facilities of US\$1.61 million.

## Corporate

Mr Alastair McKeever was appointed as Non-executive Director of the Board effective 7 August 2014.

Mr Anthony Kocken, former Chief Operations Officer, ceased employment with the Company on 25 August 2014.

Mr Milson Mundim commenced as Chief Financial Officer of the Company on 8 September 2014 replacing Mr Chris Els who ceased employment with the Company on 1 September 2014.

## Mirabela Investments Pty Ltd

On 29 August 2014 Mirabela Investments Pty Ltd (**MIPL**), in its capacity a bare trustee, sold 1,525,300 Mirabela shares (**MBN Shares**) at an average price of \$0.10 per share. The share sale relates to cash-out instructions the Company received from a former holder of the 8.75% Senior Unsecured Notes due 2018 (**Former Noteholder**) regarding MBN Shares the Former Noteholder was entitled to receive in connection with the satisfaction and discharge of the claims of Former Noteholders under the deed of company arrangement dated 13 May 2014 and the Notice and Letter of Transmittal dated 4 June 2014 (**Cash-Out Instruction**).

MIPL currently holds 4,580,064 MBN Shares as bare trustee for five remaining Former Noteholders, of which three have submitted Cash-Out Instructions for a total of 3,617,025 MBN Shares. The next sale date of MBN Shares will be on 28 November 2014.

## Share Capital

As at the 30 September 2014 the Company's issued share capital consisted of 929,710,216 ordinary shares.

482,263 performance rights were outstanding at 30 September 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.

US\$5.00 million of 1.00% Subordinated Unsecured Notes due 2044 were issued to all Former Noteholders on 10 September 2014.

## CONTACT DETAILS

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