
QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

Perth, Australia – 16 February 2015: Mirabela Nickel Limited (**Mirabela** or the **Company**) (ASX: MBN) announces its unaudited fourth quarter results for the period ended 31 December 2014.

HIGHLIGHTS

- Production for the quarter of 3,714 tonnes of nickel in concentrate (Q3 2014: 2,628).
- Unit cash costs of US\$4.82/lb for the quarter (Q3 2014: US\$9.02/lb).
- Sales for the quarter of 206 tonnes of nickel in concentrate (Q3 2014: 2,823).
- Year-to-date production of 12,047 tonnes of nickel in concentrate at an average unit cash cost of US\$7.16/lb.
- Average mined nickel grade of 0.47% for the quarter (Q3 2014: 0.43%) and total mining material movement of 6.1 million tonnes (Q3 2014: 6.7 million tonnes).
- Processing plant throughput for the quarter of 1.6 million tonnes (Q3 2014: 1.5 million tonnes).
- Average processing plant nickel recovery of 50% (Q3 2014: 45%) and average nickel feed grade of 0.45% (Q3 2014: 0.39%) for the quarter.
- Cash on hand and on deposit of US\$17.56 million at quarter end (Q3 2014: US\$34.14 million).

OPERATIONS

Mirabela's fourth quarter saw strong improvement in ore mined, including ore grade. Ore processed through the mill was up 8% on the third quarter with a 15% improvement in nickel grade. The improved operational performance is the result of changes to the cut-off grade strategy, better sequencing of ore and waste fronts, mining of higher grades and implementing new process control procedures in the mill.

Safety

Mirabela's twelve month moving average Lost Time Injury Frequency Rate (**LTIFR**) closed the quarter at 1.58. The LTIFR has been impacted by one minor incident during the quarter. Mirabela continues to target further improvements to its safety record through ongoing safety training and safety improvement programs.

Production Statistics

		Three months ended 31 Dec 2014	Three months ended 30 Sept 2014	% change favourable/ (unfavourable)	Year to Date 2014
Mining					
Total Material Mined	Tonnes	6,148,687	6,655,526	(8)	24,517,682
Ore Mined	Tonnes	1,431,410	823,138	74	4,279,490
Nickel Grade	%	0.47	0.43	9	0.44
Processing					
Total Ore Processed	Tonnes	1,640,206	1,512,587	8	5,944,071
Nickel Grade	%	0.45	0.39	15	0.42
Copper Grade	%	0.09	0.07	29	0.09
Cobalt Grade	%	0.02	0.01	100	0.01
Nickel Recovery	%	50	45	11	49
Copper Recovery	%	64	59	8	66
Cobalt Recovery	%	26	23	13	25
Production					
Nickel in Concentrate	DMT	3,714	2,628	41	12,047
Copper in Concentrate	DMT	957	660	45	3,418
Cobalt in Concentrate	DMT	69	49	41	221
Sales					
Nickel in Concentrate ⁽¹⁾	DMT	206	2,823	(927)	8,999
Copper in Concentrate ⁽¹⁾	DMT	44	738	(1,577)	2,736
Cobalt in Concentrate ⁽¹⁾	DMT	4	50	(92)	161

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

Mining

Total mined material movement for the quarter was 6.1 million tonnes of material moved for 1.4 million tonnes of ore. Mined material movement was adversely impacted in December by problems with explosives caused by a manufacturing defect of the detonators. A number of areas with failed blast holes were identified in the latter part of the quarter and the decision was made to halt loading and haulage operations. Sufficient material was available for processing and the work stoppage in the pit did not affect overall planned production. The problems with blasting accessories have been resolved. Ore mined was materially up on the third quarter primarily due to a review of the cut-off grade strategy and improved sequencing of ore and waste fronts. The quarter also saw improvement in the availability of mine hauling equipment, but utilisation was unfavourably impacted by the explosives issue noted above. Specific measures are being implemented to improve the availability of the drill rigs, including the recruitment of specialised personnel. Mine grades of 0.47% are up on the previous quarter.

Processing

During the quarter 1.6 million tonnes of ore was milled, at an average head grade of 0.45% nickel and achieving an average recovery of 50%. A number of operational improvements have been introduced at the plant so as to gain further productivity. At the primary crusher certain redundant protections have been eliminated which in the past resulted in a significant amount of lost time, and limited its average capacity to approximately 900t per hour. As a result of these improvements, the primary crusher is now working at approximately 1,300t to 1,500t per hour, better

reflecting its design capacity. The plant was adversely impacted early in the quarter by electrical problems at the main sub-station, large blocks obstructing the crusher chamber, and the gyratory crusher eccentric bushing burn out.

During the quarter Mirabela produced 3,714 tonnes of contained nickel in concentrate, 957 tonnes of contained copper in concentrate, and 69 tonnes of contained cobalt in concentrate. During the fourth quarter a total of 982 tonnes of nickel in concentrate was shipped to Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) in advance of the sale being recognised in January 2015. 411 tonnes of nickel in concentrate was transported in country to an international and foreign domiciled trading house (**ITH**), pursuant to an existing short-term offtake agreement. The net effect on the quarter's sales was 292t of nickel in concentrate for ITH (including prior period sales adjustments), and -86t of nickel in concentrate for Norilsk Nickel relating to prior period sales adjustments.

Norilsk Nickel

On 19 December 2014 Mirabela received notification from one of its two customers, Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) that, in its view, the Santa Rita Project Concentrate Sales Agreement (**Agreement**) with Mirabela would expire on 31 December 2014. Mirabela does not accept that position. Mirabela's view is that the Agreement will expire when the Minimum Quantity (66,500 tonnes) of nickel concentrate has been sold to Norilsk Nickel and to date 23,729 tonnes of nickel concentrate has been sold to Norilsk Nickel. Mirabela is currently taking legal advice in relation to its rights under the Agreement.

Votorantim

Arbitration proceedings under the rules of the Center for Arbitration and Mediation CCBC, Sao Paulo Brazil, between Mirabela Brazil and Votorantim Metais S.A. (**Votorantim**) continued during the quarter. 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 31 Dec 2014	Three months ended 30 Sept 2014	% change favourable/ (unfavourable)	Year to Date 2014
Payable Nickel Production ⁽¹⁾	Lbs	6,714,126	4,692,931	43	21,594,716
Production Costs					
Mining Cost	US\$/lb	2.80	4.36	36	3.80
Processing Costs	US\$/lb	1.46	2.20	34	1.88
Administration Cost	US\$/lb	0.46	0.94	51	0.74
Subtotal	US\$/lb	4.72	7.50	37	6.42
Selling Costs					
Transport/Shipping Cost	US\$/lb	0.47	0.70	33	0.66
By-Product Credit ⁽²⁾	US\$/lb	(0.29)	(0.99)	(71)	(0.89)
Smelter Charges	US\$/lb	(0.08)	1.81	104	0.97
Subtotal	US\$/lb	0.10	1.52	93	0.74
C1 Unit Cash Cost	US\$/lb	4.82	9.02	47	7.16
Unit Royalty Cost	US\$/lb	0.30	0.59	49	0.42
Realised Nickel Price ⁽²⁾	US\$/lb	18.77	10.01	88	7.24
Realised Copper Price ⁽²⁾	US\$/lb	1.43	2.94	(51)	2.84
Realised Cobalt Price ⁽²⁾	US\$/lb	(42.85)	5.43	(889)	9.58
Average US\$/Real Exchange Rate		2.55	2.28	12	2.35

⁽¹⁾ Average payability of 81%

⁽²⁾ Including prior period QP adjustments

Mirabela recorded a C1 unit cash cost for the fourth quarter of US\$4.82/lb, taking the average unit cash cost for the twelve months to US\$7.16/lb. Unit cash costs for the fourth quarter of 2014 were 47% lower than the third quarter of 2014 predominantly due to significant mining and processing improvements resulting in higher payable nickel production.

In absolute terms, mining costs are lower than the previous quarter due mostly to lower material movement and mining process improvements. Production costs are higher than the previous quarter due primarily to higher ore milled. Overall, as a result of the higher payable nickel production the resulting unit cash cost is lower in Q4 2014.

Cash and Debt

Mirabela closed the fourth quarter with cash on hand and on deposit of US\$17.56 million. The decrease in cash on hand from 30 September 2014 (US\$34.14 million) was driven primarily from a combination of factors including: negative cash flow from operations; capital expenditure of US\$9.19 million (mostly attributable to the tailings dam work); repayment of borrowings for the Caterpillar and Atlas Copco finance facilities of US\$1.68 million; and interest payments relating to the Caterpillar and Atlas Copco finance facilities of US\$0.29 million.

Corporate

Appointment of Operations Director

During October 2014, Victor Retamal was appointed as Operations Director of Mirabela Brazil. Mr Retamal is a mining engineer with over 40 years of experience in the mining industry where his roles included Mine Superintendent, Mine Manager, Operations Manager, General Manager and V.P. Operations in Chile, Honduras, Argentina and Brazil. Mr Retamal has worked for several mining companies such as CODELCO, CAEMI Group, Rosario Resources, Caraiba Mining, BP Minerals, Yamana, CVRD, Canadian Nickel Company (CANICO) and a number of junior exploration companies in Brazil and Argentina. He also has extensive experience in project development, construction, exploration and business development.

Mr Retamal is based at the Mirabela Brazil site and is fluent in Portuguese, English and Spanish.

Mirabela Investments Pty Ltd

On 28 November 2014 Mirabela Investments Pty Ltd (**MIPL**), in its capacity a bare trustee, sold 3,725,932 Mirabela shares (**MBN Shares**) at an average price of \$0.031 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 854,132 MBN Shares as bare trustee for one remaining Former Noteholder. The next sale date of MBN Shares will be on 27 February 2015.

Subordinated Notes

During the fourth quarter Mirabela became aware of an administrative error in the issuing of the US\$5.00 million, 1.00% 30 year subordinated notes which were issued on 10 September 2014 (**Previous Notes**). As a result, the Company issued replacement subordinated notes (**Replacement Notes**) during the quarter with the same terms as the Previous Notes. All Replacement Notes have been issued and all of the Previous Notes have been cancelled.

Share Capital

As at 31 December 2014 the Company's issued share capital consisted of 929,710,216 ordinary shares.

482,263 performance rights were outstanding at 31 December 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.

CONTACT DETAILS

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