MIRABELA NICKEL LTD

ABN 23 108 161 593

Appendix 4E

Unaudited Preliminary Final Report

For the year ended 31 December 2014

Expressed in thousands of US dollars (US$000) unless otherwise stated

CONTENTS

APPENDIX 4E - SUMMARY

For the year ended 31 December 2014

Name of the Entity

Mirabela Nickel Ltd

ABN or Equivalent

23 108 161 593

Results for announcement to the market

			31-Dec-14	31-Dec-13
	Up/Down	% change	US$000	US$000
Revenue from ordinary activities	Down	29.10%	137,677	194,180
Profit from ordinary activities after tax	Up	177.54%	382,945	(493,861)
Profit attributable to equity holders	Up	177.54%	382,945	(493,861)
Basic earnings per share ($ per share)	Up	175.00%	0.42	(0.56)
Diluted earnings per share ($ per share)	Up	155.36%	0.31	(0.56)

Dividends

No dividends have been paid or declared during the year ended 31 December 2014 (31 December 2013: Nil).

	31-Dec-14 US$	31-Dec-13 US$
Amount per security	N/A	N/A
Franked amount per security	N/A	N/A

Net tangible assets/(liabilities)

	31-Dec-14	31-Dec-13
	US$	US$
Net tangible assets/(liabilities) per ordinary share	(0.01)	(0.43)

The following consolidated financial statements and associated notes are currently in the process of being audited. It is likely that the Annual Report will contain an emphasis of matter with respect to the independent audit opinion. Reference should be made to Note 4 for further details.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	31 December 2014 US$000	31 December 2013 US$000
Sales revenue	*5*	137,677	194,180
Treatment, refining and transport charges		(35,237)	(40,884)
Net sales revenue		**102,440**	**153,296**
Direct costs		(123,323)	(158,198)
Royalties		(9,229)	(8,837)
Depreciation, amortisation and depletion		(651)	(20,375)
Cost of sales		**(133,203)**	**(187,410)**
Gross loss		**(30,763)**	**(34,114)**
Income/(Expenses)			
Impairment of property, plant and equipment	*16*	-	(331,182)
General and administration	*8*	(27,324)	(15,821)
Financial income	*6*	1,327	5,070
Financial expense	*6*	(35,024)	(54,098)
Net foreign exchange gain/(loss)		14,499	(48,318)
Other Income	*7*	503,982	816
Other expenses	*7*	(34,961)	(16,214)
		422,499	(459,747)
Profit/(Loss) before income tax		391,736	(493,861)
Income tax expense	*9*	(8,791)	-
Profit/(Loss) for the period		**382,945**	**(493,861)**
OTHER COMPREHENSIVE (EXPENSE) /INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(28,486)	(10,336)
Net change in fair value of cash flow hedges transferred to profit or loss		4,740	9,663
Other comprehensive expense for the period		**(23,746)**	**(673)**
Total comprehensive expense for the period		**359,199**	**(494,534)**
EARNINGS (LOSS) PER SHARE			
Basic earnings (loss) per share ($ per share)	10	0.42	(0.56)
Diluted earnings (loss) per share ($ per share)	10	0.31	(0.56)

The unaudited consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the unaudited consolidated financial statements set out on pages 9 to 33.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to equity holders of the Group					
31 December 2014	***Note***	**Issued capital US$000**	**Translation reserve US$000**	**Share based payments reserve US$000**	**Hedging reserve US$000**	**Accumulated losses US$000**	**Total equity US$000**
Balance at 1 January 2014		**796,517**	**(125,715)**	**5,590**	**(4,740)**	**(1,047,470)**	**(375,818)**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR							
Profit for the year		-	-	-	-	382,945	382,945
Other comprehensive income/ (expense)							
Foreign currency translation differences	22	-	(28,486)	-	-	-	(28,486)
Net change in fair value of cash flow hedges transferred to profit or loss	*14*	-	-	-	4,740	-	4,740
Total other comprehensive (expense)/ income		-	(28,486)	-	4,740	-	(23,746)
Total comprehensive (expense)/income for the year		-	(28,486)	-	4,740	382,945	359,199
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue during the period	*21*	7,296	-	-	-	-	7,296
Share based payments cancelled during the period	22	-	-	(328)	-	328	-
Share based payments recognised	*22*	-	-	328	-	-	328
Total transactions with equity holders		7,296	-	-	-	328	7,624
Balance at 31 December 2014		**803,813**	**(154,201)**	**5,590**	**-**	**(664,197)**	**(8,995)**

The unaudited consolidated statement of changes in equity is to be read in conjunction with the notes to the unaudited consolidated financial statements set out on pages 9 to 33.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to equity holders of the Group					
31 December 2013	***Note***	**Issued capital US$000**	**Translation reserve US$000**	**Share based payments reserve US$000**	**Hedging reserve US$000**	**Accumulated losses US$000**	**Total equity US$000**
Balance at 1 January 2013		**797,110**	**(115,379)**	**7,186**	**(14,403)**	**(555,825)**	**118,689**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR							
Loss for the year		-	-	-	-	(493,861)	(493,861)
Other comprehensive income/ (expense)							
Foreign currency translation differences	22	-	(10,336)	-	-	-	(10,336)
Net change in fair value of cash flow hedges transferred to profit or loss	*14*	-	-	-	9,663	-	9,663
Total other comprehensive (expense)/ income		-	(10,336)	-	9,663	-	(673)
Total comprehensive (expense)/income for the year		-	(10,336)	-	9,663	(493,861)	(494,534)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue costs	*21*	(593)	-	-	-	-	(593)
Options lapsed during the period	*22*	-	-	(1,704)	-	1,704	-
Shares transferred to retained losses due to cancellation	22	-	-	(512)	-	512	-
Share based payments recognised	*22*	-	-	620	-	-	620
Total transactions with equity holders		(593)	-	(1,596)	-	2,216	27
Balance at 31 December 2013		**796,517**	**(125,715)**	**5,590**	**(4,740)**	**(1,047,470)**	**(375,818)**

The unaudited consolidated statement of changes in equity is to be read in conjunction with the notes to the unaudited consolidated financial statements set out on pages 9 to 33.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 December 2014 US$000	31 December 2013 US$000
ASSETS			
Cash and cash equivalents	*11*	17,560	30,735
Trade and other receivables	*12*	5,865	25,223
Inventories	*13*	55,893	67,970
Total current assets		**79,318**	**123,928**
Trade and other receivables	*12*	34,645	31,951
Property, plant and equipment	*16*	36,859	-
Exploration and evaluation assets	*15*	2,363	2,663
Total non-current assets		**73,867**	**34,614**
Total assets		**153,185**	**158,542**
LIABILITIES			
Trade and other payables	*17*	33,388	64,483
Provisions	*18*	2,028	3,392
Borrowings	*19*	1,996	456,241
Total current liabilities		**37,412**	**524,116**
Provisions	*18*	8,334	10,244
Borrowings	*19*	100,722	-
Convertible note derivative	*20*	6,921	-
Deferred tax liability	*9*	8,791	-
Total non-current liabilities		**124,768**	**10,244**
Total liabilities		**162,180**	**534,360**
Net liabilities		**(8,995)**	**(375,818)**
EQUITY			
Contributed equity	*21*	803,813	796,517
Reserves	*22*	(148,611)	(124,865)
Accumulated losses		(664,197)	(1,047,470)
Total deficiency		**(8,995)**	**(375,818)**

The unaudited consolidated statement of financial position is to be read in conjunction with the notes to the unaudited consolidated financial statements set out on pages 9 to 33.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	31 December 2014 US$000	31 December 2013 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		136,336	212,452
Cash paid to suppliers and employees		(187,961)	(250,556)
Interest received		1,327	5,070
Net cash used in operating activities	*23*	**(50,298)**	**(33,034)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*16*	(43,874)	(36,609)
Net cash used in investing activities		**(43,874)**	**(36,609)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue costs	21	-	(593)
Proceeds from borrowings		100,000	-
Repayment of borrowings		(12,275)	(9,631)
Interest paid		(4,047)	(21,431)
Net cash from/(used in) financing activities		**83,678**	**(31,655)**
Net decrease in cash and cash equivalents		(10,494)	(101,298)
Cash and cash equivalents at the beginning of the period		30,735	143,007
Effect of changes in foreign currency		(2,681)	(10,974)
Cash and cash equivalents at end of the year	*11*	**17,560**	**30,735**

The unaudited consolidated statement of cash flows is to be read in conjunction with the notes to the unaudited consolidated financial statements set out on pages 9 to 33.

1. STATEMENT OF COMPLIANCE

This unaudited consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (Cth). The unaudited consolidated financial report of the Group and Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The unaudited consolidated financial statements for the year ended 31 December 2014 have been prepared on a going concern basis. The comparative disclosures for 31 December 2013 were prepared on a non-going concern basis.

2. STATUS OF OPERATIONS AND GOING CONCERN

The Group is engaged in the mining, production and sale of nickel concentrate. Its principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil. The Santa Rita operation produces metal concentrate via a nickel flotation processing plant and is supported by an open pit with a current life of mine of 14 years based on remaining reserves (including 2015). The Group also has a number of near-mine and regional exploration prospects.

The Company notes the challenging nickel market conditions with LME nickel prices continuing to trade below the Group's current cash flow breakeven position after overheads, financing, sustaining capital, general & administration costs and tax.

As announced on 25 June 2014, the Company 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.

The various restructure events were as follows:

- The Senior Unsecured Noteholder debt of US$395.000 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 the Company's ordinary shares on issue at that time (**DOCA Shares**). The DOCA Shares were transferred from existing shareholders of the Company (by order of the Supreme Court of New South Wales) to a trustee who holds them as bare trustee (Mirabela Investments Pty Ltd) for the Original Noteholders.
- The US$115.000 million 9.50% Senior Convertible Secured Notes (**SCSN**) due 24 June 2019 were issued on 24 June 2014 (further details regarding the SCSNs is contained in Note 19):
    - 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 31 December 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.
- US$5.000 million of 1.00% Subordinated Unsecured Notes due 2044 were issued to all former Noteholders on 10 September 2014.

Arbitration proceedings under the rules of the Center for Arbitration and mediation CCBC, São Paulo, Brazil, between Mirabela Brazil and Votorantim Metais S.A. (**Votorantim**) are continuing and have now entered the proof and evidence stage. The arbitration proceeding is in relation to the validity of the alleged force majeure claimed by

Votorantim and the obligations of Votorantim under its off-take agreement with Mirabela Brazil. Mirabela Brazil is also requesting compensation for loss.

Also, following repeated refusals by Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) to comply with its obligations under the Santa Rita Project Concentrate Sales Agreement (**Agreement**) the Company formally terminated the Agreement on 24 February 2015. The Company is currently obtaining legal advice in relation to its right to recover any loss and damage that may arise as a result of Norilsk Nickel's repudiation of the Agreement.

The new Board and Chief Executive Officer/Managing Director, having been appointed post 25 June 2014, have focussed 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 well as progressing the Votorantim arbitration matter noted above and the Norilsk Nickel contract termination.

Mirabela has entered into off-take arrangements for approximately 80% of its forecast range for 2015 nickel concentrate production, with further buyer's options for additional volume. As part of its concentrate inventory management, Mirabela is also in advanced discussions for the sale of its remaining uncontracted nickel concentrate production for 2015 or should the buyer's options not be exercised. Negotiations with various parties are also well advanced for the sale and purchase of Santa Rita nickel concentrate after 2015.

Mirabela holds an operating licence for the Santa Rita mine, issued by the Bahia State Environmental Board (**INEMA**). This licence was issued in September 2009 for a period of four years. Mirabela Brazil has applied for a renewal of the licence. The current licence has been automatically extended until INEMA finalises its review. The Company has no reason to consider the renewal will not be granted, but there is no guarantee the operating licence will be granted and what new conditions will apply.

Also previously announced to the market, during the latter half of 2014 the management team undertook a strategic review of the Santa Rita mine operations with the aim of completing a new business plan for 2015. The review involved:

- completing a new mineral resource model;
- developing a new mine plan including an optimized pit sequence and new phases design for the next four years of production;
- developing new cut-off grade and stockpile strategies;
- a review of metallurgical recoveries and its key drivers;
- the development of new recovery function by ore type;
- modifying operating conditions for the primary crusher;
- improving process control procedures in the plant;
- changes in tailings dam management and tailings deposition; and
- costs structure and personnel review.

The above changes provide management with more effective operating conditions and flexibility at the mine site. The Company achieved increased nickel production and lower C1 cash costs during the fourth quarter of 2014 as compared to the third quarter of 2014. The first month in 2015 also saw sustained nickel in concentrate production figures against planned production.

Mirabela's 2015 mine plan focuses on streamlining operations and reducing production unit costs. The mine plan targets optimising near-term cash flows given the low and volatile nickel price environment. The mine plan has built-in flexibility and can be modified at the appropriate time when nickel prices demonstrate a sustained recovery.

As part of the overall strategic review of the Mirabela mining operations, the Company undertook a complete review of the Santa Rita Ore Reserves and Mineral Resources. The review was possible as there is sufficient and meaningful operational data to support reconciliation with previously used assumptions and parameters. The updated Ore Reserves reduce the projected mine life from 19 years to 14 years because the final phase of the previous ultimate pit and lower-grade mineralized material will not be mined or processed under current assumptions. Specifically, the higher strip ratio and lower-grade material require higher nickel prices to be economically processed and, therefore, have been re-classified as Mineral Resources.

The Board's assessment that the going concern basis of preparation is appropriate for the next 12 months is based on the cash flow forecasts and sensitivities performed by the Company. The Board is relying on the approved new mine plan and should one or more of the key assumptions contained in that new mine plan as commented on above particularly the realised nickel price and production assumptions, not be achieved, there may be material uncertainty that could give rise to significant doubt about the ability of the Group to realise its assets and settle its obligations in an orderly manner over the period required and at the amounts stated in the financial report.

Reference should also be made to Note 4 in terms of the going concern basis of preparation.

3. FINANCIAL REVIEW

The Group recorded a net profit after tax for the year ended 31 December 2014 of US$382.945 million, representing earnings of US$0.42 per share, in comparison to a net loss for the year ended 31 December 2013 of US$493.861 million representing a loss of (US$0.56) per share.

The net profit for the year of US$382.945 million was primarily attributable to the debt forgiveness of the Original Noteholder debt of US$439.715 million, fair value adjustments to the convertible note option of US$61.987 million, and net foreign exchange gains of US$14.499 million; offset by gross losses (US$30.763 million), net financing costs (US$33.697 million), general administration expenses (US$27.324 million), and other expenses (US$34.961 million). Net financing costs mainly comprise of net interest expense relating to the current debts along with the original Senior Unsecured Notes up to the date of forgiveness. Foreign exchange losses comprise of realised and unrealised movements on the conversion of non-USD cash held and borrowings.

Total assets decreased by US$5.357 million to US$153.185 million from 31 December 2013. The decrease in total assets was mainly due to a decrease in trade and other receivables (US$16.664 million), inventories (US$12.077 million), and cash and cash equivalents (US$13.175 million); offset in part by capital expenditure of US$43.874 million (mainly relating to the tailings dam).

Total liabilities were US$162.180 million, a decrease of US$372.180 million from 31 December 2013. The movement in total liabilities was mainly as a result of a decrease in borrowings arising from the debt forgiveness (US$439.715 million), a decrease in trade and other payables (US$31.095 million), and a decrease in provisions (US$3.274 million), offset by new debt in the form of SCSNs totalling US$115.000 million.

Total equity deficiency of US$8.995 million at 31 December 2014 decreased by US$366.823 million from 31 December 2013 primarily as a result of a decrease in accumulated losses (US$383.273 million) due to the debt forgiveness income noted above, along with an increase in contributed equity (US$7.296 million) as a result of new shares being issued. These were partially offset by a decrease in reserves (US$23.746 million) mainly attributable to a decrease in the foreign currency translation reserve (US$28.486 million); partly offset by the unwinding of the remaining hedging reserves (US$4.740 million).

During the year, cash and cash equivalents decreased by US$13.175 million.

Cash outflows from operating activities for the period were US$50.298 million. Cash receipts of US$136.336 million reflected the sale of 9,213 tonnes of nickel in concentrate, and associated by-products, to Norilsk Nickel and to an international trading house (**ITH**). Cash outflows of US$187.961 million were driven primarily by operational costs.

Net cash outflows from investing activities for the period were US$43.874 million. The cash outflows were mostly attributable to deferred waste removal costs, as well as the ongoing lifting of the tailings dam wall.

The net cash inflow from financing activities of US$83.678 million mainly reflects proceeds from the issuing of 9.50%, 5 year Senior Convertible Secured Notes, partially offset by repayment of borrowings (US$12.275 million) and interest (US$4.047 million).

4. GOING CONCERN BASIS OF PREPARATION

As outlined in Note 2 above, the Company recently effectuated the DOCA and exited from voluntary administration. The Board and management are focussing on assessing key business requirements to ensure the Group's ability to realise its assets and settle its obligations in an orderly manner.

The Board has completed its strategic review of the business model for the Santa Rita operations, including its approach to executing mining and production activities. The review involved a number of initiatives to provide Santa Rita with more effective operating and flexibility at the mine site. This has resulted in an approved mine and business plan for 2015. The 2015 mine plan focuses on streamlining operations and reducing production unit costs. The mine plan targets optimising near-term cash flows given the low and volatile nickel price environment. Production levels to-date have improved in line with the mine and business plan. This modelling has been updated for projected nickel prices, foreign exchange and capital expenditure assumptions.

Mirabela has entered into off-take arrangements for approximately 80% of its forecast range for 2015 nickel concentrate production, with further buyer's options for additional volume. As part of its concentrate inventory management, Mirabela is also in advanced discussions for the sale of its remaining uncontracted nickel concentrate production for 2015 or should the buyer's options not be exercised. Negotiations with various parties are also well advanced for the sale and purchase of Santa Rita nickel concentrate after 2015.

The Board's assessment that the going concern basis of preparation is appropriate for the next 12 months is based on the cash flow forecasts and sensitivities performed by the Company. The forecasts used are dependent on the achievement of production in accordance with the new approved mine plan, commercial pricing, along with the stability of the nickel prices and foreign exchange rates to consensus views. Should the operations not successfully achieve forecast production, commercial prices, forecast nickel prices and foreign exchange assumptions not be achieved, the Group may be required to source additional funds through debt or equity markets or a combination of both or a sell-down of assets.

The Board is relying on the new mine plan that was recently approved. Should one or more of the key assumptions contained in that new mine plan as summarised in Note 2, particularly the realised nickel price and production assumptions, not be achieved, there may be material uncertainty that could give rise to significant doubt about the ability of the Group to realise its assets and settle its obligations in an orderly manner over the period required and at the amounts stated in the financial report.

5. SALES REVENUE

	31 December 2014 US$000	31 December 2013 US$000
Nickel Sales	121,489	165,622
Copper Sales	8,747	12,556
Cobalt Sales	1,273	2,858
Other Sales	6,168	13,144
Sales Revenue	**137,677**	**194,180**

Nickel Sales are comprised as follows:

	31 December 2014 US$000	31 December 2013 US$000
Realised nickel sales	119,480	172,394
Revaluation of unrealised nickel sales	3,863	(3,126)
Unwinding of metal and foreign exchange forward contracts designated as hedges	(1,854)	(3,646)
Nickel Sales	**121,489**	**165,622**

Realised nickel sales for the year ended 31 December 2014 comprised 9,213 tonnes of nickel in concentrate (year ended 31 December 2013: 13,602 tonnes), 81% being payable (year ended 31 December 2013: 89%) at an average realised nickel price of US$7.24/lb (year ended 31 December 2013: US$6.46/lb).

Revaluation of unrealised nickel sales comprise of forward price revaluation on sales that have not been finalised as at the period end. In accordance with the Group's off-take agreements, sales are initially recognised using a provisional sales price, being the average LME price of the month prior to the month of sale. Adjustments to the sales price subsequently occur, based on movements in quoted market prices up to the date of final pricing. Adjustments are also made to the sales volume upon finalisation of assays as per the Group's off-take agreements. The period between provisional invoicing and final pricing is typically between two to four months. Accordingly, the fair value of the final sales price adjustment is estimated at period end and changes in the fair value are recognised as an adjustment to revenue. For revaluation purposes fair value is estimated using the forward LME price of the second month after the month of the provisional sale.

During the year ended 31 December 2011 the Group terminated all of its outstanding metal and foreign exchange forward contracts designated as hedges. The ineffective portion of the termination costs relating to these hedges were recognised as an expense and the effective portion were recognised in the hedge reserve. This hedge reserve unwinds to revenue upon realisation of the original underlying hedged transactions (refer to Note 14).

6. FINANCIAL INCOME/(EXPENSE)

	31 December 2014 US$000	31 December 2013 US$000
Interest received	1,327	5,070
Financial income	**1,327**	**5,070**
Interest expense[a]	(33,876)	(41,840)
Borrowing costs	(127)	(11,017)
Discounting of rehabilitation costs	(1,021)	(1,241)
Financial expense	**(35,024)**	**(54,098)**

(a) Interest expense for 31 December 2014 includes the interest charge on the Senior Convertible Secured Notes (SCSNs) (US$5.653 million), along with interest on the original senior unsecured notes up to the date of forgiveness (US$19.442 million). No interest is payable in cash on the SCSNs until maturity date, being 24 June 2019 (refer Note 19).

7. OTHER INCOME/(EXPENSE)

	31 December 2014 US$000	31 December 2013 US$000
Debt Forgiveness[a]	439,715	-
Fair Value adjustment on Derivative[b]	61,987	-
Provision for rehabilitation: discount and inflation rate adjustment	1,762	-
Sundry	518	816
Other income	**503,982**	**816**
Recoverable Brazilian tax credits write-off[c]	(11,022)	(7,923)
Critical spares write-off[d]	-	(2,371)
Research expenses	(827)	(2,197)
Indirect taxes	(1,943)	(1,698)
Provision for doubtful debts	-	(1,329)
Provision for onerous lease	-	(298)
Restructuring expenses[e]	(14,872)	-
Subordinated notes expense[f]	(5,000)	-
Sundry	(1,297)	(398)
Other expenses	**(34,961)**	**(16,214)**
Other expenses - net	**469,021**	**(15,398)**

(a) Debt forgiveness

Resulting from the Company restructure, the Senior Unsecured Noteholder debt of US$395.000 million 8.75% Senior Unsecured Notes due 15 April 2018 (**Original Noteholders**) and incurred interest, were extinguished on 25 June 2014 at the termination of the Deed of Company Arrangement (**DOCA**). In return, the Original Noteholders became entitled to approximately 98.2% of the Company's existing ordinary shares on issue at that time (**DOCA Shares**). The DOCA Shares were transferred from existing shareholders of the Company (by order of the Supreme Court of New

South Wales) to a trustee who holds them as bare trustee (Mirabela Investments Pty Ltd) for the Original Noteholders.

(b) Fair value adjustment

The value of the option component of the Senior Convertible Secured Notes fluctuates with the Company's underlying share price and the USD:AUD exchange rate as reported from period to period, which is reflected as the fair value adjustment (refer to Note 20).

(c) Recoverable Brazilian tax credits

As a result of the concentrate sales shift from Votorantim to an international trading house, there is no certainty that the accumulating Brazilian state input tax credits, which usually get offset against the same indirect taxes on domestic sales, will be fully utilised in the future. However, approval was recently granted by the Brazil Bahia State Tax Authority for the Group to utilise these credits against other specific tax liabilities and to potentially sell remaining credits to third party entities at a discount, under specific conditions.

(d) Critical Spares write-off

Relates to critical spares no longer required for use by the Company.

(e) Restructuring expenses

The restructuring expenses relate to the fees incurred in accordance with the Syndicated Note Subscription Deed, which formed part of the debt that was repaid by the Company via the issuance of the Senior Convertible Secured Notes (refer Note 19). Legal and advisory expenses relating to the Company restructure form part of general & administration costs and are commented on in Note 8.

(f) Subordinated notes expense

As a requirement of part of the restructuring and recapitalisation of the Company, US$5.000 million, 1.00%, 30 year subordinated notes were issued for no consideration to former holders of the US$395.000 million, 8.75% senior unsecured notes originally due in 2018.

8. GENERAL & ADMINISTRATION EXPENSE

The general & administration expenses include legal and advisory fees of approximately US$15.508 million relating to the Company's recent restructure/recapitalisation process.

9. INCOME TAX EXPENSE

Major components of income tax expense for the year ended 31 December 2014 and year ended 31 December 2013 are:

	31 December 2014 US$000	31 December 2013 US$000
Consolidated statement of profit or loss and other comprehensive income		
Deferred income tax expense	8,791	-
Income tax expense reported in consolidated statement of profit or loss and other comprehensive income	**8,791**	**-**

Reconciliation of income tax expense to accounting profit/(loss) before tax

The reconciliation of the income tax expense/(benefit) arising on accounting (loss)/profit before income tax at the statutory income tax rate to the actual income tax expense, for the year ended 31 December 2014 and year ended 31 December 2013 are as follows:

	31 December 2014 US$000	31 December 2013 US$000
Accounting profit/(loss) before income tax	**391,736**	**(493,861)**
Tax on profit/(loss) at the income tax rate of 30% (31 December 2013: 30%)	117,521	(148,158)
Add/(deduct):		
(Non-assessable)/non-deductible items	(43,428)	1,676
Differences in global tax rates	(4,832)	(11,038)
Deferred tax asset (including tax losses) (recognised)/not recognised	(60,470)	157,520
Income tax expense	**8,791**	**-**

Current tax liabilities

The provision for current tax as at 31 December 2014 was US$ Nil (31 December 2013: US$ Nil).

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	US$000	US$000	US$000	US$000	US$000	US$000
Property, plant & equipment	(137,098)	(177,340)	-	-	(137,098)	(177,340)
Cash and cash equivalents	-	-	414	1	414	1
Trade and other receivables	(384)	-	-	-	(384)	-
Prepayments	-	(428)	1	-	1	(428)
Inventory	(2,804)	(3,162)	-	-	(2,804)	(3,162)
Intercompany interest - assessable	-	-	20,777	14,815	20,777	14,815
Current tax assets	-	(2,806)	-	-	-	(2,806)
Trade and other payables	(3,387)	(5,882)	-	-	(3,387)	(5,882)
Provisions	(341)	(61)	-	-	(341)	(61)
Borrowings	(54,338)	(56,777)	-	-	(54,338)	(56,777)
Brazil reserves	-	(3,123)	-		-	(3,123)
Capital raising costs	-	(1,767)	-	-	-	(1,767)
Tax losses carried forward	(81,321)	(91,212)	-	-	(81,321)	(91,212)
Deferred tax assets not recognised	267,272	327,742	-	-	267,272	327,742
Tax (assets)/ liabilities	(12,401)	(14,816)	21,192	14,816	8,791	-
Tax set off	12,401	14,816	(12,401)	(14,816)	-	-
Net tax (assets)/liabilities	**-**	-	**8,791**	-	**8,791**	**-**

Movement in temporary differences during the year ended 31 December 2014:

US$000	Balance 1 January 2014	Recognised in Income	Recognised in Equity	Balance 31 December 2014
Intercompany interest - assessable	14,815	5,962	-	20,777
Borrowings	(56,777)	2,439	-	(54,338)
Current tax assets	(2,806)	2,806	-	-
Property, plant and equipment	(177,340)	40,242	-	(137,098)
Cash and cash equivalents	1	413	-	414
Trade and other receivables	-	(384)	-	(384)
Prepayments	(428)	429	-	1
Inventory	(3,162)	358	-	(2,804)
Trade and other payables	(5,882)	2,495	-	(3,387)
Provisions	(61)	(280)	-	(341)
Brazil reserves	(3,123)	-	3,123	-
Capital raising costs	(1,767)	-	1,767	-
Tax losses carried forward	(91,212)	9,891	-	(81,321)
Deferred tax assets not recognised	327,742	(55,580)	(4,890)	267,272
	-	**8,791**	**-**	**8,791**

Movement in temporary differences during the year ended 31 December 2013:

US$000	Balance 1 January 2013	Recognised in Income	Recognised in Equity	Balance 31 December 2013
Intercompany interest - assessable	12,864	1,951	-	14,815
Borrowings	(1,565)	(55,212)	-	(56,777)
Current tax assets	-	(2,806)	-	(2,806)
Property, plant and equipment	(129,587)	(47,753)	-	(177,340)
Cash and cash equivalents	(209)	210	-	1
Prepayments	-	(428)	-	(428)
Inventory	-	(3,162)	-	(3,162)
Trade and other payables	(5,655)	(227)	-	(5,882)
Provisions	(1,241)	1,180	-	(61)
Brazil reserves	-	-	(3,123)	(3,123)
Capital raising costs	(3,706)	-	1,939	(1,767)
Tax losses carried forward	(41,123)	(50,089)	-	(91,212)
Deferred tax assets not recognised	170,222	156,336	1,184	327,742
	-	-	-	-

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2014 US$000	31 December 2013 US$000
Unrecognised deferred balances		
Temporary differences	(185,951)	(236,530)
Tax losses	(81,321)	(91,212)
	(267,272)	**(327,742)**

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits.

10. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic earnings per share of US$0.42 at 31 December 2014 (31 December 2013: US$0.56 loss per share) was based on the profit attributable to ordinary shareholders of US$382.945 million (31 December 2013: US$493.861 million loss) and a weighted-average number of ordinary shares outstanding during the financial year ended 31 December 2014 of 904,342,854 (31 December 2013: 876,775,340) calculated as follows:

	Basic earnings (loss) per share		Diluted earnings (loss) per share	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Profit/(loss) attributable to ordinary shareholders (US$000)	382,945	(493,861)	387,599	(493,861)
Issued ordinary shares at start of period	876,801,147	876,582,736	876,801,147	876,582,736
Effect of issue of shares	27,541,707	192,604	27,541,707	192,604
Effect of Senior Convertible Secured Notes	-	-	355,170,665	-
	904,342,854	**876,775,340**	**1,259,513,519**	**876,775,340**
Earnings (Loss) per share in US$ dollars	**0.42**	**(0.56)**	**0.31**	**(0.56)**

Performance rights and share options on issue are not dilutive as their exercise would have the impact of decreasing loss per share in the prior year. There were no performance rights and no share options on issue at 31 December 2014 (31 December 2013: 5,010,045 performance rights and 400,000 share options).

11. CASH AND CASH EQUIVALENTS

	31 December 2014 US$000	31 December 2013 US$000
Cash at bank and on hand	11,210	13,267
Deposits	6,350	17,468
	17,560	**30,735**

12. TRADE AND OTHER RECEIVABLES

	31 December 2014 US$000	31 December 2013 US$000
Current asset		
Trade receivables	1,775	13,666
Prepayments	4,090	11,557
	5,865	**25,223**
Non-current asset		
Other receivables	-	432
Prepayments	34,645	31,519
	34,645	**31,951**

Current prepayments include payments in advance for consumables not yet delivered.

Non-current prepayments comprise certain recoverable Brazilian federal and state taxes arising from the construction and commissioning stages of the Santa Rita operation as well as operating expenses prepayments. It is anticipated that these taxes will be offset against future income tax payable, however, a provision of US$11.597 million has been taken up against the non-recoverable component of the State taxes.

13. INVENTORIES

	31 December 2014 US$000	31 December 2013 US$000
Broken ore – at cost (2013: at NRV)	3,955	19,502
Concentrate – at cost (2013: at NRV)	29,312	15,545
Stores, spares and consumables – NRV	22,626	32,923
	55,893	**67,970**

Stores, spares and consumables represent materials and supplies consumed in the production process. All stocks have been calculated as the lower of cost and net realisable value, with net realisable value for broken ore stocks and concentrate representing the estimated selling price in the ordinary course of business less any further costs expected to be incurred in respect of such disposal. Net realisable value expense for 2014 equated to US$0.528 million.

14. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2014 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions, and was fully unwound as at 31 December 2014.

Net unwind/change in fair value of cash flow hedges transferred to profit or loss:

	Unwind 31 December 2014 US$000	Unwind 31 December 2013 US$000
Nickel and Copper- forward contracts	4,740	11,330
Foreign exchange - forward contracts	-	(1,667)
	4,740	**9,663**

15. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2014 US$000	31 December 2013 US$000
Balance at the beginning of the period	2,663	3,490
Expenditure incurred during the period	-	-
Transferred to construction and development in progress	-	(422)
Effect of movements in foreign exchange	(300)	(405)
Balance at the period end	**2,363**	**2,663**

16. PROPERTY, PLANT & EQUIPMENT

31 December 2014 US$000	Plant & equipment	Leased assets	Land	Mine properties[(a)]	Construction & development expenditure	Total
Cost						
Balance at 1 January 2014	**380,708**	**60,703**	**9,870**	**336,175**	**6,350**	**793,806**
Additions	4,741	2,932	-	11,524	24,677	43,874
Rehabilitation discount and inflation rate adjustment	-	-	-	-	-	-
Transfers from exploration & evaluation expenditure	-	-	-	-	-	-
Transfer to stores, spares and consumables	(811)	-	-	-	-	(811)
Disposals	(191)	(260)	-	-	-	(451)
Transfers	(1,258)	1,258	-	29,103	(29,103)	-
Effect of movement in exchange rates	(44,806)	(7,591)	(1,154)	(44,197)	(183)	(97,931)
Balance at 31 December 2014	**338,383**	**57,042**	**8,716**	**332,605**	**1,741**	**738,487**
Depreciation and Impairment						
Balance at 1 January 2014	**(380,708)**	**(60,703)**	**(9,870)**	**(336,175)**	**(6,350)**	**(793,806)**
Depreciation charge for the year	(387)	(150)	-	(114)	-	(651)
Transfers	-	-	-	(4,426)	4,426	-
Reclassification of critical spares	-	-	-	-	-	-
Effect of movement in exchange rates	44,527	7,107	1,154	39,858	183	92,829
Balance at 31 December 2014	**(336,568)**	**(53,746)**	**(8,716)**	**(300,857)**	**(1,741)**	**(701,628)**
Net book value at 31 December 2014	**1,815**	**3,296**	**-**	**31,748**	**-**	**36,859**

(a) Mine Properties

Includes deferred stripping costs of USD$10.104 million (31 December 2013: nil).

(i) Impairment - 2014

As the Group identified impairment indicators such as the challenging nickel market conditions with LME nickel prices, the termination of one of the Company's two off-take contracts (as outlined in Note 2), and the Company's market capitalisation being lower than the value of the long term assets, the Group performed an impairment test on the recoverability of its assets using consensus analyst nickel price assumptions as at 31 December 2014.

The Group is a single asset, single commodity producer and therefore the Group as a whole was determined a cash generating unit (**CGU**) for impairment purposes. The recoverable amount of the CGU was determined based on value in use (**VIU**). VIU was determined using a discounted cash flow model.

The fair value of property, plant and equipment is based on the level 3 fair value hierarchy, this being unobservable inputs.

The basis for determination of the recoverable amount was:

- *Nickel price* – future nickel prices were based on the quarter four 2014 consensus views from market participants (2013: quarter four of 2013);
- *Nickel production* – future nickel production was based on the new fourteen year life of mine model with material movement in 2015 of 27.9Mtpa (2013: 25Mtpa in 2015);
- *Operating and capital cost* – these costs were based on the new fourteen year life of mine model with material movement in 2015 of 27.9Mtpa (2013: 25Mtpa in 2015);
- *Foreign exchange rates* – Brazilian real to US dollar exchange rates were based on quarter four 2014 (2013: quarter four of 2013) forecast consensus views from market participants; and
- *Discount rate* – a post–tax real discount rate based on weighted average cost of capital of an expected market participant.

Based on the above review, the Group is of the opinion that no impairment exists for the reporting period ended 31 December 2014. However, any material negative change in the above assumptions may result in a future impairment occurring.

(ii) Impairment - 2013

For the year ended 31 December 2013, the Group recognised an impairment charge of US$331.182 million, resulting from factors such as continued low nickel prices and the non-recoverability of Brazilian indirect state taxes pursuant to the change from domestic to export sales. As a result of this impairment charge the production assets of the Group at that time were fully written down.

31 December 2013 US$000	Plant & equipment	Leased assets	Land	Mine properties[(b)]	Construction & development expenditure	Total
Cost						
Balance at 1 January 2013	452,460	32,169	11,315	386,573	375	882,892
Additions	14,165	8,393	-	7,834	6,217	36,609
Rehabilitation discount and inflation rate adjustment	-	-	-	(6,555)	-	(6,555)
Transfers from exploration & evaluation expenditure	-	-	-	-	422	422
Transfer to stores, spares and consumables	(3,167)	-	-	-	-	(3,167)
Disposals	(2,071)	-	-	-	-	(2,071)
Transfers	(29,112)	29,173	-	-	(61)	-
Effect of movement in exchange rates	(51,567)	(9,032)	(1,445)	(51,677)	(603)	(114,324)
Balance at 31 December 2013	**380,708**	**60,703**	**9,870**	**336,175**	**6,350**	**793,806**
Depreciation and Impairment						
Balance at 1 January 2013	(275,353)	(26,397)	(5,822)	(216,516)	(191)	(524,279)
Depreciation charge for the year	(6,954)	(1,754)	-	(6,404)	-	(15,112)
Impairment charge for the year	(156,134)	(18,240)	(4,940)	(145,709)	(6,159)	(331,182)
Transfers	20,854	(20,854)	-	-	-	-
Transfer to stores, spares and consumables	(1,982)	-	-	-	-	(1,982)
Effect of movement in exchange rates	38,861	6,542	892	32,454	-	78,749
Balance at 31 December 2013	**(380,708)**	**(60,703)**	**(9,870)**	**(336,175)**	**(6,350)**	**(793,806)**
Net book value at 31 December 2013	**-**	**-**	**-**	**-**	**-**	**-**

17. TRADE AND OTHER PAYABLES

	31 December 2014 US$000	31 December 2013 US$000
Trade payables	26,303	32,022
Other payables and accrued expenses	7,085	32,461
	33,388	**64,483**

18. PROVISIONS

	31 December 2014 US$000	31 December 2013 US$000
Current liability		
Provision for annual leave	1,940	3,094
Provision for onerous lease	88	298
	2,028	**3,392**
Non-current liability		
Provision for rehabilitation	8,266	10,093
Other provision non-current	68	151
	8,334	**10,244**
Reconciliation of movements in provisions:		
Provision for annual leave		
Balance at beginning of period	3,094	3,281
Provision (reversed)/made during the financial period	(804)	232
Effect of movements in foreign exchange	(350)	(419)
Balance at period end	**1,940**	**3,094**
Provision for onerous lease		
Balance at beginning of period	298	-
Provision (reversed)/made during the financial period		298
Provision used during the financial period	(185)	-
Effect of movements in foreign exchange	(25)	-
Balance at period end	**88**	**298**
Provision for rehabilitation		
Balance at beginning of period	10,093	17,777
Accretion expense	1,021	1,241
Discount and inflation rate adjustment	(1,762)	(6,555)
Effect of movements in foreign exchange	(1,086)	(2,370)
Balance at period end	**8,266**	**10,093**
Other provision non-current		
Balance at beginning of period	151	-
Provision used during the financial period		-
Provision (reversed)/made during the financial period	(64)	162
Effect of movements in foreign exchange	(19)	(11)
Balance at period end	**68**	**151**

The rehabilitation provision is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita operation. The Group uses third parties to estimate these costs. The estimate will be reviewed over time as the operation develops. The unwinding of the effect of discounting on the provision is recognised as a finance cost. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine. Other provisions non-current includes indirect taxes payable which are not repayable in the next twelve months.

19. BORROWINGS

31 December 2014 US$000	Subordinated unsecured note (i)	Senior convertible secured note (ii)	Caterpillar finance lease facility (iii)	Banco Bradesco loan (iv)	Atlas Copco finance lease facility (v)	Total
Nominal Interest Rate	1.00%	9.50%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2014 to 2044	2014 to 2019	2009 to 2015	2012 to 2018	2012 to 2015	
Carrying Value	**5,000**	**48,722**	**1,259**	**47,000**	**737**	**102,718**
Current borrowings	-	-	1,259	-	737	**1,996**
Non-current borrowings	5,000	48,722	-	47,000	-	**100,722**
	5,000	**48,722**	**1,259**	**47,000**	**737**	**102,718**

31 December 2013 US$000	Senior unsecured notes (vi)	Caterpillar finance lease facility (iii)	Banco Bradesco loan (iv)	Atlas Copco finance lease facility (v)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2011 to 2018	2009 to 2015	2012 to 2014	2012 to 2015	
Carrying Value	**395,000**	**9,031**	**50,000**	**2,210**	**456,241**
Current borrowings	395,000	9,031	50,000	2,210	456,241
	395,000	**9,031**	**50,000**	**2,210**	**456,241**

(i) US$5.000 million, 1.00% subordinated unsecured notes (**Subordinated Notes**) due 10 September 2044 were issued on 10 September 2014. Interest on the Subordinated Notes shall be capitalised by the Company and added to the principal amount of the Subordinated Notes annually in arrears on 10 September of each year during the term of the Subordinated Notes.

(ii) US$115.000 million of 9.50% Senior Convertible Secured Notes (**SCSN**) due 24 June 2019 were issued on 24 June 2014. Interest on the SCSNs shall be capitalised by the Company and added to the principal amount of the SCSNs semi-annually in arears on 24 June and 24 December of each year during the term of the SCSNs. The SCSNs are secured by a first ranking charge on a material part of the assets of the Group (including shares in its subsidiaries and a material part of the assets of Mirabela Brazil).

Initial debt establishment costs of US$7.296 million were offset against the principal borrowings amount and are amortised using the effective interest rate method. The SCSNs have been separated from the convertible note option, which is separately disclosed at Note 20. The US$115.000 million of SCSNs initially comprised: borrowings of US$39.107 million; convertible note option initial recognition of US$68.597 million; and initial debt establishment costs of US$7.296 million. These amounts will change over the life of the SCSNs as effective interest charges and fair value adjustments occur.

The SCSNs, including the incurred interest, are convertible into the Company's ordinary shares at the discretion of the SCSN Holders up to the maturity date of 24 June 2019. No SCSNs were converted into the Company's ordinary shares as at 31 December 2014. The Company has the option to redeem the SCSNs on or after the third anniversary of the issuance of the SCSNs, based on specified terms. On redemption, any principal and incurred interest will be paid out in cash.

(iii) The US$55.000 million master funding and leasing agreement is for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn down to US$40.795 million as at 31 December 2014, with US$1.259 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted-average interest rate of 3.93%).

(iv) During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda (**Mirabela Brazil**), entered into a US$50.000 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. The Company negotiated revised repayment terms on the facility which provided for a part payment of US$3.000 million in January 2014 and the remaining amount of the principal, by agreement dated 6 May 2014, to be deferred to 29 March 2018. Interest remains payable bi-annually at a rate of LIBOR plus 6%. The loan is unsubordinated and secured by a Guarantee from the Company and a fiduciary assignment on the Norilsk Nickel or replacement off-take arrangements.

(v) The Company entered into a US$5.200 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down-payment of US$0.780 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012. US$0.737 million is outstanding after repayments as at 31 December 2014.

(vi) US$395.000 million of 8.75% Senior Unsecured Notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes were guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda. Interest on the notes was payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes. Borrowing costs of US$20.476 million to secure this funding were offset against the principal borrowings amount and were amortised using the effective interest rate method.

Resulting from the Company restructure, the Senior Unsecured Noteholder debt (**Original Noteholders**) and incurred interest were extinguished on 25 June 2014 at the termination of the Deed of Company Arrangement (**DOCA**). In return, the Original Noteholders became entitled to approximately 98.2% of the Company's ordinary shares on issue at that time (**DOCA Shares**). The DOCA Shares were transferred from existing shareholders of the Company (by order of the Supreme Court of New South Wales) to a trustee who holds them as bare trustee for the Original Noteholders. A gain on forgiveness of the Original Noteholder debt of US$439.715 million has been recognised (refer to Note 3).

Finance Lease Liabilities

	31 December 2014			31 December 2013		
US$000	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	2,032	36	1,996	9,656	383	9,273
Between one and five years	-	-	-	2,007	39	1,968
	2,032	36	1,996	**11,663**	**422**	**11,241**

The above represents contractual cash flows.

20. CONVERTIBLE NOTE OPTION

	31 December 2014 US$000	31 December 2013 US$000
Balance at beginning of period	-	-
Fair value – initial recognition	68,908	-
Fair value - adjustment	(61,987)	-
Balance at period end	**6,921**	**-**

The option component of the Senior Convertible Secured Notes (SCSN) is classified as a derivative liability.

The value of the derivative fluctuates with the Company's underlying share price and the difference in the Company's share price between date of inception and 31 December 2014 is reflected in the fair value movement. An increase in the share price of the Company increases the convertible note option liability. The decrease in the Company's share price since inception has resulted in a fair value gain.

As the SCSNs are denominated in United States dollars (USD) and convertible into equity at a fixed USD price, the change in the exchange rate with the Australian dollar (AUD) is also taken into account in deriving the fair value movement during the period. A weakening in the USD:AUD exchange rate increases the convertible note option liability. The strengthening in the USD:AUD exchange rate since inception has also contributed to the fair value gain.

The date of inception of the convertible note option was 24 June 2014.

21. CONTRIBUTED EQUITY

	Number of Securities		Value	
	31 December 2014	31 December 2013	31 December 2014 US$000	31 December 2013 US$000
Net ordinary shares	929,710,216	876,801,147	803,813	796,517
	929,710,216	**876,801,147**	**803,813**	**796,517**

Movement in share capital for the year ended 31 December 2014

	Ordinary shares	Number of shares	Issue price[(2)]	US$
1 January 2014	Opening balance	**876,801,147**		**796,516,913**
24 June 2014	Shares issued as Fee Shares[(1)]	34,532,547	0.1379	4,762,038
24 June 2014	Shares issued as Rollover Shares [(1)]	18,376,522	0.1379	2,534,122
30 June 2014	**Closing balance**	**929,710,216**		**803,813,073**

(1) The Senior Convertible Secured Notes (**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 new capital parties subscribing to the US$55.000 million of SCSNs (**Fee Shares**); and
- 18,376,522 ordinary shares were issued to the Syndicated Note Subscription Deed (**SNSD**) lenders for rolling over the SNSD debt (US$45.000 million) and incurred interest & fees (US$15.000 million) into the SCSNs (**Rollover Shares**).

(2) Issue price is based on the derivative option value share price calculated as at 24 June 2014.

Movement in share capital for the year ended 31 December 2013

	Ordinary shares	Number of shares	Issue price	US$
January 1, 2013	Opening balance	**876,582,736**		**797,110,316**
January 23, 2013	Shares issued on conversion of performance rights (Issued at A$1.84) [(1)]	182,358	-	-
May 31, 2013	Shares issued on conversion of performance rights (Issued at A$0.98) [(1)]	36,053	-	-
December 31, 2013	**Closing balance**	**876,801,147**		**797,110,316**
Less:	Share issue cost – prior period[(2)]	**-**		**(593,403)**
		876,801,147		**796,516,913**

(1) Performance rights converted to shares not for cash.
(2) Represents costs relating to the prior period equity raisings.

Weighted average number of shares

	Year ended 31 December 2014	Year ended 31 December 2013
Weighted basic average number of shares outstanding (000's)	904,343	876,775
Weighted diluted average number of shares outstanding (000's)	1,259,514	876,775

Unissued Shares under Performance Rights at 31 December 2014

Vesting date	Number of Performance Rights
31 December 2013	482,263
Balance	482,263

On 18 March 2013, the previous Board suspended and subsequently cancelled the remaining performance rights of its previous performance rights plan (being the "*Mirabela Nickel Limited Performance Rights Plan*" originally approved at a Shareholders meeting held on 13 September 2010). The performance rights pertaining to the previous plan that were in a holding lock were to be allowed to vest at the completion of the vesting period, however, on 10 January 2014, the previous Committee suspended these performance rights from being converted into shares.

Unissued Shares under Performance Rights at 31 December 2013

Vesting date	Number of Performance Rights
31 December 2013	482,263
31 December 2015[(1)]	4,527,782
Balance	5,010,045

(1) Performance rights granted pursuant to the "2013 Mirabela Nickel Limited Long Term Incentive Plan" (LTI), approved by shareholders on 30 May 2013, were subsequently cancelled by the previous Committee on 10 January 2014.

Unissued shares under Options at 31 December 2014

During the year ended 31 December 2014 a total of 400,000 options previously issued at an exercise price of A$3.00 were unexercised and as a result have expired. There were no options outstanding as at 31 December 2014. (31 December 2013: 400,000).

22. RESERVES

	31 December 2014 US$000	31 December 2013 US$000
Share based payments reserve	5,590	5,590
Translation reserve	(154,201)	(125,715)
Hedge reserve	-	(4,740)
	(148,611)	**(124,865)**
Reconciliation of movement in reserves:		
Share based payments reserve		
Balance at beginning of period	5,590	7,186
Options lapsed during the period[(1)]	-	(1,704)
Performance rights cancelled during the period	(328)	(512)
Equity-settled share based payment transactions	328	620
Balance at period end	**5,590**	**5,590**
Translation reserve		
Balance at beginning of period	(125,715)	(115,379)
Effect of translation of foreign currency operations to Group presentation currency	(28,486)	(10,336)
Balance at period end	**(154,201)**	**(125,715)**
Hedge reserve		
Balance at beginning of period	(4,740)	(14,403)
Net change in fair value of cash flow hedges transferred to profit or loss	4,740	9,663
Balance at period end	**-**	**(4,740)**

(1) This represents the reversal of options previously expensed. This amount was transferred from reserves to retained earnings.

Share based payments reserve

The share based payments reserve represents the value of performance rights and options issued under the remuneration arrangement that the Group is required to disclose in the consolidated financial statements. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group where the functional currencies are different to the presentation currency for reporting purposes, including the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. As at 31 December 2013 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the original underlying hedged transactions.

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	31 December 2014 US$000	31 December 2013 US$000
Cash flows from operating activities		
Profit/(loss) for the year	382,945	(493,861)
Adjustments for:		
Impairment of property, plant & equipment	-	331,182
Change in fair value of convertible note option	(61,987)	-
Net foreign exchange (gain)/loss	(21,108)	34,582
Depreciation and amortisation expense	651	15,112
Interest expense	35,024	49,028
Restructuring expenses	19,872	-
Debt forgiveness income	(439,715)	-
Net unwind of cash flow hedges to profit or loss	4,740	9,663
Equity-settled share based payments expense	328	620
Inventory and critical spares write-off	-	5,540
Operating loss before changes in working capital	**(79,250)**	**(48,134)**
Decrease/(increase) in trade and other receivables	16,664	16,835
(Increase)/decrease in inventories	12,077	(16,618)
Increase/(decrease) in trade and other payables	(7,374)	18,477
(Decrease)/increase in tax liabilities	8,791	-
(Decrease)/increase in provisions	(2,533)	(8,664)
Cash used in operating activities	**(51,625)**	**(38,104)**
Interest received	1,327	5,070
Taxes paid	-	-
Net cash used in operating activities	**(50,298)**	**(33,034)**

24. DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2014 (31 December 2013: Nil).

25. DIVIDEND REINVESTMENT PLAN

Not applicable

26. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

No control has been gained or lost over an entity during the year end 31 December 2014

27. DETAILS OF ASSOCIATES OR JOINT VENTURES

The Company has no associates nor has it participated in any joint ventures during the year ended 31 December 2014.

28. RETURNS TO SHAREHOLDERS

There have been no returns to shareholders during the year ended 31 December 2014.

29. SEGMENT INFORMATION

During the year, the Group operated in one business and operating segment, mineral exploration and production, and in one primary geographical area, Brazil, with two customers: Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**), subsidiary of OJSC MMC Norilsk Nickel, and an international trading house (**ITH**). Sales for the year ended 31 December 2014 were split 57% to Norilsk Nickel, and 43% to ITH (31 December 2013: 69% to Votorantim, 21% to Norilsk Nickel, and 10% to ITH).

Customer Sector Group	Principal Activities
Base Metals	Mining of nickel, copper, cobalt and platinum in Brazil

The Group has one reportable segment and no unallocated assets, liabilities, equity, profit or loss.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

30. SUBSEQUENT EVENTS

Off-takes

Following repeated refusals by Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) to comply with its obligations under the Santa Rita Project Concentrate Sales Agreement (**Agreement**) the Company formally terminated the Agreement on 24 February 2015. The Company is currently obtaining legal advice in relation to its right to recover any loss and damage that may arise as a result of Norilsk Nickel's repudiation of the Agreement.

An off-take agreement has been entered into with an international trading house (ITH) on 30 January 2015 for approximately 80% of the Group's forecast range for 2015 nickel concentrate production.

Mine Plan

The Board approved the Company's new Mine and Business Plan for 2015 (the **Mine Plan**), as referred to in Note 2, on 10 February 2015. The Mine Plan focuses on streamlining operations and reducing production unit costs. The Mine Plan targets optimising near-term cash flows given the low and volatile nickel price environment. Production levels to-date have improved in line with the Mine Plan.

Dated at Perth this 28th day of February 2015.

Signed in accordance with a resolution of the directors.

Richard Newsted	**Maryse Belanger**
Non-executive Chairman	***Chief Executive Officer***
	& Managing Director