



MIRABELA NICKEL
LTD

ABN 23 108 161 593

Annual Report
31 December 2014

CORPORATE DIRECTORY

BOARD OF DIRECTORS

as at 31 December 2014:

Richard Newsted

Non-executive Chairman
(appointed 25 June 2014)

Maryse Belanger

Chief Executive Officer and Managing
Director
(appointed 27 June 2014)

Ross Griffiths

Non-executive Director
(appointed 25 June 2014)

Mark Milazzo

Non-executive Director
(appointed 25 June 2014)

Aliastair McKeever

Non-executive Director
(appointed 6 August 2014)

COMPANY SECRETARY

Dr. Linda Tompkins
(appointed 25 June 2014)

REGISTERED OFFICE

Level 21, Allendale Square
77 St Georges Terrace
Perth WA 6000
PO Box Z5184
St Georges Terrace
Perth WA 6831

Telephone: +61 8 9324 1177
Fax: +61 8 9324 2171
Email: info@mirabela.com.au
Website: www.mirabela.com.au

BRAZIL OFFICE

Mirabela Mineração do Brasil Ltda
Rua Antônio de Albuquerque, 166,
13º andar, Funcionários
30112-010 Belo Horizonte, MG - Brasil

Telephone: +55 31 3307 0902
Fax: +55 31 3307 0901

SHARE REGISTRY (AUSTRALIA)

Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009
PO Box 1156
Nedlands WA 6909

Telephone: +61 8 9389 8033
Fax: +61 8 9389 7871
Email: admin@advancedshare.com.au
Website: www.advancedshare.com.au

COMPANY AUDITORS

KPMG
235 St Georges Terrace
Perth WA 6000 Australia

Telephone: +61 8 9263 7171
Fax: +61 8 9263 7129
Website: www.kpmg.com.au

STOCK EXCHANGE LISTING

Australian Securities Exchange
(ASX code: MBN)

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DIRECTORS' REPORT

The directors of Mirabela Nickel Limited (the **Company**) present their report together with the financial report of the Company and of the Group, being the Company and its subsidiaries, for the financial year ended 31 December 2014 and the auditor's report thereon. The use of the words Company and Group are interchangeable for the purposes of this report and the financial report.

1 DIRECTORS AND COMPANY SECRETARY

The directors and the company secretary of the Company at any time during or since the end of the financial year were as follows:

1.1 Directors**Information on Directors**

Mr Richard Newsted	Non-executive Director (appointed 25 June 2014)
Qualifications	BSc (Accounting), M Bus Admin (Hons)
Experience	Mr Newsted is a senior executive with over 30 years' experience in senior executive roles within the US automotive and steel industry. Mr Newsted spent over eight years, including four years as President and Chief Executive Officer, with Meridian Automotive Systems Inc., a global tier-one automotive supplier of front and rear-end modules, exterior and interior thermoplastics, composites and lighting systems. Prior to joining Meridian, Mr Newsted served seven years as Executive Vice President in various finance, manufacturing and commercial capacities at AK Steel Holding Corporation and has also worked for fifteen years in various roles in the finance department, culminating in being named Chief Financial Officer, at National Steel Corporation, both integrated steel producers. Mr Newsted is a Certified Public Accountant, Certified Management Accountant and Certified Cash Manager.
Special responsibilities	Chairman of Board, Chairman of Nomination and Remuneration Committee and member of Audit Committee
Directorships held in other listed entities during the last three years	Dayco LLC (Non-executive Chairman – November 2009 to present) Rotech Healthcare Inc. (Non-executive Chairman – September 2013 to present) United States Steel Canada Inc. (Non-executive Director – January 2014 to present) GT Advanced Technologies Inc. (Non-executive Director – November 2014 to present)

DIRECTORS' REPORT

Ms Maryse Belanger Executive Director (appointed 27 June 2014)	
Qualifications	BSc (Geology), P.Geo
Experience	Ms Belanger is a geologist with over 25 years' experience in the mining industry including long-term assignments in Africa and South America. Prior to joining Mirabela, Ms Belanger was Senior Vice President, Technical Services at Goldcorp where she oversaw all aspects of geology, geostatistics, mine planning and design, metallurgy, tailings, hydrology, rock mechanics, geotechnical engineering and underground development and was responsible for the activities and strategy related to technical excellence, energy and innovation. Before joining Goldcorp, Ms Belanger was Director, Technical Services for Kinross Gold Corporation in Brazil for four years. She is fluent in English, French, Spanish and Portuguese. Ms Belanger holds a Bachelor degree in Geology and a graduate certificate in Geostatistics. She is a board member of CEEC International Ltd and Mineral Deposit Research Unit at the University of British Columbia (UBC) and an active member of Westcoast Women in Engineering, Science and Technology (WWEST).
Special responsibilities	Chief Executive Officer and Managing Director
Directorships held in other listed entities during the last three years	N/A

Mr Ross Griffiths Non-executive Director (appointed 25 June 2014)	
Qualifications	Dip Bus Studies (Acc), FCA, MBA, GAICD
Experience	Mr Griffiths is a Chartered Accountant with over 40 years' experience in risk and finance both in Australia and overseas. Last year he retired from a senior executive role with a major Australian bank where he worked for 28 years specialising in credit risk including corporate turnaround and debt restructure. In this role he had exposure to a wide range of industries including in the mining sector. Prior to this role, Mr Griffiths worked for an international accounting firm in Australia and overseas. Previous directorships have included companies in the infrastructure, mining and property sectors. He is presently a director of Newcastle Permanent Building Society Limited which is one of the largest mutual banking institutions in Australia. Mr Griffiths is a Fellow of the Institute of Chartered Accountants in Australia and a graduate member of the Australian Institute of Company Directors.
Special responsibilities	Chairman of Audit and Risk Committee and member of Nomination and Remuneration Committee
Directorships held in other listed entities during the last three years	CFS Retail Property Trust (name changed to Novion Property Group) - resigned March 2014. Commonwealth Office Property Fund - resigned March 2014.

DIRECTORS' REPORT

Mr Mark Milazzo Non-executive Director (appointed 25 June 2014)	
Qualifications	B.Eng. Mining, FAusIMM
Experience	Mr Milazzo is a Mining Engineer with over 30 years' experience in the development and management of mines and mineral processing plants across a range of commodities in Australia and overseas. This includes both underground and surface operations, and covers a wide range of mining applications, from small scale selective to mechanised bulk extraction methods. He has been involved in a number of new mine development and mine expansion projects. Past senior roles include General Manager of the Olympic Dam Mine and Kambalda Nickel Operations with WMC Resources, and General Manager with mining contractor HWE Mining. Mr Milazzo is a Fellow of the Australasian Institute of Mining and Metallurgy.
Special responsibilities	Member of Audit and Risk plus Nomination and Remuneration Committees
Directorships held in other listed entities during the last three years	Aurelia Metals Limited (previously YTC Resources Ltd) (Non-executive Director – August 2012 to present). Red 5 Limited (Non-executive Director – May 2011 to present). Cortona Resources Limited (Non-executive Director – resigned January 2013).

Mr Alastair McKeever Non-executive Director (appointed 6 August 2014)	
Qualifications	BA
Experience	Mr McKeever is a research team leader in Guggenheim Partners Investment Management's Corporate Credit Group, which he joined in 2007. Mr McKeever leads the research team that is responsible for sourcing, analysing, executing and managing investments across the capital structure in the metals & mining, energy, industrials, building products and education industries. Mr McKeever received a B.A. in Economics and Classics from the University of North Carolina at Chapel Hill, where he was a Morehead-Cain scholar.
Special responsibilities	Member of Nomination and Remuneration Committee
Directorships held in other listed entities during the last three years	N/A

DIRECTORS' REPORT

Mr Geoffrey Handley	Non-executive Director (appointed 1 January 2011; resigned effective 11 January 2014) Non-executive Chairman (appointed 1 January 2012; resigned effective 11 January 2014)
Qualifications	Acc.Dir BSc (Hons, Geology and Chemistry), MAusIMM, MAICD
Experience	Mr Handley is a Geologist with more than 32 years of experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Limited, as a chemist and geologist for Placer Exploration Limited, and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Limited as a senior geologist and was responsible for the exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Subsequently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development, and strategic planning.
Special responsibilities	Chairman of the Board and Remuneration & Nomination Committee
Directorships held in other listed entities during the last three years	Eldorado Gold Corporation (Non-executive Director – from August 2006) Endeavour Silver Corp. (Non-executive Director – from June 2006) PanAust Limited (Non-executive Director – from September 2006)
Mr Ian Purdy	Executive Director (appointed 2 November 2009; resigned as director effective 5 May 2014; resigned as Chief Executive Officer effective 31 May 2014)
Qualifications	B.Com, FCA, FAICD
Experience	Mr Purdy has held a number of senior positions in the Australian mining industry, including Managing Director of Norilsk Nickel Australia and Director of Finance and Strategy of LionOre Australia, where he led the management of sulphide and laterite nickel operations. He has a strong track record in operations management, sales and logistics, and financial control. Mr Purdy previously worked for WMC Limited and North Limited in senior financial and commercial roles.
Special responsibilities	Chief Executive Officer & Managing Director
Directorships held in other listed entities during the last three years	N/A

DIRECTORS' REPORT

Mr Ian McCubbing	Non-executive Director (appointed 1 January 2011; resigned effective 7 April 2014) Non-executive Chairman (appointed 11 January 2014; resigned effective 7 April 2014)
Qualifications	B.Com (Hons), MBA (Ex), CA, GAICD
Experience	Mr McCubbing is a Chartered Accountant with more than 26 years corporate experience, principally in the areas of accounting, corporate finance and mergers and acquisitions. He has spent more than 15 years working with ASX-200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies.
Special responsibilities	Chairman of Audit Committee and Member of Remuneration & Nomination Committee to 11 January 2014 Chairman of the Board effective 11 January 2014
Directorships held in other listed entities during the last three years	Alcyone Resources Limited (Non-executive Director – from February 2012) Eureka Energy Limited (Non-executive Director – from July 2010) Kasbah Resources Limited (Non-executive Director – from March 2011) Minemakers Limited (Non-executive Director – from December 2012) Swick Mining Services Ltd. (Non-executive Director – from August 2010) Territory Resources Ltd. (Non-executive Director – May 2007 to July 2011)
Mr Peter Nicholson	Non-executive Director (appointed 12 June 2012; resigned effective 11 January 2014)
Qualifications	B.Eng (Mining), F.Fin, GAICD, MAusIMM
Experience	Mr Nicholson has a strong commercial and technical background, developed over the last ten years with Resource Capital Funds (RCF), and prior to that, in senior technical roles within the nickel mining industry. He is an employee of RCF, a mining focused private equity fund which acquired a substantial holding in Mirabela Nickel Limited through Resource Capital Fund V L.P.
Special responsibilities	Member of Remuneration & Nomination Committee
Directorships held in other listed entities during the last three years	Cape Alumina Limited (Non-executive Director – from March 2007) Metallica Minerals Limited (Non-executive Director – May 2006 to November 2010)

DIRECTORS' REPORT

Mr Nicholas Sheard Non-executive Director (appointed 20 March 2007; resigned effective 7 April 2014)	
Qualifications	ASEG, Fellow AIG, RP.Geo
Experience	Mr Sheard has a long history of involvement in nickel sulphide exploration and development. Up until 2007 Mr Sheard was the Vice President of Exploration of Inco, based in Toronto. Mr Sheard managed an exploration team of 250 people with nine offices and 11 mines worldwide. Under Mr Sheard's leadership, the Inco team discovered the Reid Brook nickel sulphide deposit in Labrador, Canada. Prior to joining Inco, Mr Sheard held various senior management positions with MIM Exploration Pty Ltd in Australia from 1990 to 2003; including General Manager of Worldwide Exploration and Chief Geophysicist.
Special responsibilities	Member of Audit Committee to 11 January 2014 Chairman of Audit Committee and Remuneration & Nomination Committee effective 11 January 2014
Directorships held in other listed entities during the last three years	Carpentaria Exploration Limited (Executive Chairman – from November 2007)

Mr Colin Steyn Non-executive Director (appointed 29 October 2009; resigned effective 11 January 2014)	
Qualifications	B.Com, MBA
Experience	Mr Steyn has over 32 years' experience in the resources sector with particular expertise in the development of integrated nickel mining operations. Mr Steyn was previously President and Chief Executive Officer of LionOre Mining International from 1999 to 2007, when it was acquired by Norilsk Nickel. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international nickel producer. From 1996 to 2000, Mr Steyn was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto, where he started his career in 1979.
Special responsibilities	Member of Audit Committee
Directorships held in other listed entities during the last three years	Coalspur Mines Limited (Chairman of the Board – from October 2010) Asanko Gold Incorporated (Non-executive Director – from October 2012) Mantra Resources Ltd. (Non-executive Director – March 2008 to June 2011)

DIRECTORS' REPORT

1.2 Company Secretary

Dr Linda Tompkins	Company Secretary (appointed 25 June 2014)
Qualifications	BSc (Hons), MSc, Phd (Geology), LLB (hons), GAICD, MAusIMM
Experience	Dr Tompkins is a corporate mining and resource lawyer with considerable management and executive experience in the mining and resource sector, comprising more than 20 years as a geologist, including seven years multi-commodity minerals exploration in Brazil. Prior to joining Mirabela, Dr Tompkins practiced as Senior Associate resources with Allion Legal after practicing as a lawyer in the corporate energy and resources team of a large international law firm. Her focus is on international exploration and mining development projects, procurement, corporate governance, risk management, company secretarial support and corporate, commercial and finance transactions. Dr Tompkins is an executive member of the WA state branch AMPLA Resources and Energy Law Association, graduate Australian Institute of Company Directors, and a member of the Australian Corporate Lawyers Association, the Australasian Institute Mining and Metallurgy and the Geological Society of Australia.
Special responsibilities	Legal Counsel and Company Secretary
Directorships held in other listed entities during the last three years	N/A

Mr Christiaan Els	Company Secretary (appointed 7 January 2010; resigned as Company Secretary effective 19 May 2014)
Qualifications	B.Com (Hons), CA
Experience	Mr Els is a finance executive with over 22 years' experience in mining, manufacturing, agribusiness, business services and fast moving consumer goods sectors in Australia and in South Africa. Previously, he was Chief Financial Officer of Norilsk Nickel Australia, where he managed finance, accounting and IT services. Most importantly, Mr Els brings a wealth of operating experience in nickel sulphide projects and in the reporting requirements for the Toronto and Australian stock exchanges.
	Mr Els is also an associate member of the Chartered Institute of Management Accountants and a member of the Certified Practising Accountants of Australia and the Chartered Global Management Accountants.
Special responsibilities	Chief Financial Officer & Company Secretary
Directorships held in other listed entities during the last three years	N/A

DIRECTORS' REPORT

1.3 Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year were:

Current Directors	Board of Directors		Audit and Risk Committee		Remuneration Committee	
	Present	Held ⁽⁶⁾	Present	Held	Present	Held
Richard Newsted ⁽¹⁾	16	16	1	1	-	-
Maryse Belanger ⁽²⁾	15	15	-	-	-	-
Ross Griffiths ⁽³⁾	16	16	1	1	-	-
Mark Milazzo ⁽⁴⁾	14	16	1	1	-	-
Alastair McKeever ⁽⁵⁾	14	14	-	-	-	-

(1) Mr Richard Newsted was appointed Non-executive Chairman effective 25 June 2014 and Chairman of the Nomination and Remuneration Committee and joined the Audit and Risk Committee effective 26 June 2014.

(2) Ms Maryse Belanger was appointed Chief Executive Officer of the Group effective 27 June 2014.

(3) Mr Ross Griffiths was appointed Non-executive Director effective 25 June 2014 and Chairman of Audit and Risk Committee and joined the Nomination and Remuneration Committee effective 26 June 2014.

(4) Mr Mark Milazzo was appointed Non-executive Director effective 25 June 2014 and joined the Audit and Risk Committee and the Nomination and Remuneration Committee effective 26 June 2014.

(5) Mr Alastair McKeever was appointed Non-executive Director and joined the Nomination and Remuneration Committee effective 6 August 2014.

(6) Represents the number of meetings held since being appointed as a director to the current Board.

Previous Directors	Board of Directors		Audit Committee		Remuneration Committee	
	Present	Held ⁽⁷⁾	Present	Held	Present	Held
Geoffrey Handley ⁽¹⁾	1	1	-	-	-	-
Ian Purdy ⁽²⁾	7	7	-	-	-	-
Ian McCubbing ⁽³⁾	7	7	-	-	-	-
Peter Nicholson ⁽⁴⁾	1	1	-	-	-	-
Nicholas Sheard ⁽⁵⁾	7	7	-	-	-	-
Colin Steyn ⁽⁶⁾	1	1	-	-	-	-

(1) Mr Handley resigned from the Board effective 11 January 2014.

(2) Mr Purdy resigned from the Board effective 5 May 2014, and resigned as Chief Executive Officer of the Group effective 31 May 2014.

(3) Mr McCubbing resigned from the Board effective 7 April 2014.

(4) Mr Nicholson resigned from the Board effective 11 January 2014.

(5) Mr Sheard resigned from the Board effective 7 April 2014.

(6) Mr Steyn resigned from the Board effective 11 January 2014.

(7) Represents the number of meetings held prior to resignation from the previous Board.

1.4 Corporate Governance

The directors of Mirabela Nickel Limited support and have adhered to the principles of sound corporate governance. The Corporate Governance Statement can be found from page 103 of this report.

2 OPERATING AND FINANCIAL REVIEW

2.1 Operating Review

The Group is a single asset, Brazilian nickel producer engaged in the mining, production and sale of nickel concentrate and as a result is heavily geared to the nickel price and the Brazilian real / US dollar exchange rate. The continued low nickel prices still pose challenges in terms of operational cashflow.

During the fourth quarter of 2014 the Group saw strong improvement in ore grade, mill throughput and process recovery. 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.

The Board approved the Company's new Mine and Business Plan for 2015 (the **Mine Plan**), as referred to in Note 2 of the consolidated financial statements, on 10 February 2015. The Mine Plan focuses on streamlining operations and reducing production unit costs. The Mine Plan targets optimising near-term cashflows given

DIRECTORS' REPORT

the low and volatile nickel price environment. Production levels to-date have improved in line with the Mine Plan.

2.1.1 Safety

The Group's twelve month moving average Lost Time Injury Frequency Rate (**LTIFR**) closed the year at 1.58 (31 December 2013: 0.57). The unfavourable movement in the LTIFR for the year resulted from a number of minor injuries and sprains occurring in the second and fourth quarters of 2014. However, the Group continues to target further improvements to its safety record through ongoing safety training and safety improvement programs.

2.1.2 Mining

Total material movement for the year was 24.5 million tonnes of which 4.2 million tonnes was ore. Material movement was slightly below full year expectations, and was negatively impacted by problems with explosives in December 2014 due to a manufacturing defect of the detonators. This was resolved by early January 2015 with no incidents occurring. Despite this set back, major improvements were seen in the fourth quarter of 2014 as a result of the review of the cut-off grade strategy and improved sequencing of ore and waste fronts.

Average 2014 mine grades of 0.44% Ni was slightly lower than the previous year of 0.46% Ni.

2.1.3 Processing

During the year 5.9 million tonnes of ore was milled, at an average head grade of 0.42% nickel achieving an average recovery of 49%. Low water availability in the first half of the year, due to less reclaimed water from the tailings dam, adversely impacted processing; however, the desliming process was functioning at normal levels again during the second half of the year. The plant was also adversely impacted early in the fourth quarter of 2014 by electrical problems at the main sub-station, large blocks obstructing the crusher chamber, and the gyratory crusher eccentric bushing burn out.

A number of operational improvements have been introduced at the plant so as to gain further productivity. At the primary crusher redundant controls 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 1,200t to 1,500t per hour, better reflecting its design capacity.

2.1.4 Sale of concentrate

During the year the Group produced 12,047 tonnes of contained nickel in concentrate, 3,418 tonnes of contained copper in concentrate, and 221 tonnes of contained cobalt in concentrate. Overall sales for the year amounted to 9,213 tonnes of nickel in concentrate, with 4,919 tonnes of nickel in concentrate being sold in-country to an international trading house (**ITH**) and 4,294 tonnes of nickel in concentrate being sold to Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**).

2.1.5 Outlook

2.1.5.1 Mine Plan

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

DIRECTORS' REPORT

2.1.5.2 2015 Guidance

The Group has prepared and implemented a revised mine plan whereby a reduced mining volume of approximately 25Mt per annum is scheduled for 2015.

Based on Mirabela's new production schedule for 2015 the Company is targeting for 2015:

- a planned mining rate of 70,000 tonnes per day (**tpd**);
- a processing rate of 20,000 tpd at an average of 0.50% Ni for the year. A variable cut-off grade and stockpiling strategy has been implemented;
- a total material movement of 25.8 million tonnes;
- an average strip ratio of 2.5:1; and
- a total nickel production of between 16,500 to 18,000 tonnes of nickel in concentrate.

Production is expected to be steady during the year with an average process recovery at 57%. Unit cash costs are expected to average between US\$4.50 and US\$5.00/lb for the 2015 year. The spread in the average unit cash cost guidance is due to the large number of factors impacting on unit cash cost outcomes, including nickel price, copper price, and the Brazilian real / US dollar exchange rates.

Capital expenditure for 2015 is forecast at between US\$28.8 million and US\$34.8 million. Major items include: mobile equipment rebuilds, tailing storage facility raise, tailings dam spigot system and sustaining mining expenditure costs. Exploration tenement holding costs and operational optimisation study costs will be charged to Other Expenses in the Statement of Profit or Loss and Other Comprehensive Income as incurred. The Company is not anticipating material expenditure on growth activities for 2015.

2.1.5.3 Offtake

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 latter part of the year. 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.

An offtake arrangement entered into with an international trading house whilst the Company was under voluntary administration is due to finish in May 2015.

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 offtake agreement has been entered into with an international trading house on 30 January 2015 for approximately 80% of the Group's forecast range for 2015 nickel concentrate production.

2.1.5.4 Ore Reserves and Mineral Resources

As part of the overall strategic review of the Group's 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

DIRECTORS' REPORT

economically processed and, therefore, have been re-classified as Mineral Resources (refer to section 2.2 of this Directors' Report).

2.1.6 Exploration

The primary exploration strategy currently consists of maintaining certain existing tenements in good standing and compliance by spending the minimum amounts on capital expenditure, and the release of tenement areas that management believe have a low prospectivity.

2.2 Ore Reserves and Mineral Resources

The Company's annual review date of its Mineral Resources and Ore Reserve statements for the purposes of clause 15 of the 2012 edition of The Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) is 31 December 2014.

Ore Reserves

The total Ore Reserve for the Santa Rita project is summarised in the below table:

Santa Rita Proven and Probable Ore Reserves – Open Pit (as at 31 December 2014)

Category	Mt	Ni (%)	Cu (%)	MgO (%)
Proven	4.840	0.58%	0.14%	31.2%
Probable	94.407	0.52%	0.15%	27.0%
Total Ore Reserves	99.247	0.52%	0.15%	27.2%

Santa Rita Proven and Probable Ore Reserves – Open Pit (Comparison)

Category	Mt	Ni (%)	Cu (%)
Total Ore Reserves (as at 31 December 2013)	140.2	0.52%	0.13%
Total Ore Reserves mined in 2014	4.2	0.45 %	0.10%
Total Ore Reserves (as at 31 December 2014)	99.247	0.52%	0.15%

Notes:

- JORC (2012) definitions were followed for Ore Reserves;
- Ore Reserves are estimated at a pit discard Net Smelter Return (**NSR**) cut-off grade of US\$8.81/tonne;
- Ore Reserves include mining extraction of 95% and 5% dilution at zero grade;
- Ore Reserves are estimated using an average long-term nickel price of US\$8.00/lb and a long-term copper price of \$US3.00/lb;
- Waste to ore strip ratio of 6.84; and
- Numbers may not add due to rounding.

Between 1 January 2014 and 31 December 2014 a total of 4.2 Mt of ore was mined from the Ore Reserves at an average nickel grade of 0.44%. From inception to 31 December 2014, a total of 23.3 Mt of ore has been mined from the Santa Rita Mine at an average nickel grade of 0.46%.

DIRECTORS' REPORT

The large decrease in the Ore Reserves is due to a reinterpretation of the ore zones based on the original exploration drilling data. The new interpretation considers both the mineralogy underlying the nickel grade and a minimum grade for the mineralized envelopes defined. Operating costs, recovery assumptions, expected revenue from sales and geotechnical design parameters were reviewed to define updated operational cut-off grades.

Mineral Resources

The total remaining Mineral Resources for the Santa Rita project as of 31 December 2014 are summarised in the table below and compared with the total remaining Mineral Resources as at 31 December 2013.

Santa Rita Mineral Resources Table – Comparison

Pit	Classification	Tonnes (million)	Nickel grade (%)	Copper grade (%)
Mineral Resource remaining As at 31 December 2014				
Open Pit as at 31 December 2014	Measured	5.1	0.60%	0.14%
	Indicated	132.4	0.54%	0.15%
	Meas. & Ind.	137.5	0.54%	0.15%
	Inferred	1.5	0.53%	0.15%
Underground as at 31 December 2014	Inferred	-	-	-
Mineral Resource As at 31 December 2013				
Open Pit	Measured	13.6	0.51%	0.10%
	Indicated	179.7	0.50%	0.13%
	Meas. & Ind.	193.3	0.50%	0.13%
	Inferred	79.6	0.56%	0.15%
Underground As at 31 December 2013	Inferred	77.0	0.78%	0.22%

Notes:

- JORC (2012) definitions were followed for Mineral Resources;
- Mineral Resources are estimated at a pit discard NSR cut-off grade of US\$8.81/tonne;
- Mineral Resources are estimated using an average long-term nickel price of US\$11.40/lb and a long-term copper price of \$US3.35/lb;
- A minimum mining width of 5 metres was used for preparation of mineralization wireframes;
- Average bulk densities were used for each major rock type. Bulk densities varied from 2.76 t/m³ (basement) to 3.26 t/m³ (olivine pyroxenite and pyroxenite units);
- Mineral Resources are inclusive of Ore Reserves;
- Mineral Resources that are not Ore Reserves do not have demonstrated economic viability; and
- Numbers may not add due to rounding.

Governance Arrangements and Internal Controls with respect to Mineral Resources and Reserves

The Company has a number of governance arrangements and internal controls in place with respect to its estimates and estimation process of its Mineral Resources and Ore Reserves. As set out in the Competent Persons Statement below, the Company contracts third party independent consultants to review and revise its Ore Reserves and Mineral Resources on an annual basis. Each Competent Person is independent of the Company within the meaning of the Canadian National Instrument of Disclosure for Mineral Projects NI 43-101 (NI 43-101).

DIRECTORS' REPORT

The Company undertakes its own ore and concentrate stock pile reconciliations on a monthly basis. The stock survey results are validated by an independent third party on a quarterly basis and the Company then reconciles the independent quarterly report against its own records.

Competent Person Statement

The information in this release that relates to Mineral Resources and Ore Reserves was compiled by Roscoe Postle Associates Inc (**RPA**). RPA were retained by Mirabela to update the Mineral Resource and Ore Reserve estimates for the Santa Rita mine and to prepare an independent Technical Report to disclose the results. RPA and its employees are independent of Mirabela within the meaning of Canadian National Instrument of Disclosure for Mineral Projects NI 43-101 (NI 43-101).

The mine design, production schedule and estimate of for Ore Reserves were prepared by Mr Hugo Miranda. Mr Miranda is a Principal Mining Engineer and full-time employee of RPA, and is a registered member of Chilean Mining Commission. Mr Miranda has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined under the 2012 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and as a Qualified Person in accordance with NI 43-101. Mr Miranda takes responsibility for the Ore Reserves estimate.

The estimate of Mineral Resources was prepared by Mr Reno Pressacco, P. Geo. Mr Pressacco is a Principal Geologist and full-time employee of RPA, and is a member of the Association of Professional Geoscientists of Ontario. Mr Pressacco has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined under the JORC Code and as a Qualified Person in accordance with NI 43-101. Mr Pressacco takes responsibility for the Mineral Resource estimate.

2.3 Executive and Board Changes

2.3.1 Board changes

Mr Richard Newsted was appointed Non-executive Chairman of the Board effective 25 June 2014.

Ms Maryse Belanger was appointed Chief Executive Officer of the Group effective 27 June 2014.

Mr Ross Griffiths was appointed Non-executive Director effective 25 June 2014.

Mr Mark Milazzo was appointed Non-executive Director effective 25 June 2014.

Mr Alastair McKeever was appointed Non-executive Director effective 6 August 2014.

Mr Ian McCubbing was appointed Non-executive Chairman of the Board effective 11 January 2014, replacing Mr Geoff Handley. Mr McCubbing resigned from the Board effective 7 April 2014.

Mr Geoff Handley resigned as Non-executive Chairman and from the Board effective 11 January 2014.

Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

Mr Peter Nicholson resigned from the Board effective 11 January 2014.

Mr Colin Steyn resigned from the Board effective 11 January 2014.

Mr Nicholas Sheard resigned from the Board effective 7 April 2014.

DIRECTORS' REPORT

2.3.2 *Executive changes*

Dr Linda Tompkins was appointed Company Secretary of the Group effective 25 June 2014. Dr Tompkins also retains her position as the Company's Legal Counsel.

Mr Milson Mundim was appointed Chief Financial Officer of the Group effective 8 September 2014.

Mr Christiaan Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer effective 1 September 2014.

Mr Anthony Kocken ceased employment as Chief Operations Officer effective 25 August 2014.

2.4 Financial Review

2.4.1 *Statement of profit or loss and other comprehensive income*

The Group recorded a net profit 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 mainly due to other income (US\$503.982 million) which included debt forgiveness (US\$439.715 million) and fair value adjustments to the convertible note option derivative (US\$61.987 million) and foreign exchange movements (US\$14.499 million); offset in part 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\$33.199 million). Net financing costs mainly comprise of net interest expense relating to the current debts. Foreign exchange losses comprise of realised and unrealised movements on the conversion of non-USD cash held and borrowings.

2.4.2 *Statement of financial position*

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 inventories (US\$12.077 million), trade and other receivables (US\$16.664 million) and cash and cash equivalents (US\$13.175 million) offset by capital expenditure (US\$43.874 million).

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 (US\$358.423 million) mainly attributable to the debt forgiveness, and a decrease in trade and other payables (US\$31.095 million), offset in part by an increase in deferred tax liability (US\$8.791 million).

Total deficiency in equity 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 reduction in accumulated losses (US\$383.273 million) partially offset by a decrease in reserves (US\$23.746 million). The decrease in reserves was mainly attributable to a decrease in the foreign currency translation reserve (US\$28.486 million); partly offset by an increase in hedging reserves (US\$4.740 million). Contributed equity increased by US\$7.296 million representing costs relating to the debt raisings.

2.4.3 *Impairment*

The Group identified impairment indicators such as the challenging nickel market conditions based on LME nickel prices, the termination of one of the Company's two off-take contracts (as outlined in Note 2 of the consolidated financial statements), and a significant change to the Group's ore reserves and mineral resources, and as such the Group performed an impairment test on the recoverability of its assets using consensus analyst nickel price assumptions as at 31 December 2014. Based on the results of the test, the Group is of the

DIRECTORS' REPORT

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.

2.4.4 Statement of cash flows

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**), offset by cash outflows of US\$187.961 million, driven primarily by operational costs.

Net cash outflows from investing activities for the period were US\$43.874 million. The cash outflows primarily related to ongoing works on the tailings dam wall, equipment rebuilds and deferred stripping costs.

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

2.4.5 Financing

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.
- US\$115.000 million 9.50% Senior Convertible Secured Notes (**SCSN**) due 24 June 2019 were issued for cash on 24 June 2014 (further details regarding the SCSNs is contained in Note 24 of the consolidated financial statements):
 - 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.

3 REMUNERATION REPORT - AUDITED

This remuneration report for the year ended 31 December 2014 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (*Cth*) (**Act**) and its regulations.

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

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The report contains the following sections:

- 3.1 Key Management Personnel covered by this Remuneration Report
- 3.2 Remuneration Governance
- 3.3 Use of Remuneration Consultants
- 3.4 Principles of Remuneration
- 3.5 Executive Remuneration Framework and Performance Pay Outcomes
- 3.6 Key Management Personnel Service Contracts
- 3.7 Summary of Remuneration

The Group notes that the 2013 Remuneration Report was adopted by Shareholders at the Annual General Meeting held on 26 August 2014.

On 18 March 2013, the previous Remuneration and Nomination Committee (previous **Committee**) 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 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.

On 10 January 2014 the previous Committee also suspended the *"2013 Mirabela Nickel Limited Long Term Incentive Plan"* (LTI) – which was originally approved at a Shareholders meeting held on 30 May 2013. The LTI was subsequently cancelled by Martin Madden in his capacity as joint and several administrator of Mirabela Nickel Limited on 5 May 2014. As such, no KMP was entitled to receive any LTI benefits for 2014.

3.1 Key Management Personnel covered by this Remuneration Report

The following were KMPs of the Group at any time during the financial year and unless otherwise indicated KMPs for the entire period:

[Table 1: Key Management Personnel]

Non-executive Directors	Executive Directors	Executives
Mr Richard Newsted ⁽¹⁾	Mr Maryse Belanger ⁽¹⁰⁾	Dr. Linda Tompkins – Company Secretary ⁽¹²⁾
Mr Ross Griffiths ⁽²⁾	Mr Ian Purdy ⁽¹¹⁾	Mr Milson Mundim – Chief Financial Officer ⁽¹³⁾
Mr Mark Milazzo ⁽³⁾		Mr Christiaan Els – Chief Financial Officer & Company Secretary ⁽¹⁴⁾
Mr Alastair McKeever ⁽⁴⁾		Mr Anthony Kocken – Chief Operating Officer ⁽¹⁵⁾
Mr Geoffrey Handley ⁽⁵⁾		
Mr Ian McCubbing ⁽⁶⁾		
Mr Peter Nicholson ⁽⁷⁾		
Mr Nicholas Sheard ⁽⁸⁾		
Mr Colin Steyn ⁽⁹⁾		

(1) Mr Newsted was appointed Chairman of the Board effective 25 June 2014.

(2) Mr Griffiths was appointed Non-executive Director effective 25 June 2014.

(3) Mr Milazzo was appointed Non-executive Director effective 25 June 2014.

(4) Mr McKeever was appointed Non-executive Director effective 6 August 2014.

(5) Mr Handley resigned from the Board effective 11 January 2014.

(6) Mr McCubbing resigned from the Board effective 7 April 2014.

(7) Mr Nicholson resigned from the Board effective 11 January 2014.

(8) Mr Sheard resigned from the Board effective 7 April 2014.

(9) Mr Steyn resigned from the Board effective 11 January 2014.

(10) Ms Belanger was appointed Executive Director and Chief Executive Officer of the Group effective 27 June 2014.

(11) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

(12) Dr Tompkins was appointed Company Secretary effective 25 June 2014.

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- (13) Mr Mundim was appointed Chief Financial Officer of the Group effective 8 September 2014.
 (14) Mr Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer of the Group effective 1 September 2014.
 (15) Mr Kocken ceased employment as Chief Operations Officer effective 25 August 2014.

There were no other changes to KMPs after the reporting date and before the date of the financial report.

3.2 Remuneration Governance

The Remuneration and Nomination Committee (the **Committee**) of the Board of Directors (the **Board**) is responsible for determining the remuneration arrangements for KMPs and other senior management and making recommendations to the Board. The Committee currently comprises the four Non-executive Directors of the Group, these being: Mr Richard Newsted, Mr Ross Griffiths, Mr Mark Milazzo and Mr Alastair McKeever.

The Committee reviews remuneration levels and other terms of employment on an annual basis having regard to relevant market conditions, strategy of the Group, qualifications and experience of the KMPs and performance against targets set for each year.

In prior years the previous Committee obtained independent advice on the appropriateness of remuneration packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's remuneration strategy.

3.3 Use of Remuneration Consultants

During the year ended 31 December 2014, the Board did not use an independent remuneration consultant to provide advice on remuneration matters. However, for 2015 and onwards the intention of the Board is to again obtain independent remuneration consulting advice.

3.4 Principles of Remuneration

The performance of the Group depends on the quality of the KMPs it employs. To be successful in a global market, the Group must attract, motivate and retain KMPs of the highest calibre.

The Group embraces the following remuneration principles to secure a successful business:

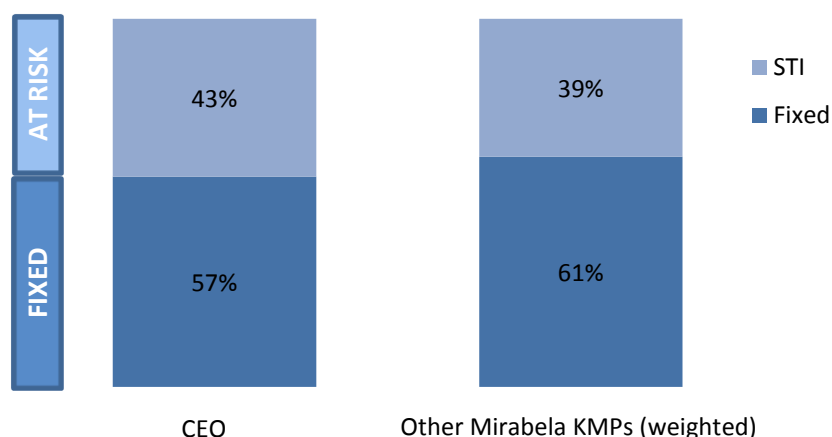
- Remuneration must be competitive, equitable and fair to attract and retain high calibre KMPs;
- Remuneration must recognise the competitive global market in which the Group operates;
- Remuneration must reward Group and individual performance across a range of disciplines and be measured against benchmarked targets; and
- Remuneration must link rewards with protecting and creating shareholder value.

3.5 Executive Remuneration Framework and Performance Pay Outcomes

The Group's executive KMP total remuneration structure provides for:

- Fixed remuneration;
- Short-term, performance linked cash remuneration (**STI**); and
- Long-term, performance linked equity remuneration (**LTI**).

Table 2 below shows the proportion of each element of total remuneration for 2014, at target maximum opportunities, for the executive KMPs, noting that no LTI entitlement was in place during the year.

[Table 2: Executive KMP Remuneration Mix]

3.5.1 Fixed remuneration

Fixed remuneration comprised base salary and employer superannuation contributions.

During 2014, all Brazilian employees were awarded a salary increase of 5.81% under the annual union collective-agreement negotiation. All Australian employees, including Australian executive KMPs, did not receive an increase for 2014.

3.5.2 Short-term, performance-linked remuneration

The Group operates a short-term, performance-linked, incentive program (**STI**) which provides annual cash awards for the achievement of specific objectives.

Australian KMPs

Due to the restructure/recapitalisation events that occurred during 2014 no specific STI objectives were set by the previous Board for Australian KMPs. However, the CEO recommended to the current Board that a set percentage (maximum entitlement) of fixed remuneration be awarded to Australian KMPs, other than herself, for the 2014 STI based on their performance, as no specific objectives had been set. Australian KMPs comprised Ms Maryse Belanger, Dr Linda Tompkins and Mr Milson Mundim. Mr Mundim is the Chief Financial Officer for both the Company and Mirabela Brazil. As such, his STI component was comprised of the Brazilian KMP outcome, as noted below, and the Australian KMP fixed allocation previously commented on. The Australian component represents the maximum entitlement less the achieved Brazilian component (as outlined in Table 3). The Board approved the 2014 STI recommendations of the CEO.

Brazilian KMPs

Production, Cost and Environment Targets for Brazilian KMP and employees were reflected in the Mirabela Brazil's Profit Sharing Plan (Plano de Participação nos Lucros ou Resultados) (**PPR**), with target maximum opportunity ranging from 22.5% to 70% of fixed remuneration.

The STI objectives set for the PPR were as per Table 3 below:

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[Table 3: Brazilian KMP 2014 STI Objectives]

Brazilian STI			
Category	Weightings	Overview of STI Objectives	Achieved
Contained Nickel Production	38%	Contained Nickel Production to be based on a sliding scale commencing from 12,833t with Stretch set at 14,000t.	Nil
Cost	37%	Based on a combination of unit mining cost, unit processing cost, total administration cost and capital expenditure. To achieve stretch bonus, all four cost targets must be met and budget cost savings of greater than R\$9.000 million (80% achievement) to R\$18.000 million (100% achievement). All targets are in local currency (Brazilian Real).	Nil
Environment	25%	Full compliance with the environmental conditions of the Environmental Institute of Bahia.	100%
Total Weighting	100%		

3.5.2.1 STI performance pay outcome

Table 4 below sets out the 2014 STI awards for executive KMPs. In terms of the Brazilian STI outcomes, as noted above, the Committee assessed the results by making appropriate enquiries of management, reviewing management information reports, and reviewing external reports where applicable.

[Table 4: Executive KMP STI Awards for 2014]

	Included in Remuneration	Maximum STI as a % of salary	% of STI achieved in year	% of STI forfeited in year
	US\$	%	%	%
Maryse Belanger	172,911	75	100	-
Linda Tompkins	65,349	60	100	-
Milson Mundim ⁽¹⁾ :				
Australian STI award	36,592	70	100	-
Brazilian STI award	12,612	70	18	82

(1) The full STI award represents a 100% entitlement. The Australian component is the differential between the 100% entitlement and the achieved Brazilian STI award.

Amounts included in remuneration for the financial year represent the amounts that became due in the financial year as recommended by the CEO and approved by the Board. Amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year. No amounts vest in future financial years in respect of the STI for the 2014 financial year.

3.5.3 Long-term, performance linked remuneration

On 10 January 2014 the previous Committee suspended the "2013 Mirabela Nickel Limited Long Term Incentive Plan" (LTI) – which was originally approved at a Shareholders meeting held on 30 May 2013. The LTI was subsequently cancelled by Martin Madden in his capacity as joint and several administrator of Mirabela Nickel Limited on 5 May 2014.

3.5.3.1 LTI performance pay outcome

As the LTI was cancelled on 5 May 2014, no KMP was entitled to receive any LTI benefits for 2014.

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3.5.4 Consequences of performance on shareholder wealth

In terms of performance and benefits for shareholder wealth, the Group considered share price performance and earnings in relation to the broader market conditions and internal circumstances. In addition to the above, the Group had regard to the following indices in respect of the current and previous financial years (as noted in Table 5):

[Table 5]

Measure	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
ASX Share Price at Year End (A\$)	0.029 ⁽³⁾	0.02	0.48	1.12	2.28
TSX Share Price at Year End (C\$) ⁽⁴⁾	N/A	N/A	0.50	1.17	2.38
Profit/(Loss) for the Period (US\$ million)	382.945	(493,861)	(452,875)	(50,761)	(47,618)
EBITDA ⁽¹⁾ (US\$ million)	(58.168)	(26,391)	45,327	14,615	35,745
Dividends Paid	-	-	-	-	-
Return of Capital	-	-	-	-	-
Sales Revenue (US\$ million)	137.677	194.180	343,398	303,642	210,975
Realised Nickel Price (US\$/lb)	7.24	6.46	7.46	10.04	9.43
Production Unit Cash Cost (US\$/lb) ⁽²⁾	7.16	5.80	5.82	7.27	7.00
Nickel Production (dmt)	12,047	15,626	19,253	15,854	10,375
Mined Tonnes (Mt)	24.5	38.0	38.5	40.8	29.1
Processed Tonnes (Mt)	5.9	6.5	6.5	5.4	3.8

(1) EBITDA, as used by the Group, is unaudited and defined as earnings before net financial expense, net derivative loss, net foreign exchange gain/loss, taxation, other expenses - net, depreciation, amortisation, depletion, impairment charge and net realisable value adjustment to inventory (refer section 4 of the Directors' Report).

(2) Production Unit Cash Cost is unaudited (refer section 4 of the Directors' Report).

(3) The Company was in voluntary trading suspension on the Australian Stock Exchange (ASX) from 17 December 2014 to 16 February 2015. The price reflects the last share trade before suspension.

(4) The Company de-listed from the Toronto Stock Exchange (TSX) on 4 October 2013, due to the limited trading volume of the Company's shares on the TSX over a sustained period of time.

The 2014 profit included debt forgiveness of US\$439.715 million and fair value adjustments to the senior convertible secured note derivative of US\$61.987 million. The 2013 loss for the period included a non-cash impairment charge of US\$331.182 million relating to historical capitalised expenditure (2012 included an impairment charge of US\$380.000 million).

3.6 Key Management Personnel Service Contracts

Remuneration arrangements for executive KMPs were formalised in employment contracts. Details of these contracts are provided below:

Ms Maryse Belanger, Chief Executive Officer (**CEO**) & Managing Director, entered into an employment contract with the Group effective 27 June 2014. As part of Ms Belanger's employment contract, she is entitled to receive additional benefits such as school fees, airfares, relocation costs, housing and car allowances and costs of repatriation. The contract is unlimited in term but capable of termination upon three months' notice by either party in writing. In the event the Group terminates Ms Belanger's employment without cause due to redundancy, Ms Belanger is entitled to a payment equal to six months' salary inclusive of notice. If Ms Belanger terminates the employment due to serious or persistent breach by the Company of any provisions of the employment contract that is not remedied within twenty days, then she is entitled to a payment equal to twelve months base remuneration including payment in lieu of notice. As part of the contract, Ms Belanger is entitled to participate in any Group incentive schemes.

Dr Linda Tompkins, Company Secretary and Legal Counsel, entered into an employment contract with the Group as Legal Counsel effective 19 October 2011 and was appointed Company Secretary on 25 June 2014. The contract is unlimited in term but capable of termination upon three months' notice by either party in writing. In the event the Group terminates Dr Tompkins' employment without cause due to redundancy, Dr Tompkins is entitled to a payment equal to six months' salary inclusive of notice. As part of the contract, Dr Tompkins is entitled to participate in any Group incentive schemes.

Mr Milson Mundim, Chief Financial Officer (**CFO**), entered into an employment contract with the Group effective 8 September 2014. As part of Mr Mundim's employment contract, he is entitled to receive additional benefits such as health insurance and life insurance. The contract is unlimited in term but capable of termination upon three months' notice by either party in writing. In the event the Group terminates Mr Mundim's employment without cause due to redundancy, Mr Mundim is entitled to a payment equal to six months' salary inclusive of notice. If Mr Mundim terminates the employment due to serious or persistent breach by the Company of any provisions of the employment contract that is not remedied within twenty days, then he is entitled to a payment equal to twelve months base remuneration including payment in lieu of notice. As part of the contract, Mr Mundim is entitled to participate in any Group incentive schemes.

Mr Ian Purdy, Chief Executive Officer (**CEO**) & Managing Director (resigned as director effective 5 May 2014 and resigned as CEO effective 31 May 2014), had entered into a new employment contract on 16 April 2013 with the Group. The contract was unlimited in term but capable of termination upon three months' notice by either party. In the event the Group terminated Mr Purdy's employment without cause due to redundancy, material diminution of his position, remuneration package, responsibilities, reporting lines and/or primary place of work, Mr Purdy was entitled to a payment equal to twelve months' salary as approved by the shareholders at the Annual General Meeting held on 30 May 2013. As part of the contract, Mr Purdy was entitled to participate in any Group incentive schemes.

Mr Christiaan Els, Chief Financial Officer (**CFO**) & Company Secretary (resigned as Company Secretary effective 19 May 2014 and resigned as CFO effective 1 September 2014), had entered into a new employment contract with the Group on 30 May 2013. The contract was unlimited by term but capable of termination upon three months' notice by either party. In the event the Group terminated Mr Els' employment without cause, Mr Els was entitled to a payment equal to twelve months' salary inclusive of notice as approved by the shareholders at Annual General Meeting held on 30 May 2013. As part of the contract, Mr Els was entitled to participate in any Group incentive schemes.

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Mr Anthony Kocken, Chief Operating Officer (**COO**) (ceased employment as COO effective 25 August 2014), had entered into a new employment contract with Mirabela Brazil on 30 May 2013. The contract was unlimited by term but capable of termination upon three months' notice by either party. In the event Mirabela Brazil terminated Mr Kocken's employment without cause, Mr Kocken was entitled to twelve months' salary, inclusive of notice as approved by the shareholders at Annual General Meeting held on 30 May 2013. As part of the contract, Mr Kocken was entitled to participate in any Mirabela Brazil incentive schemes.

3.7 Summary of Remuneration**3.7.1 Non-executive Director KMP remuneration**

The aggregate total remuneration for Non-executive Director KMPs was determined from time to time by shareholders in a General Meeting. The current total aggregate remuneration payable to Non-executive Director KMPs may not exceed A\$1,000,000 (US\$902,800) per annum.

The previous Committee considered, on an annual basis, independent remuneration advice as well as fees paid to Non-executive Director KMPs of comparable companies in determining the quantum and apportionment of the remuneration for the year. In recognition of the difficult financial position the Group was in during 2014 the previous Board and the current Board did not increase the total aggregate of Non-executive Director KMP fees during 2014.

Non-executive Director KMPs received fixed remuneration, including superannuation but did not receive any share based payments nor participated in any incentive programs, in line with ASX Corporate Governance principles. Non-executive Director KMPs were encouraged to own shares in the Group.

No additional payments were made to Non-executive Director KMPs for committees, except for the Chair of the previous Board Audit Committee and the current Board Audit & Risk Committee.

In terms of annual fixed remuneration, the Non-executive Directors are currently entitled to receive the following:

- Chairman of the Board A\$180,000 (US\$162,504);
- Chairman of the Audit and Risk Committee A\$140,000 (US\$126,392); and
- Other Non-Executive Directors A\$100,000 (US\$90,280).

Table 6a sets out the fixed remuneration of the Non-executive Director KMPs for 2014.

3.7.2 Remuneration review

The following section itemises the remuneration components for the KMPs.

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Table 6a below outlines the statutory KMP remuneration for 2014, based on International Financial Reporting Standards requirements.

[Table 6a]

US\$							Performance Rights (Expensed during the Period) relating to					
	Short-term	Non-			Post-		Performance	Performance	Performance	Performance	Value of	
	salaries and	monetary	Annual leave		employment	Termination	conditions	conditions	conditions	Remuneration	Performance	Value of
	fees	benefits	expense		super	Payments	achieved	not yet achieved	cancelled	Entitlement	related	performance
31 December 2014	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	proportion of	rights as a
		cash bonus	benefits		contributions				(7)		remuneration	proportion of
Directors	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%	%
<i>Executive Directors</i>												
Maryse Belanger ⁽¹⁾	222,706	172,911	109,187	16,867	-	-	-	-	-	521,671	33	-
Ian Purdy ⁽²⁾	483,537	-	-	24,840	9,491	369,910 ⁽¹³⁾	-	-	134,593	1,022,371	13	13
<i>Non-executive Directors</i>												
Richard Newsted ⁽³⁾	82,488	-	-	-	-	-	-	-	-	82,488	-	-
Ross Griffiths ⁽³⁾	58,913	-	-	-	5,597	-	-	-	-	64,510	-	-
Mark Milazzo ⁽³⁾	42,081	-	-	-	3,998	-	-	-	-	46,079	-	-
Alastair McKeever ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-
Geoffrey Handley ⁽⁵⁾	13,288	-	-	-	1,229	-	-	-	-	14,517	-	-
Ian McCubbing ⁽⁶⁾	38,528	-	-	-	2,123	-	-	-	-	40,651	-	-
Peter Nicholson ⁽⁵⁾	7,480	-	-	-	-	-	-	-	-	7,480	-	-
Nicholas Sheard ⁽⁶⁾	19,806	-	-	-	-	-	-	-	-	19,806	-	-
Colin Steyn ⁽⁵⁾	7,383	-	-	-	-	-	-	-	-	7,383	-	-
Executives												
Dr. Linda Tompkins ⁽⁸⁾	114,531	65,349	-	8,998	15,377	-	-	-	-	204,255	32	-
Milson Mundim ⁽⁹⁾	74,692	49,204	2,913	8,166	-	-	-	-	-	134,975	36	-
Christiaan Els ⁽¹⁰⁾	275,706	267,083 ⁽¹²⁾	-	21,093	16,116	431,190 ⁽¹³⁾	-	-	39,008	1,050,196	29	4
Anthony Kocken ⁽¹¹⁾	219,476	-	26,153	-	-	-	-	-	39,154	284,783	14	14
	1,660,615	554,547	138,253	79,964	53,931	801,100	-	-	212,755	3,501,165		

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- (1) Ms Belanger was appointed Executive Director and Chief Executive Officer of the Group effective 27 June 2014.
- (2) Mr Purdy resigned as a director from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
- (3) Mr Newsted, Mr Griffiths and Mr Milazzo were appointed Non-executive Directors of the Board effective 25 June 2014.
- (4) Mr McKeever was appointed Non-executive Director effective 6 August 2014. As a nominee director Mr McKeever does not receive any payments from the Group.
- (5) Mr Handley, Mr Nicholson and Mr Steyn resigned from the Board effective 11 January 2014.
- (6) Mr McCubbing and Mr Sheard resigned from the Board effective 7 April 2014.
- (7) In relation to the Company's "2013 Mirabela Nickel Limited Long Term Incentive Plan's" 2013 non-market condition pertaining to adjusted EBITDA per Share and 2013 market performance condition pertaining to a Relative TSR were lapsed. This Plan was suspended by the previous Board on 10 January 2014 and subsequently cancelled by Martin Madden in his capacity as joint and several administrator of Mirabela Nickel Limited on 5 May 2014.
- (8) Dr Tompkins was appointed Company Secretary effective 25 June 2014. The remuneration contained in Table 6a represents remuneration earned subsequent to becoming Company Secretary.
- (9) Mr Mundim was appointed Chief Financial Officer of the Group effective 8 September 2014.
- (10) Mr Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer of the Group effective 1 September 2014.
- (11) Mr Kocken ceased employment as Chief Operations Officer effective 25 August 2014.
- (12) For 2014 the previous Board had approved a retention bonus scheme for the Australian corporate office, its purpose being to incentivise eligible employees, including executive KMPs, to continue providing services for the duration of the restructure process. This was also ratified by the Deed Administrators subsequent to their appointment. The amount received by Mr Els related solely to the retention bonus.
- (13) Mr Purdy's termination payment was based on six months of his fixed remuneration. Mr Els termination payment was based on twelve months of his fixed remuneration. Both of these were in accordance with their contracts.

MIRABELA NICKEL LIMITED

DIRECTORS' REPORT

Table 6b below outlines the statutory KMP remuneration for 2013, based on International Financial Reporting Standards requirements.

[Table 6b]

US\$							Performance Rights (Expensed during the Period) relating to			Remuneration	Performance related proportion of remuneration entitlement	Value of performance rights as a proportion of remuneration entitlement
	Short-term salaries and fees	STI cash bonus	Non-monetary benefits	Annual leave expense	Post-employment super contributions	Termination Payments	Performance conditions achieved (5)	Performance conditions not yet achieved (6)	Performance conditions lapsed/cancelled (7)			
31 December 2013	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%	%
Directors												
<i>Executive Directors</i>												
Ian Purdy ⁽²⁾	934,385	238,188	-	59,342	24,200	-	46,068	66,304	57,270	1,425,757	29	12
<i>Non-executive Directors</i>												
Geoffrey Handley ⁽¹⁾	174,243	-	-	-	15,889	-	-	-	-	190,132	-	-
Ian McCubbing ⁽³⁾	124,332	-	-	-	11,338	-	-	-	-	135,670	-	-
Peter Nicholson ⁽¹⁾	96,802	-	-	-	-	-	-	-	-	96,802	-	-
Nicholas Sheard ⁽³⁾	96,802	-	-	-	-	-	-	-	-	96,802	-	-
Colin Steyn ⁽¹⁾	96,802	-	-	-	-	-	-	-	-	96,802	-	-
Executives												
Christiaan Els ⁽⁸⁾	435,349	105,848	-	33,612	24,200	-	31,793	19,216	38,107	688,125	28	13
Anthony Kocken	463,710	106,246	37,205	5,441	4,336	-	31,912	19,288	38,250	706,388	28	13
William Bent ⁽⁴⁾	31,863	-	-	2,263	6,133	46,844	-	-	-	87,103	-	-
	2,454,288	450,282	37,205	100,658	86,096	46,844	109,773	104,808	133,627	3,523,581		

(1) Mr Handley, Mr Nicholson and Mr Steyn resigned from the Board effective 11 January 2014.

(2) Mr Purdy resigned as a director from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

(3) Mr McCubbing and Mr Sheard resigned from the Board effective 7 April 2014.

(4) Mr Bent resigned from the Company effective 31 January 2013.

(5) In relation to 2011 non-market strategic objectives which vested on 31 December 2012 at a reduced allocation percentage and were converted to Shares on 23 January 2013; and 2012 non-market strategic objectives pertaining to cost reduction (at a reduced allocation percentage), optimisation (fully achieved) and exploration goals (fully achieved) with a vesting date of 31 December 2013 but which were suspended by the Committee on 10 January 2014.

(6) In relation to the Company's "2013 Mirabela Nickel Limited Long Term Incentive Plan's" 2013 non-market condition pertaining to Adjusted EBITDA per Share and 2013 market performance condition pertaining to a Relative TSR. This Plan was suspended by the Committee on 10 January 2014.

(7) In relation to 2012 non-market strategic objective pertaining to organic growth and 2012 market performance objective which were suspended and subsequently cancelled by the Committee on 18 March 2013 - values based on grant date valuation. The KMPs will not receive any benefit from these performance rights.

(8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continued employment with the Company as Chief Financial Officer.

DIRECTORS' REPORT

For Tables 6a and 6b above, exchange rates used to convert the AUD to USD and BRL to USD, respectively were as follows:

- Monthly average rates ranging from 0.938 to 0.885 for the year ended 31 December 2014 (31 December 2013: 1.050 to 0.898).
- Monthly average rates ranging from 0.420 to 0.379 for the year ended 31 December 2014 (31 December 2013: 0.507 to 0.426).

3.7.3 Equity instruments

3.7.3.1 Performance rights issued as remuneration

No performance rights were issued as remuneration or exercised by executive KMPs during the year ended 31 December 2014 (31 December 2013: refer Table 7 below).

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.

On 10 January 2014 the previous Committee also suspended the *"2013 Mirabela Nickel Limited Long Term Incentive Plan"* (LTI) – which was originally approved at a Shareholders meeting held on 30 May 2013. The LTI was subsequently cancelled by Martin Madden in his capacity as joint and several administrator of Mirabela Nickel Limited on 5 May 2014. As such, no KMP was entitled to receive any LTI benefits for 2014.

Due to the cancellation of the LTI, accounting standards require the uninvested share based payment expense to be accelerated and recognised in the consolidated statement of profit or loss and other comprehensive income. These are the amounts shown in Table 6a.

DIRECTORS' REPORT

[Table 7]

31 December 2013						
Directors		Number of performance rights issued/granted Jan-Dec 2013	Grant Date	Fair value of performance rights at grant date A\$	Expiry date ⁽¹⁾	Number of performance rights vested Jan-Dec 2013
<i>Executive</i>						
Ian Purdy	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽²⁾	-	9 Feb 2012	0.99	1 Jan 2014	121,985
	2013 non-market condition (adjusted EBITDA per Share)	886,427	30 May 2013	0.18	31 Dec 2015	-
	2013 market performance condition (RTSR)	886,427	30 May 2013	0.07	31 Dec 2015	-
<i>Executives</i>						
Christiaan Els	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽²⁾	-	9 Feb 2012	0.99	1 Jan 2014	70,753
	2013 non-market condition (adjusted EBITDA per Share)	256,903	30 May 2013	0.18	31 Dec 2015	-
	2013 market performance condition (RTSR)	256,902	30 May 2013	0.07	31 Dec 2015	-
Anthony Kocken	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽²⁾	-	9 Feb 2012	0.99	1 Jan 2014	71,020
	2013 non-market condition (adjusted EBITDA per Share)	257,870	30 May 2013	0.18	31 Dec 2015	-
	2013 market performance condition (RTSR)	257,869	30 May 2013	0.07	31 Dec 2015	-

(1) The performance rights were subject to both service conditions and performance conditions (Refer note 12 of the consolidated financial statements).

(2) These performance rights were subject to a twelve month service condition but were suspended by the previous Committee on 10 January 2014.

DIRECTORS' REPORT

3.7.3.2 Analysis of performance rights

Details of vesting profiles of the performance rights granted as remuneration to executive KMPs of the Group are detailed in Table 8 below:

[Table 8]

Directors		Number of performance rights issued/ granted	Grant Date	Performance condition successfully achieved ⁽²⁾	% forfeited/ cancelled during the year ⁽¹⁾	Date on which grant vests
Executive						
Ian Purdy	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽³⁾	135,539	9 Feb 2012	90%	-	31 Dec 2013
	2013 non-market condition (adjusted EBITDA per Share) ⁽⁴⁾	886,427	30 May 2013	0%	100%	31 Dec 2015
	2013 market performance condition (RTSR) ⁽⁴⁾	886,427	30 May 2013	0%	100%	31 Dec 2015
Executives						
Christiaan Els	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽³⁾	78,615	9 Feb 2012	90%	-	31 Dec 2013
	2013 non-market condition (adjusted EBITDA per Share) ⁽⁴⁾	256,903	30 May 2013	0%	100%	31 Dec 2015
	2013 market performance condition (RTSR) ⁽⁴⁾	256,902	30 May 2013	0%	100%	31 Dec 2015
Anthony Kocken	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽³⁾	78,911	9 Feb 2012	90%	-	31 Dec 2013
	2013 non-market condition (adjusted EBITDA per Share) ⁽⁴⁾	257,870	30 May 2013	0%	100%	31 Dec 2015
	2013 market performance condition (RTSR) ⁽⁴⁾	257,869	30 May 2013	0%	100%	31 Dec 2015

(1) The % forfeited/cancelled in the year represents the reduction from the maximum number of rights available to vest due to performance criteria not being achieved.

(2) Subject to a twelve month service condition.

(3) These performance rights were subject to a twelve month service condition but were suspended by the previous Committee on 10 January 2014.

(4) These performance rights were cancelled by the previous Board on 10 January 2014.

DIRECTORS' REPORT

3.7.3.3 Movement in performance rights

The movement during the financial year in the number of performance rights in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 January 2014	Granted/ issued as compensation	Converted to shares	Cancelled or forfeited	Held at 31 December 2014	Vested during the year	Vested and exercisable at 31 December 2014
Directors							
Richard Newsted ⁽¹⁾	-	-	-	-	-	-	-
Maryse Belanger ⁽²⁾	-	-	-	-	-	-	-
Ross Griffiths ⁽³⁾	-	-	-	-	-	-	-
Mark Milazzo ⁽⁴⁾	-	-	-	-	-	-	-
Alastair McKeever ⁽⁵⁾	-	-	-	-	-	-	-
Geoffrey Handley ⁽⁶⁾	-	-	-	-	-	-	-
Ian Purdy ⁽⁷⁾	1,894,839	-	-	(1,772,854)	121,985	-	-
Ian McCubbing ⁽⁸⁾	-	-	-	-	-	-	-
Peter Nicholson ⁽⁹⁾	-	-	-	-	-	-	-
Colin Steyn ⁽¹⁰⁾	-	-	-	-	-	-	-
Nicholas Sheard ⁽¹¹⁾	-	-	-	-	-	-	-
Executives							
Dr. Linda Tompkins ⁽¹²⁾	176,028	-	-	(154,722)	21,306	-	-
Milson Mundim ⁽¹³⁾	-	-	-	-	-	-	-
Christiaan Els ⁽¹⁴⁾	584,558	-	-	(513,805)	70,753	-	-
Anthony Kocken ⁽¹⁵⁾	586,759	-	-	(515,739)	71,020	-	-
	3,242,184	-	-	(2,957,120)	285,064	-	-

(1) Mr Newsted was appointed Chairman of the Board effective 25 June 2014.

(2) Ms Belanger was appointed Executive Director and Chief Executive Officer of the Group effective 27 June 2014.

(3) Mr Griffiths was appointed Non-executive Director effective 25 June 2014.

(4) Mr Milazzo was appointed Non-executive Director effective 25 June 2014.

(5) Mr McKeever was appointed Non-executive Director effective 6 August 2014.

(6) Mr Handley resigned from the Board effective 11 January 2014.

(7) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

(8) Mr McCubbing resigned from the Board effective 7 April 2014.

(9) Mr Nicholson resigned from the Board effective 11 January 2014.

(10) Mr Steyn resigned from the Board effective 11 January 2014.

(11) Mr Sheard resigned from the Board effective 7 April 2014.

(12) Dr Tompkins was appointed Company Secretary effective 25 June 2014, and these rights were issued prior to Dr Tompkins becoming a KMP.

(13) Mr Mundim was appointed Chief Financial Officer of the Group effective 8 September 2014.

(14) Mr Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer of the Group effective 1 September 2014.

(15) Mr Kocken ceased employment as Chief Operations Officer effective 25 August 2014.

DIRECTORS' REPORT

	Held at 1 January 2013	Granted/ issued as compensation	Converted to shares	Cancelled or forfeited	Held at 31 December 2013	Vested during the year	Vested and exercisable at 31 December 2013
Directors							
Geoffrey Handley ⁽¹⁾	-	-	-	-	-	-	-
Ian Purdy ⁽²⁾	734,650	1,772,854	(70,509)	(542,156)	1,894,839	-	121,985
Ian McCubbing ⁽³⁾	-	-	-	-	-	-	-
Peter Nicholson ⁽⁴⁾	-	-	-	-	-	-	-
Colin Steyn ⁽⁵⁾	-	-	-	-	-	-	-
Nicholas Sheard ⁽⁶⁾	-	-	-	-	-	-	-
Executives							
Christiaan Els ⁽⁸⁾	209,523	513,805	(20,846)	(117,924)	584,558	-	70,753
Anthony Kocken	189,386	515,739	-	(118,366)	586,759	-	71,020
William Bent ⁽⁷⁾	17,168	-	(17,168)	-	-	-	-
	1,150,727	2,802,398	(108,523)	(778,446)	3,066,156	-	263,758

(1) Mr Handley resigned from the Board effective 11 January 2014.

(2) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

(3) Mr McCubbing resigned from the Board effective 7 April 2014.

(4) Mr Nicholson resigned from the Board effective 11 January 2014.

(5) Mr Steyn resigned from the Board effective 11 January 2014.

(6) Mr Sheard resigned from the Board effective 7 April 2014.

(7) Mr Bent resigned from the Company effective 31 January 2013.

(8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer of the Group effective 1 September 2014.

3.7.3.4 Movement in ordinary shares

The movement during the financial year in the number of ordinary shares in Mirabela Nickel Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Year ended 31 December 2014	Held at 1 January 2014	Purchases	Converted to shares	Sales/ resignation	Held at 31 December 2014
Directors					
Richard Newsted ⁽¹⁾	-	-	-	-	-
Maryse Belanger ⁽²⁾	-	-	-	-	-
Ross Griffiths ⁽³⁾	-	100,000	-	-	100,000
Mark Milazzo ⁽⁴⁾	-	-	-	-	-
Alastair McKeever ⁽⁵⁾	-	-	-	-	-
Geoffrey Handley ⁽⁶⁾	96,923	-	-	(96,923)	-
Ian Purdy ⁽⁷⁾	71,369	-	-	(71,369)	-
Ian McCubbing ⁽⁸⁾	193,846	-	-	(193,846)	-
Peter Nicholson ⁽⁹⁾	-	-	-	-	-
Colin Steyn ⁽¹⁰⁾	50,972,345	-	-	(50,972,345)	-
Nicholas Sheard ⁽¹¹⁾	100,000	-	-	(100,000)	-
Executives					
Dr. Linda Tompkins ⁽¹²⁾	-	-	2,150	(2,110) ⁽¹⁶⁾	40
Milson Mundim ⁽¹³⁾	-	-	-	-	-
Christiaan Els ⁽¹⁴⁾	186,887	-	-	(186,887)	-
Anthony Kocken ⁽¹⁵⁾	-	-	-	-	-
	51,621,370	100,000	2,150	(51,623,480)	100,040

DIRECTORS' REPORT

- (1) Mr Newsted was appointed Chairman of the Board effective 25 June 2014.
- (2) Ms Belanger was appointed Executive Director and Chief Executive Officer of the Group effective 27 June 2014.
- (3) Mr Griffiths was appointed Non-executive Director effective 25 June 2014.
- (4) Mr Milazzo was appointed Non-executive Director effective 25 June 2014.
- (5) Mr McKeever was appointed Non-executive Director effective 6 August 2014.
- (6) Mr Handley resigned from the Board effective 11 January 2014.
- (7) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
- (8) Mr McCubbing resigned from the Board effective 7 April 2014.
- (9) Mr Nicholson resigned from the Board effective 11 January 2014.
- (10) Mr Steyn resigned from the Board effective 11 January 2014.
- (11) Mr Sheard resigned from the Board effective 7 April 2014.
- (12) Dr Tompkins was appointed Company Secretary effective 25 June 2014.
- (13) Mr Mundim was appointed Chief Financial Officer of the Group effective 8 September 2014.
- (14) Mr Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer of the Group effective 1 September 2014.
- (15) Mr Kocken ceased employment as Chief Operations Officer effective 25 August 2014.
- (16) As a result of the extinguishment on 25 June 2014 of the outstanding debt on the US\$395.000 million 8.75% Senior Unsecured Notes due 15 April 2018 (Original Noteholders), the Original Noteholders became entitled to approximately 98.2% of the Company's ordinary shares on issue at that time. As a result, the holdings of existing shareholders, including existing KMPs, were reduced accordingly to reflect the change in ownership.

Year ended 31 December 2013	Held at 1 January 2013	Purchases	Converted to shares	Sales/ resignation	Held at 31 December 2013
Directors					
Geoffrey Handley ⁽¹⁾	96,923	-	-	-	96,923
Ian Purdy ⁽²⁾	350,860	-	70,509	(350,000)	71,369
Ian McCubbing ⁽³⁾	193,846	-	-	-	193,846
Peter Nicholson ⁽⁴⁾	-	-	-	-	-
Colin Steyn ⁽⁵⁾	50,972,345	-	-	-	50,972,345
Nicholas Sheard ⁽⁶⁾	-	100,000	-	-	100,000
Executives					
Christiaan Els ⁽⁸⁾	216,041	-	20,846	(50,000)	186,887
Anthony Kocken	-	-	-	-	-
William Bent ⁽⁷⁾	-	-	17,168	(17,168)	-
	51,830,015	100,000	108,523	(417,168)	51,621,370

- (1) Mr Handley resigned from the Board effective 11 January 2014.
- (2) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
- (3) Mr McCubbing resigned from the Board effective 7 April 2014.
- (4) Mr Nicholson resigned from the Board effective 11 January 2014.
- (5) Mr Steyn resigned from the Board effective 11 January 2014.
- (6) Mr Sheard resigned from the Board effective 7 April 2014.
- (7) Mr Bent resigned from the Company effective 31 January 2013.
- (8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014 and ceased employment as Chief Financial Officer of the Group effective 1 September 2014.

3.7.3.5 Movement in options over ordinary shares held by key management personnel

31 December 2014:

There was no movement during the financial year ended 31 December 2014 in the number of options over ordinary shares in the Company held directly, indirectly or beneficially by KMPs, including their related parties.

31 December 2013:

There was no movement during the financial year ended 31 December 2013 in the number of options over ordinary shares in the Company held directly, indirectly or beneficially by KMPs, including their related parties.

3.7.3.6 Options

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).

DIRECTORS' REPORT

4 UNAUDITED NON-IFRS RECONCILIATION

EBITDA Reconciliation

The following table reflects a reconciliation of the Group's EBITDA to the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	31 December 2014 US\$000	31 December 2013 US\$000	31 December 2012 US\$000	31 December 2011 US\$000
Profit/(Loss) for the period per Consolidated Statement of Profit or Loss and Other Comprehensive Income	382,945	(493,861)	(452,875)	(50,761)
Add back:				
Income tax expense	8,791	-	-	-
Impairment of property, plant and equipment	-	331,182	380,000	-
Depreciation, amortisation and depletion	651	20,375	64,765	52,829
Financial expense	35,024	54,098	43,431	38,843
Inventory valuation adjustments	-	3,169	-	-
Net foreign exchange loss	-	48,318	9,868	-
Other expenses	33,199	16,214	6,687	12,324
Less:				
Income tax benefit	-	-	-	(2,369)
Inventory valuation adjustments	(732)	-	-	-
Financial Income	(1,327)	(5,070)	(6,549)	(3,175)
Net derivative gain	-	-	-	(249)
Other income	(502,220)	(816)	-	-
Net foreign exchange gain	(14,499)	-	-	(32,827)
EBITDA	(58,168)	(26,391)	45,327	14,615

Production Unit Cash Costs Reconciliation

	31 December 2014 US\$000	31 December 2013 US\$000	31 December 2012 US\$000	31 December 2011 US\$000
Gross loss per Consolidated Statement of Comprehensive Income	(30,763)	(34,114)	(6,757)	(27,888)
Add back:				
Royalties	9,229	8,837	14,978	15,617
Depreciation, amortization and depletion	651	20,375	64,765	52,829
Inventory valuation adjustments	-	3,169	-	-
Direct concentrate stockpile movement	-	-	6,326	-
Copper Hedge expense	2,886	6,013	1,373	844
Less:				
Inventory valuation adjustments	(732)	-	-	-
Nickel sales revenue	(121,489)	(165,622)	(300,550)	(263,985)
Direct concentrate stockpile movement	(14,400)	(16,486)	-	(3,570)
Total cash operating cost of production	154,618	177,828	219,865	226,153
Payable nickel (pounds)	21,594,716	30,659,959	37,777,448	31,107,699
Unit Cash Cost (US\$) per pound of payable nickel	7.16	5.80	5.82	7.27

The above reconciliations should be read in conjunction with Table 5 of the Remuneration Report (Section 3 of the Directors' Report).

DIRECTORS' REPORT**5 DIRECTORS' INTERESTS**

As at the date of this report, the interests of the directors in the shares and performance rights of Mirabela Nickel Limited were:

Directors	Ordinary shares	Performance Rights	Options
Richard Newsted	-	-	-
Maryse Belanger	-	-	-
Ross Griffiths	100,000	-	-
Mark Milazzo	-	-	-
Alastair McKeever	-	-	-

6 PERFORMANCE RIGHTS / SHARE OPTIONS**6.1 Shares Issued on Exercise of Performance Rights and Options**

During the financial year there was no performance rights converted to ordinary shares. No options were exercised during or since the end of the financial year and consequently no ordinary shares were issued as a result.

6.2 Unissued Shares under Performance Rights

Unissued shares of the Company under performance rights are:

Vesting date	At 31 December 2014	At the date of this report
31 December 2013 ⁽¹⁾	482,263	482,263
Balance	482,263	482,263

⁽¹⁾ These performance rights were subject to a twelve month service condition, but were suspended by the previous Committee on 10 January 2014.

6.3 Unissued Shares under Option

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)

7 INDEMNIFICATION AND INSURANCE OF OFFICERS**7.1 Indemnification**

An indemnity agreement has been entered into with each of the directors and the Company Secretary of the Company named earlier in this report. Under the agreements, the Company has agreed to indemnify those officers against any claim or for any expense or cost which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

7.2 Insurance

During the financial year, the Company paid premiums on a contract of insurance covering directors or members of senior management against liabilities incurred in respect of the relevant office, except as precluded by law.

The directors have not included details of the nature of liabilities covered or the amount of premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

DIRECTORS' REPORT

8 PRINCIPAL ACTIVITIES

The Company is a Brazilian nickel producer engaged in the exploration, mining, production and sale of nickel concentrate. The ordinary shares of the Company are listed on the Australian Securities Exchange under the symbol "MBN".

The Company's principal asset is the 100% owned Santa Rita nickel sulphide mine in Bahia, Brazil, discovered by the Company in 2004 and brought into commercial production in 2010.

9 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has a documented charter, approved by the Board. All members of the Audit and Risk Committee in 2014 were Non-executive Directors. The Audit and Risk Committee advised on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit and Risk Committee during the year ended 31 December 2014 were:

- Mr Ross Griffiths, Dip Bus Studies (Acc), FCA, MBA, GAICD – Non-executive Director; Chairman of the Audit and Risk Committee (appointed 25 June 2014).
- Mr Richard Newsted, BSc (Accounting), M Bus Admin (Hons) - Non-executive Director (appointed 25 June 2014).
- Mr Mark Milazzo, B.Eng. Mining, FAusIMM - Non-executive Director (appointed 25 June 2014).
- Mr Ian McCubbing, B.Com (Hons), MBA (Ex), CA, GAICD - Non-executive Director; Chairman of the previous Audit Committee (resigned effective 7 April 2014).
- Mr Nicholas Sheard, ASEG, Fellow AIG, RP.Geo – Non-executive Director; member of the previous Audit Committee (resigned effective 7 April 2014)
- Mr Colin Steyn, B.Com, MBA – Non-executive Director; member of the previous Audit Committee (resigned 11 January 2014)

In 2014, the Audit and Risk Committee met once during the financial year and the Audit and Risk Committee members' attendance record is disclosed in the table of directors' meetings in section 1.3 of this Directors' Report. During the period in 2014 that the Company was in voluntary administration, there was no Audit Committee nor Audit and Risk Committee.

10 DIVIDENDS

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

11 EARNINGS PER SHARE

The basic and diluted earnings per share for the Group for the period was US\$0.42 per share (31 December 2013: US\$0.56 loss per share).

12 EVENTS SUBSEQUENT TO REPORTING DATE

Offtakes

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.

DIRECTORS' REPORT

An offtake 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 in 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 of the consolidated financial statements, 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.

13 CORPORATE STRUCTURE

Mirabela Nickel Limited is a company limited by shares that is incorporated and domiciled in Australia. As at 31 December 2014, the Company's shares were in a trading halt. The Company had requested the ASX on 17 December 2014 to place its shares in a trading halt and was subsequently reinstated to official quotation on 16 February 2015.

14 NON-AUDIT SERVICES

The Board considered the non-audit services provided during the financial year by the auditor and was satisfied that the provision of those non-audit services was compatible with, and did not compromise, the auditor's independence requirements of the Corporations Act 2001 (*Cth*).

All non-audit services provided during the financial year were subject to the corporate governance procedures adopted by the Company and were reviewed by the previous and current Boards to ensure they did not impact the integrity and objectivity of the auditor; and the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

		31 December 2014	31 December 2013
	<i>Note-consolidated financial statements</i>	US\$	US\$
Auditors of the Company			
<i>KPMG Australia:</i>			
Audit fees	11	385,037	399,132
Other assurance and advisory services ^(a)	11	46,728	43,723
<i>KPMG Brazil:</i>			
Audit fees	11	125,443	103,374
Other assurance and advisory services ^(a)	11	29,199	37,801
		586,407	584,030

(a) Other assurance and advisory services

These include advisory services relating to an investigating accountant's report provided during the Company's recapitalisation (US\$37,453), the ongoing hotline for the Whistleblower program in Brazil, along with general accounting advisory support.

15 BUSINESS RISKS AND UNCERTAINTIES

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Notes 2 and 3(e) of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally and in

DIRECTORS' REPORT

Brazil in particular. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

15.1 *The Company's Financial Condition*

There can be no assurance that the Company will not continue to incur losses should it continue as a going concern (note, the Company's profit for the period of US\$382.945 million includes debt forgiveness income US\$439.715 million and fair value adjustments to the senior convertible secured note derivative of US\$61.987 million).

Numerous factors, including declining metal prices, adverse currency exchange rate movements (in particular the Brazilian Real and United States dollar), lower than expected ore grades or higher than expected operating costs and impairment write-offs of mine property and/or exploration property costs, could cause the Company to continue to be unprofitable in the future. Continued losses could have important consequences, including the following:

- Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to dedicate a significant portion of the Company's cashflows to make debt service payments, which would reduce its ability to fund working capital, capital expenditures, operating and exploration costs and other general corporate requirements; and
- Limiting the Company's flexibility in planning for, or reacting to, changes in the business and the industry.

15.2 *Decreases in the Price of Nickel*

The price of nickel will affect the profitability of the Santa Rita Operation. The price of nickel fluctuates widely and is affected by numerous factors beyond the control of the Company such as industrial and retail supply and demand, exchange rates, inflation rate fluctuation, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

Future production from the Company's mining properties, including in particular the Santa Rita Operation, is dependent upon the price of nickel being adequate to make it economically viable. The Company's ore reserves have been calculated at a price of US\$8.00/lb.

Future price declines in the market value of nickel and copper could cause commercial production from the Santa Rita Operation to be rendered uneconomic. Declining metal prices will also adversely affect the Company's ability to obtain financing both now and in the long term.

15.3 *Production Estimates*

The Company may not achieve its production estimates. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial conditions. The realisation of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates including geologic interpretation, ore grades and recovery rates, ground conditions (including hydrology), the physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing.

Actual production may vary from estimates for a variety of reasons, including: the availability of certain types of ores; the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions;

DIRECTORS' REPORT

changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; lack of required labour; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production.

15.4 Cost Estimates

The Company provides forecasts of its C1 unit cash costs. The Company may not achieve such cost estimates, which could have a material adverse effect on its profitability, results of operations and financial condition. Operating costs are estimated based on the interpretation of geological data and recent costs achieved broken down by activity in operations. Any of the following events could affect the ultimate accuracy of such estimate and result in an increase in actual operating costs incurred: (i) unanticipated changes in grade and tonnage of ore to be mined and processed; (ii) incorrect data on which engineering assumptions are made; (iii) equipment delays; (iv) labour disputes and negotiations; (v) changes in government regulation including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals; and (vi) title claims. Material increases in operating costs at the Santa Rita Operation could cause the Company to suspend operation of the Santa Rita Operation as currently planned, either temporarily or permanently.

15.5 Ore Reserves and Mineral Resources Estimates

The estimated costs of the Santa Rita mining operation, the tonnages and grades anticipated to be achieved and the anticipated level of recovery are based on the Company's estimated ore reserves and mineral resources for the Santa Rita mine. No assurance can be given that the anticipated tonnages and grades will be achieved, that anticipated level of recovery will be realised or that ore reserves will be mined or processed profitably. There are numerous uncertainties inherent in estimating ore reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any ore reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Short term operating factors relating to the ore reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mining operations to be unprofitable in any particular accounting period.

Fluctuations in nickel prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate of ore reserves or mineral resources may require revisions to such estimates. As a result, the volume and grade of ore reserves the Company mines and processes, the recovery rate it achieves and the cost of its operations may not be the same as currently anticipated. Any material reductions in the Company's estimated ore reserves and mineral resources, or of its ability to extract these ore reserves, could have a material adverse effect on the Company's results of operations and financial condition.

15.6 Foreign Exchange Risk

Exchange rate fluctuations affect the Company's costs, revenue and cashflows. Although the Company's indebtedness is denominated in United States dollars, the majority of the Company's operating expenses and capital expenditures are incurred in Brazilian real, with some smaller costs denominated in Australian dollars. Further, nickel is sold worldwide, predominantly in United States dollars.

DIRECTORS' REPORT

Accordingly, adverse fluctuations in the relative price of the Brazilian real and the Australian and United States dollars would effectively increase the costs of development and production at the Santa Rita mine and could materially and adversely affect the Company's earnings and financial condition.

15.7 Delays in Procuring New Equipment

Delays in procuring new equipment, or maintaining and supporting existing equipment may impact the Company's ability to achieve its production forecasts. Equipment delays may result from difficulties in procurement, funding constraints the Company may face, late ordering of equipment, shipping and customs delays, or fabrication, drilling, blasting and loading problems. Additionally, excessive wear on equipment could create the need for unexpected repairs or new equipment or spares, creating further delays and increasing operating costs.

Supply shortages may also result from an excess of demand over supply for mining equipment and competition for supplies from competitors. If the Company is unable to secure sufficient supplies for its operations, it may suffer reductions in its production capacity, which could have a material adverse effect on its financial and operating results.

15.8 Concentrate Specifications

The Company's concentrate is subject to risks of process upsets and equipment malfunctions. Head grade, mill throughput, or anticipated metallurgical recoveries may ultimately be lower than expected. Concentrate produced by the Company is subject to offtake agreements and must meet certain specifications. Failure to meet such specifications could entitle purchasers to refuse delivery or seek price adjustments, which in either case, could have a material adverse effect on the Company's revenue, cash flows and financial condition.

15.9 Environmental Risks and Regulations

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are current and may in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties or sale of concentrate.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties or the sale of concentrate may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and

DIRECTORS' REPORT

cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production, or require abandonment or delays in development of new mining properties.

15.10 Tailings Dam

The tailings dam wall capital works are ongoing; however, should issues arise with the lifting of the dam wall height, to accommodate additional solids and waste water from the processing plant, then this may have a material adverse impact on production and/or the economic viability of the mine.

15.11 Operating Licence

Mirabela Brazil 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.

15.12 Mining Tenements

The mining concession for the Santa Rita mine is held by Companhia Baiana De Pesquisa Mineral (CBPM). Mirabela Brazil's mining rights are subject to a 20 year mining lease agreement with CBPM which commenced in March 2008. The mining lease agreement can be extended through agreement with CBPM which may be at risk of termination if Mirabela Brazil filed for bankruptcy.

15.13 Brazilian indirect taxes

As a result of the concentrate sales shift from Votorantim Metais S.A. (Votorantim) to an international trading house, certain Brazilian state input tax credits that were previously available to Mirabela Brazil are not available going forward. These credits can only be claimed where there are corresponding domestic sales, or offset against certain tax liabilities or sold to third parties under specific conditions requiring approval from the Bahia state authority

16 ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

17 LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 46 and forms part of the Directors' Report for the financial year ended 31 December 2014.

Dated at Perth this 26th day of March 2015.

Signed in accordance with a resolution of the directors.



Richard Newsted
Non-executive Chairman



Maryse Belanger
Chief Executive Officer
& Managing Director

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Mirabela Nickel Limited (the **Company**):
 - (a) The consolidated financial statements and notes that are set out on pages 47 to 102, and the Remuneration Report in Section 3 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2014.
- 3 The directors draw attention to Note 3(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.
- 4 The directors also draw attention to Notes 2 and 3(e) of the consolidated financial statements, which make reference to the going concern basis of preparation.

Dated at Perth this 26th day of March 2015.

Signed in accordance with a resolution of the directors.



Richard Newsted
Non-executive Chairman



Maryse Belanger
Chief Executive Officer
& Managing Director



Independent auditor's report to the members of Mirabela Nickel Limited

Report on the financial report

We have audited the accompanying financial report of Mirabela Nickel Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 3(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulation 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3(a).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion expressed above, attention is drawn to note 3(e) to the financial report. The matters set forth in note 3(e) indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 3 of the directors' report for the year ended 31 December 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Mirabela Nickel Limited for the year ended 31 December 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

A blue ink signature, likely of R Gambitta, written over the KPMG text.

R Gambitta
Partner

Perth

26 March 2015

LEAD AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Mirabela Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a horizontal line extending to the right.

R Gambitta
Partner

Perth

26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		31 December 2014	31 December 2013
	Note	US\$000	US\$000
Sales revenue	7	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	21	-	(331,182)
General and administration	10	(27,324)	(15,821)
Financial income	8	1,327	5,070
Financial expense	8	(35,024)	(54,098)
Net foreign exchange gain/(loss)		14,499	(48,318)
Other Income	9	502,220	816
Other expenses	9	(33,199)	(16,214)
		422,499	(459,747)
Profit/(Loss) before income tax		391,736	(493,861)
Income tax expense	14	(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)	15	0.42	(0.56)
Diluted earnings (loss) per share (\$ per share)	15	0.31	(0.56)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 52 to 102.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to equity holders of the Group					
				Share based			
		Issued	Translation	payments	Hedging	Accumulated	Total
		capital	reserve	reserve	reserve	losses	equity
31 December 2014	Note	US\$000	US\$000	US\$000	US\$000	US\$000	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	28	-	(28,486)	-	-	-	(28,486)
Net change in fair value of cash flow hedges transferred to profit or loss	19	-	-	-	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	27	7,296	-	-	-	-	7,296
Share based payments cancelled during the period	28	-	-	(328)	-	328	-
Share based payments recognised	28	-	-	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 consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 52 to 102.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to equity holders of the Group					
				Share based			
		Issued	Translation	payments	Hedging	Accumulated	Total
		capital	reserve	reserve	reserve	losses	equity
31 December 2013	Note	US\$000	US\$000	US\$000	US\$000	US\$000	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	28	-	(10,336)	-	-	-	(10,336)
Net change in fair value of cash flow hedges transferred to profit or loss	19	-	-	-	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	27	(593)	-	-	-	-	(593)
Options lapsed during the period	28	-	-	(1,704)	-	1,704	-
Shares transferred to retained losses due to cancellation	28	-	-	(512)	-	512	-
Share based payments recognised	28	-	-	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 consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 52 to 102.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

		31 December 2014 US\$000	31 December 2013 US\$000
	Note		
ASSETS			
Cash and cash equivalents	16	17,560	30,735
Trade and other receivables	17	5,865	25,223
Inventories	18	55,893	67,970
Total current assets		79,318	123,928
Trade and other receivables	17	34,645	31,951
Property, plant and equipment	21	36,859	-
Exploration and evaluation assets	20	2,363	2,663
Total non-current assets		73,867	34,614
Total assets		153,185	158,542
LIABILITIES			
Trade and other payables	22	33,388	64,483
Provisions	23	2,028	3,392
Borrowings	24	1,996	456,241
Total current liabilities		37,412	524,116
Provisions	23	13,234	10,244
Borrowings	24	95,822	-
Convertible note derivative	25	6,921	-
Deferred tax liability	14	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	27	803,813	796,517
Reserves	28	(148,611)	(124,865)
Accumulated losses		(664,197)	(1,047,470)
Total deficiency		(8,995)	(375,818)

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 52 to 102.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		31 December 2014	31 December 2013
	Note	US\$000	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	32	(50,298)	(33,034)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	21	(43,874)	(36,609)
Net cash used in investing activities		(43,874)	(36,609)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue costs	27	-	(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	16	17,560	30,735

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 52 to 102.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. REPORTING ENTITY

The Company is domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000. The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity primarily involved in the production, development and exploration of mineral properties in Brazil.

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 based on current LME nickel prices.

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 24):
 - 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

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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 Brazil 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

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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 3(e) in terms of the going concern basis of preparation.

3. BASIS OF PREPARATION

(a) Statement of compliance

This 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 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 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.

The consolidated financial report was approved by the Board of Directors on 26 March 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value; and
- share based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in Note 5.

(c) Functional and presentation currency

The consolidated financial report is presented in US dollars, which is the Group's presentation currency. The Company's functional currency is Australian dollars and the functional currency of the Company's foreign subsidiary is Brazilian real. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the current circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The going concern basis of accounting relies on such estimates and assumptions and the comments as outlined in Note 2 and Note 3(e) should be read in conjunction with this note.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4(i) – revenue
- Note 14 – income tax expense
- Note 21 – property, plant and equipment
- Note 23 – provisions
- Note 29 – financial instruments

A significant area of estimation and judgement relevant to current and future reporting periods is as follows:

(i) Convertible note derivative

An option pricing model is used to calculate the fair value of the convertible note derivative that is dependent upon a number of estimates and assumptions. The types of estimates and assumptions used are set out in Note 5(i). Changes to the estimates and assumptions used in the pricing model could have a material impact on the fair value of the convertible note derivative.

(e) Financial position and going concern basis of preparation

The Group ended the year with cash on hand and on deposit of US\$17.560 million (2013: \$30.735 million). Cash was positively impacted during the year by proceeds from the issue of SCSNs of US\$55.000 million, and proceeds of US\$45.000 million under the terms of the Syndicated Note Subscription Deed provided by the Ad-hoc Group of Senior Unsecured Noteholders. This was offset by cash outflows from the operations along with the capital expenditure program to expand the tailings dam facility.

The Group generated a profit of US\$382.945 million for the year ended 31 December 2014, which 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\$33.199 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. As a result of this, the Group's net liability position as at 31 December 2014 has reduced to US\$8.995 million, as the Original Noteholder debt was derecognised and new unsecured notes issued. Net cash outflows from operating and investing activities for the year ended 31 December 2014 were US\$94.172 million.

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As outlined in Note 2, 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 will 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions denominated in foreign currencies are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at year end and the gains or losses on retranslation are included in the consolidated statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

Foreign operations' statement of profit or loss and other comprehensive income items are translated at the approximate average exchange rate for the month. Assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange variations resulting from the retranslation at closing rate of the net investment in a foreign operation, together with differences between their statement of profit or loss and other comprehensive income items translated at actual and closing rates, are disclosed in the foreign currency translation reserve and recognised in other comprehensive income and expense.

(c) Financial instruments

(i) Convertible note liability and derivative

Convertible notes issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder and a convertible note derivative whose fair value changes with the Company's underlying share price and the USD:AUD exchange rate.

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option, and is calculated as the difference between the financial instrument as a whole and the value of the derivative at inception. The embedded derivative component is recognised initially at fair value. Any directly attributable transaction costs are allocated to the convertible note liability. The fair value of the derivative portion has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models. Subsequent to recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. The convertible note derivative is measured at fair value through profit or loss.

The convertible note liability and derivative are derecognised from the statement of financial position when the obligations specified in the contract are discharged. This can occur upon the note holder exercising their option or the option period lapses requiring the Company to repay the obligation.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. For instruments not valued at fair value any directly attributable transaction costs will go through profit or loss, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Accounting for finance income and expense is discussed in Note 4(q).

(iii) Other derivative financial instruments

The Group may hold from time-to-time derivative financial instruments to manage its foreign currency, metals price risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and expense to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and expense remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income and expense is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income and expense is transferred to profit and loss in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of change in the fair value and are used by the Group in the management of its short-term commitments.

(v) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer to Note 4(m)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets and acquired assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Mining development assets include costs transferred from exploration and evaluation assets, once technical feasibility and commercial viability of an area of interest are demonstrable, and the subsequent costs required to develop the mine to the production phase. Mine development assets are accounted for in terms of Note 4(e) below.

Cost may also include transfers from other comprehensive income and expense of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as incurred.

(iii) Depreciation

The carrying amounts of property, plant and equipment (including initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned or the estimated life to the associated mine, if shorter. Depreciation is calculated using a straight line method over the estimated useful lives of each part of an item of property, plant and equipment or are depreciated on the units of production basis over the life of mine. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets from the date that the assets are completed and ready for use. Depreciation is not charged on plant and equipment under construction.

The estimated useful lives are as follows:

- Plant and equipment 2.5 to 19 years or based on ore reserves on units of production basis;
- Mine properties based on ore reserves on units of production basis; and
- Leased assets based on lower of useful life and lease term.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

The new life of mine for Santa Rita has been assessed as 14 years (including 2015).

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(iv) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income and expense" in profit or loss.

(v) Nickel reserves

Ore reserves are estimates of the quantity of nickel that can be economically extracted from the Group's Santa Rita mining operation. In order to estimate ore reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grade, mining and processing methods, process recovery by ore type, production costs, future capital requirements, short and long term nickel prices and exchange rates.

Estimating the quantity and/or grade of ore reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process requires a complex geological interpretation based on widely-spaced exploration drilling data.

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resource and Ore Reserves December 2012, known as The JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported ore reserves may affect the Group's financial results and position in a number of ways including:

- Asset carrying values may be impacted due to changes in the estimated future cash flows;
- Depreciation and amortisation charged in the income statement may change where such changes are calculated using the units of production basis; and
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities. Changes in estimates are capitalised to the underlying assets.

If changes in estimates occur, depreciation and amortisation of mining assets are adjusted prospectively.

(e) Mine Properties

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as mine properties and disclosed as a component of property, plant and equipment. All development costs subsequently incurred within that area of interest are capitalised and carried at cost.

Amortisation of capitalised mine properties is provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production.

Overburden removal costs

Overburden and other mine waste material are often removed during the initial development of a mine site in order to access the mineral deposit. The directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as mine properties within property, plant and equipment. Capitalisation ceases and depreciation of those costs commences at the time that commercial levels of saleable material are being extracted from the mine. Depreciation is determined on a unit of production basis for each area of interest.

(f) Deferred stripping costs

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, outlines how costs associated with waste removal (stripping) during the production phase of a surface mine are to be accounted for. Where the stripping activity gives rise to a benefit in the current period, stripping costs are to be accounted for as the cost of inventory. Where the activity results in improved access to ore in future periods, the costs are recognised as a non-current asset, providing certain criteria are met. In determining an appropriate allocation basis between inventory and non-current asset, IFRIC 20 provides guidance on possible metrics to use. After recognition, the stripping activity asset is then amortised on a systematic basis (unit of production method) over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The Group identified two separate components within its surface mine. One of these components is immaterial in terms of effective life, volume of ore to be mined and cost of such mining, in comparison to the total mine. As such, the Group determined that due to the immateriality of this specific component it may be combined with the core component when determining the allocation between inventory and non-current asset. Also, the Group's current allocation methodology is in line with IFRIC 20's suggested metrics, that being 'the volume of waste extracted compared with expected volume, for a given volume of ore production'.

As deferred stripping costs are included in mine properties, within property, plant & equipment, these will form part of the relevant cash generating units which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

(g) Exploration and evaluation expenditure

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the consolidated statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- Activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (refer to Note 4(m)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then transferred to mine properties within property, plant and equipment.

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(h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's consolidated statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(i) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when the title passes to the customer. This generally occurs when product is physically transferred onto a vessel, or other delivery mechanism.

Metals in concentrate

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of the sales revenue is based on the most recently determined estimate of product specifications.

The sales price for nickel is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between two to four months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated at period end and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Sales revenue includes realised gains and losses associated with Nickel, Copper and Foreign Exchange forward contracts.

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(j) Trade receivables

Trade receivables are initially recognised on a provisional basis at the time of sale and subsequently adjusted based on the movements in the quoted market prices and assay results up to the date of final pricing (refer to Note 4(i)). The mark to market of trade receivables is recorded as an adjustment to the sales revenue.

Trade receivables settlement terms are as follows:

- 90% of the invoice value is settled within 7-70 days from the month of sale or date of Bill of Lading; and
- 10% of the invoice value is settled within 15 days of presentation of the final invoice at the end of the quotation period (normally two to four months following the month of sale).

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables. Debts which are known to be uncollectible are written off.

(k) Other receivables

Other receivables are recorded at amounts due less any allowance for doubtful debts.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Cost is determined on a weighted-average basis and includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs incurred in bringing each product to its present location and condition.

Quantities of broken ore and concentrate stocks are assessed primarily through surveys and assays.

Inventories are categorised as follows:

- Broken ore: ore stored in an intermediate state that has not yet passed through all the stages of production;
- Concentrate: products and materials that have passed through all stages of the production process; and
- Stores, spares and consumables: materials, goods or supplies (including energy sources) to be either directly or indirectly consumed in the production process.

(m) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment charge in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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All impairment charges are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and expense is transferred to profit or loss.

An impairment charge is reversed if the reversal can be related objectively to an event occurring after the impairment charge was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income and expense.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. Fair value less cost to sell is determined as a present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cash flows are discounted using a real after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit).

An impairment charge is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment charges are recognised in profit or loss. Impairment charges recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment charges recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment charge is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

(n) Employee benefits

(i) Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, which represent present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as pension and superannuation contributions, social security, workers compensation and health insurance, as well as payroll tax.

(iii) Short-term employee benefits

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash incentives if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for the restructuring. If benefits are not expected to be settled wholly within 12 months from the end of the reporting period then they are discounted.

(o) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Rehabilitation

Rehabilitation includes mine closure and restoration costs which include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future rehabilitation costs and changes in estimates to the provision are capitalised as an asset and recognised in property, plant and equipment and is depreciated over the useful life of the mineral resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(p) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and with a settlement period of less than twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(q) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expenses comprise discounting of rehabilitation costs and interest expenses relating to borrowings.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Income tax

Income tax disclosed in profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income and expense, in which case it is recognised in equity or other comprehensive income and expense.

Current tax is the expected tax payable, or receivable, on the taxable income, or loss, for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the Group has deferred tax liabilities with the same taxation authority.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options, performance rights granted and other convertible instruments.

(u) Sales tax and other indirect taxes

Revenue, expenses and assets are recognised net of the amount of sales tax and other indirect taxes, except where the amount of sales tax and other indirect taxes incurred are not recoverable from the taxation authority. In these circumstances, the sales tax and other indirect taxes are recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of sales tax and other indirect taxes included. The net amount of sales tax and other indirect taxes recoverable from, or payable to, the taxation authorities are included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The sales tax and other indirect taxes components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

(v) Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire loans and borrowings, property, plant and equipment.

(w) Comparatives

The financial statements for the year ended 31 December 2014 are prepared on a going concern basis (refer to Note 3(e)), whereas the comparative disclosures for 31 December 2013 were prepared on a non-going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for AASB 9 *Financial Instruments* which becomes mandatory for the Company's 2018 financial year end and AASB 15 *Revenue from Contracts with Customers*, which becomes mandatory for the Company's 2017 financial statements. The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

(y) New currently effective requirements

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- Amendments to AASB 1031 Materiality
- Annual improvements 2010-2012
- Annual improvements 2011-2013
- Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)
- Recoverable Amounts Disclosures for Non-Financial Assets (Amendments to AASB 136)

The nature and effects of the changes required by these standards has no material impact on the financial statements of the Company.

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Convertible note liability and derivative

The fair value of the convertible note derivative has been determined by firstly computing the fair value per convertible option feature multiplied by the number of outstanding options. The fair value per option is computed using an option pricing model that takes account of the exercise price, the term of the option, the Company's share price at the end of the reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatility is based upon historic volatility (based on the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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remaining life of the options) adjusted for abnormal trends on the Company's share price. Given the shares of the Company were only reinstated on the ASX on 16 February 2015, from a voluntary suspension on 19 December 2014, judgements were required as to the expected volatility as at 31 December 2014.

(ii) Other derivative financial instruments

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date. A discounted cash flow method is used to determine the fair value of long-term borrowings.

The fair value of forward foreign exchange and commodity contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the reporting date. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap rates. All fair values are adjusted for credit impact where required.

The carrying values of the current financial assets and current financial liabilities approximate their fair values.

(iii) Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The carrying values of the current financial assets and current financial liabilities approximate their fair values.

(iv) Share based payment transactions

The fair value of performance rights is measured using the Monte Carlo pricing model and options are measured using the binomial option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted-average historic volatility adjusted for changes expected due to publicly available information), weighted-average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The fair value of performance rights and options granted to employees at grant date is recognised as an employee expense, and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. The performance rights are subjected to both service conditions and performance conditions.

Service conditions are not included in estimating the fair value at grant date.

A performance condition can either be market vesting or non-market vesting.

For market vesting conditions, the Group is required to take into consideration the probability of reaching the target shareholder return when estimating the fair value of the equity instruments at grant date.

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For non-market vesting conditions, the Group does not take into account the vesting conditions when estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

The only fair value assets and liabilities currently in the Company as at 31 December 2014 are Property, Plant and Equipment, as stated in Note 21.

6. 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.

7. 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

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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 19).

8. 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. Similarly to the SCSN principal, the incurred interest on the SCSNs is also convertible to shares at the option of the SCSN Holders. Interest is not payable in cash if converted (refer Note 24).

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For the year ended 31 December 2014

9. 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	-
Sundry	518	816
Other income	502,220	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)
Reversal of provision for rehabilitation: discount and inflation rate adjustment	(3,138)	-
Provision for doubtful debts	-	(1,329)
Provision for onerous lease	-	(298)
Restructuring expenses ^(e)	(14,872)	-
Subordinated notes expense ^(f)	(100)	-
Sundry	(1,297)	(398)
Other expenses	(33,199)	(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 25).

(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.

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(e) Restructuring expenses

The restructuring expenses relate to the non-cash 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 24). Legal and advisory expenses relating to the Company restructure form part of general & administration costs and are commented on in Note 10.

(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 (**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, resulting in a US\$5.000million expense. This was mostly offset by the fair value gain resulting from the fair value assessment of the Subordinated Notes (refer Note 24).

10. 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.

11. AUDITOR'S REMUNERATION

	31 December 2014 US\$	31 December 2013 US\$
Audit services		
<i>KPMG Australia:</i> Audit & review of financial reports	385,037	399,132
<i>KPMG Brazil:</i> Audit & review of financial reports	125,443	103,374
	510,480	502,506
Other services		
<i>KPMG Australia:</i> Other assurance and advisory services ^(a)	46,728	43,723
<i>KPMG Brazil:</i> Other assurance services ^(a)	29,199	37,801
	75,927	81,524

(a) Other assurance and advisory services

These include advisory services relating to an investigating accountant's report provided during the Company's recapitalisation (US\$37,453), the ongoing hotline for the Whistleblower program in Brazil, along with general accounting advisory support.

12. EMPLOYEE BENEFITS

		31 December 2014 US\$000	31 December 2013 US\$000
	Note		
Salaries and fees		12,134	13,327
Superannuation		201	271
Share based payments expense	13	328	620
		12,663	14,218

13. SHARE BASED PAYMENTS**(a) Expenses arising from share based transactions**

	31 December 2014 US\$000	31 December 2013 US\$000
Equity-settled performance rights and share options granted during:		
Period ended 31 December 2011	-	(39)
Period ended 31 December 2012	(8)	483
Period ended 31 December 2013	336	176
Total expense recognised as employee costs	328	620

(b) Performance rights

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.

On 10 January 2014 the previous Committee also suspended the “*2013 Mirabela Nickel Limited Long Term Incentive Plan*” (LTI) – which was originally approved at a Shareholders meeting held on 30 May 2013. The LTI was subsequently cancelled by Martin Madden in his capacity as joint and several administrator of Mirabela Nickel Limited on 5 May 2014. As such, no LTI benefits were awarded for 2014.

The Group measured the fair value of a share-based payment award issued to eligible employees at grant date and was not required to adjust the fair value afterwards (even if it became more or less valuable or did not ultimately vest) unless the award was modified. Where the service condition had commenced before the grant date a provisional fair value was calculated for a share-based payment award, which was revised upon grant date.

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Movement in performance rights during the year

The movement during the financial year in the number of performance rights held in the Company is as follows:

31 December 2014

Condition	Grant date	Vesting date	Fair value at grant date A\$	Held at 1 January 2014	Granted/ issued	Converted to shares	Cancelled or forfeited	Held at 31 December 2014
2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽¹⁾	9 Feb 2012	31 Dec 2013	0.99	482,263	-	-	-	482,263
2013 non-strategic condition (adjusted EBITDA per Share) ⁽²⁾	30 May 2013	31 Dec 2015	0.18	2,263,891	-	-	(2,263,891)	-
2013 market performance condition (RTSR) ⁽²⁾	30 May 2013	31 Dec 2015	0.07	2,263,891	-	-	(2,263,891)	-
				5,010,045	-	-	(4,527,782)	482,263

(1) Performance rights were suspended by the previous Committee on 10 January 2014.

(2) Performance rights were cancelled by Martin Madden in his capacity as joint and several administrator of Mirabela Nickel Limited on 5 May 2014.

31 December 2013

Condition	Grant date	Vesting date	Fair value at grant date A\$	Held at 1 January 2013	Granted/ issued	Converted to shares	Cancelled or forfeited	Held at 31 December 2013
2011 non-market strategic objective ⁽¹⁾	31 Mar 2011	31 Dec 2012	1.84	182,358	-	(182,358)	-	-
2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) ⁽²⁾	9 Feb 2012	31 Dec 2013	0.99	518,316	-	(36,053)	-	482,263
2012 non-market strategic objectives (organic growth) ⁽³⁾	9 Feb 2012	31 Mar 2014	0.99	140,806	-	-	(140,806)	-
2012 market performance objective ⁽³⁾	9 Feb 2012	30 Jun 2014	0.54	704,029	-	-	(704,029)	-
2013 non-market strategic objective & market performance objective ⁽³⁾ (old Plan)	9 Feb 2012	31 Dec 2014	0.48 ⁽⁵⁾	338,847	-	-	(338,847)	-
2013 non-strategic condition (adjusted EBITDA per Share) ⁽⁴⁾	30 May 2013	31 Dec 2015	0.18	-	2,304,774	-	(40,883)	2,263,891
2013 market performance condition (RTSR) ⁽⁴⁾	30 May 2013	31 Dec 2015	0.07	-	2,304,773	-	(40,882)	2,263,891
				1,884,356	4,609,547	(218,411)	(1,265,447)	5,010,045

(1) 182,358 performance rights were converted to shares on 23 January 2013. At this date the Company's share price was A\$0.50.

(2) 36,053 performance rights were converted to shares on 31 May 2013. At this date the Company's share price was A\$0.17.

(3) Performance rights were suspended and then subsequently cancelled by the previous Board on 18 March 2013.

(4) Performance rights were cancelled by the previous Board on 10 January 2014.

(5) Performance rights were provisionally valued at 31 December 2012 as performance conditions had not been advised by the previous Board.

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(c) Options

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).

31 December 2014

Grant date	Expiry date	Exercise price A\$ ⁽¹⁾	Exercise price US\$ ⁽¹⁾	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
				Number	Number	Number	Number	Number	Number
25/09/2009	30/06/2014	\$3.00	\$2.46	400,000	-	-	(400,000)	-	-
				400,000	-	-	(400,000)	-	-
Weighted average exercise price (US\$)				\$2.46	-	-	\$2.46	-	-
Weighted average exercise price (A\$)				\$3.00	-	-	\$3.00	-	-

(1) 400,000 options were not exercised by the expiry date of 30 June 2014 and as a result have lapsed (presented in US\$ at 31 December 2014 rate of 0.8194).

31 December 2013

Grant date	Expiry date	Exercise price A\$ ⁽¹⁾	Exercise price US\$ ⁽¹⁾	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
				Number	Number	Number	Number	Number	Number
24/11/2008	07/07/2013	\$3.00	\$2.68	3,000,000	-	-	(3,000,000)	-	-
25/09/2009	30/06/2014	\$3.00	\$2.68	400,000	-	-	-	400,000	400,000
05/11/2009	07/07/2013	\$3.00	\$2.68	750,000	-	-	(750,000)	-	-
				4,150,000	-	-	(3,750,000)	400,000	400,000
Weighted average exercise price (US\$)				\$2.68	-	-	\$2.68	\$2.68	\$2.68
Weighted average exercise price (A\$)				\$3.00	-	-	\$3.00	\$3.00	\$3.00

(1) All options are exercisable in A\$ (presented in US\$ at 31 December 2013 rate of 0.89392).

14. 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	31 December 2013
	US\$000	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	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

The reconciliation of the income tax expense arising on accounting profit/(loss) 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	31 December 2013
	US\$000	US\$000
Accounting profit/(loss) before income tax	391,736	(493,861)
Tax on profit/(loss) at prima facie income tax rate of 30% (31 December 2013: 30%)	117,521	(148,158)
<i>Add/(deduct):</i>		
(Non-assessable)/non-deductible items resulting from forgiveness of external funding	(131,674)	-
Taxable gains resulting from forgiveness of external funding	3,675	-
Non-taxable adjustments related to convertible notes	(16,201)	-
Other (non-assessable)/non-deductible items	(5,844)	1,676
Differences in global tax rates	(4,832)	(11,038)
Deferred tax asset (including tax losses) (recognised)/not recognised	46,146	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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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
<i>Tax (assets)/ liabilities</i>	(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	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	Balance			Balance
US\$000	1 January	Recognised in	Recognised in	31 December
	2014	Income	Equity	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:

	Balance			Balance
US\$000	1 January	Recognised in	Recognised in	31 December
	2013	Income	Equity	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
	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

15. 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).

16. 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

The Group's exposure to currency risk, interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. 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.

18. 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.

19. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

20. EXPLORATION AND EVALUATION EXPENDITURE

	31 December	31 December
	2014	2013
	US\$000	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

The recoverability of the carrying amounts of exploration and evaluation assets is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. 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 based on LME nickel prices, the termination of one of the Company's two off-take contracts (as outlined in Note 2), and a significant change to the Group's ore reserves and mineral resources, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 including marginal ore grade material (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 of 10.20% (2013: 9.92%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31 December 2013 US\$000	Plant & equipment	Leased assets	Land	Mine properties ^(a)	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	-	-	-	-	-	-

22. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. PROVISIONS

	31 December 2014	31 December 2013
	US\$000	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	13,166	10,093
Other provision non-current	68	151
	13,234	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	3,138	(6,555)
Effect of movements in foreign exchange	(1,086)	(2,370)
Balance at period end	13,166	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. BORROWINGS

31 December 2014 US\$000	Subordinated unsecured notes (i)	Senior convertible secured notes (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	100	48,722	1,259	47,000	737	97,818
Current borrowings	-	-	1,259	-	737	1,996
Non-current borrowings	100	48,722	-	47,000	-	95,822
	100	48,722	1,259	47,000	737	97,818

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. The fair value of the Subordinated Notes was assessed at inception at US\$0.100 million, resulting in a fair value adjustment reducing the liability by US\$4.900 million. This adjustment was due to the fair value being less than the face value due to a lower interest rate than market.
- (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 arrears on 24 June and 24 December of each year during the term of the SCSNs. The amount of interest converted to SCSNs for the year ended 31 December 2014 was US\$5.462 million. 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 25. 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

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For the year ended 31 December 2014

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 at a conversion price of approximately US\$0.1688. The conversion ratio may be adjusted for under certain circumstances including a share split or consolidation of shares, a rights issue at a discount, and a buy-back of shares. No SCSNs were converted into the Company's ordinary shares as at 31 December 2014.

The Company has the option to redeem the SCSNs, based on specified terms, on or after the third anniversary (but before the fourth anniversary) of the issuance of the SCSNs at an interim redemption price of 106.75% of the principal amount of the Notes, and on or after the fourth anniversary up to maturity at a final redemption price of 100% of the principal amount of the Notes. 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

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For the year ended 31 December 2014

for the Original Noteholders. A gain on forgiveness of the Original Noteholder debt of US\$439.715 million has been recognised (refer to Note 9).

Finance lease liabilities

	31 December 2014			31 December 2013		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
US\$000						
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.

25. CONVERTIBLE NOTE OPTION

	31 December 2014	31 December 2013
	US\$000	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

The fair value of the convertible note option was determined using the Black Scholes option pricing model with the following key variables:

Key Variables

US\$	31 December 2014 ⁽³⁾	24 June 2014
Fair value at measurement date	\$6.921 million	\$68.908 million
Share price	\$0.0238 ⁽²⁾	\$0.1379 ⁽¹⁾
USD:AUD exchange rate	0.8194: 1	0.9398:1
Exercise price	\$0.1688	\$0.1688
Exercise date {maturity date of the SCSNs}	24 June 2019	24 June 2019
Risk-free interest rate {based on 5 year Australian government bonds}	3.04%	3.04%
Expected volatility {based on historic volatility adjusted for abnormal share price spikes}	100%	100%

⁽¹⁾ Based on an average 23 day VWAP, as this represented a more stabilised period for the share price.

⁽²⁾ Based on the last traded share price before 31 December 2014.

⁽³⁾ 31 December 2014 figures include additional convertible note options of 32,360,782 relating to the compounded interest on the Senior Convertible Secured Notes.

26. RELATED PARTIES

Key management personnel remuneration

Remuneration paid to key management personnel (KMP) is as follows:

	31 December 2014 US\$000	31 December 2013 US\$000
Short-term employee benefits	3,096	3,053
Post-employment benefits	54	86
Equity compensation benefits	213	348
Non-monetary benefits	138	37
	3,501	3,524

Key management personnel remuneration disclosures and other transactions

Information regarding KMP remuneration and equity instruments disclosures, as required by Corporations Regulations 2M.3.03, is provided in the Remuneration Report in section 3 of the Directors' Report.

Apart from the details disclosed in this note or in the Remuneration Report, no director has entered into a material contract with the Group since the end of the previous financial period and there were no other material contracts involving directors' interests existing at the reporting date.

KMPs, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

KMPs and related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During the year ended 31 December 2014 there were no transactions between the Company and the KMPs or any other related parties (year ended 31 December 2013: None).

27. CONTRIBUTED EQUITY

	Number of Securities		Value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
			US\$000	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

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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).

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For the year ended 31 December 2014

28. RESERVES

	31 December 2014	31 December 2013
	US\$000	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 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 original underlying hedged transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. FINANCIAL INSTRUMENTS**FINANCIAL RISK MANAGEMENT**

The Group has exposure to credit risk, liquidity risk and market risk arising from its financial instruments.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the Santa Rita operation and ancillary exploration activities.

Market, liquidity and credit risks (including foreign exchange, commodity price, interest rate and counterparty risk) arise in the normal course of business. These risks were managed under the Board approved treasury processes and transactions.

The principal financial instruments as at the reporting date include receivables, payables, convertible notes (and the related option derivative), loan and finance agreements and cash.

This note presents information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Refer to Note 2 for further details regarding financial risk.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's customers.

For the Group, the exposure to credit risk is influenced by the characteristics of the two customers (refer to Note 6). During the financial year, all of the Group's sales were to a large mining company located in Russia and to a reputable international trading house (**ITH**). Credit exposure is limited by ensuring that customers abide by the off-take agreements, which stipulate the payment terms that 90% of the invoice value is settled from 7 - 70 days after the month of sale and 10% of the invoice is settled within 15 days of presentation of the final invoice. ITH are in compliance with the payment terms defined in their specific off-take agreement.

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.

Apart from sales arrangements, the Group has limited its exposure to credit risk by investing and transacting with banks that hold investment grade credit ratings.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure of the Group. The Group's maximum exposure to credit risk at the reporting date was:

Carrying Amount

		31 December 2014	31 December 2013
	Note	US\$000	US\$000
Trade and other receivables (excludes prepayments)	17	1,775	14,098
Cash and cash equivalents	16	17,560	30,735

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For the year ended 31 December 2014

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For the year ended 31 December 2014, the Group's approach to managing liquidity was to ensure, as far as possible, that it always had sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation (also refer to Note 2 and Note 3(e)).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at period end:

31 December 2014							
US\$000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Subordinate unsecured notes	100	6,807	-	-	-	-	6,807
Senior convertible secured notes	48,722	182,910	-	-	-	182,910	-
Caterpillar finance lease facility	1,259	1,284	1,284	-	-	-	-
Bradesco loan	47,000	57,027	1,465	1,434	5,726	48,402	-
Atlas Copco finance lease facility	737	759	759	-	-	-	-
Trade and other payables	33,388	32,388	32,388	-	-	-	-
	131,206	281,175	35,896	1,434	5,726	231,312	6,807

31 December 2013							
US\$000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Senior unsecured notes ⁽²⁾	395,000	567,812	34,562	17,281	69,125	446,844	-
Caterpillar finance lease facility ⁽²⁾	9,031	9,360	4,258	3,816	1,286	-	-
Bradesco loan ⁽²⁾	50,000	53,065	18,301	34,764	-	-	-
Atlas Copco finance lease facility ⁽²⁾	2,210	2,342	803	780	759	-	-
Trade and other payables	64,483	38,430 ⁽¹⁾	38,430	-	-	-	-
	520,724	671,009	96,354	56,641	71,170	446,844	-

(1) Contractual cash outflows relating to trade and other payables are lower than its carrying amount as the difference relates to the accrued interest which has been reflected in the cash outflows of the respective borrowings.

(2) The Group's various debts were under standstill/waiver arrangements at 31 December 2013. As these arrangements did not extend beyond one year from the balance sheet date, all of these debts were reclassified as current for the financial period ended 31 December 2013.

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange and interest rates will affect the Group's income or the value of its holdings of financial instruments. Market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

The Group is exposed to fluctuations in metal prices (principally nickel and copper), fluctuations in foreign currency and interest rates, in each case in relation to its future operational cash flows and its ability to service existing and planned borrowings for the Santa Rita operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

The Group is exposed to commodity price risk arising from revenue derived from forecast future metal sales. The Group sells its products at a price effectively determined through trading on the London Metal Exchange (a major commodity exchange).

The Group is constantly monitoring commodity prices and foreign exchange movements. The Group had no hedge position at or since the year end.

In 2014 the Group earned approximately 100% of its nickel sales revenue in US dollars . In addition, the Group holds approximately 62% of the cash balance at year end in US dollars denominated bank accounts to help mitigate exchange rate risk.

The interest rate on the Banco Bradesco loan is linked to the floating LIBOR rate. The Group has elected not to actively manage this interest rate.

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts:

31 December 2014						
Foreign Currency		USD	BRL	AUD		
USD equivalent	Note	US\$000	US\$000	US\$000	Total	
Cash	16	10,812	5,511	1,237		17,560
Trade and other receivables	17	-	1,452	323		1,775
Borrowings	24	(97,818)	-	-		(97,818)
Trade and other payables	22	(998)	(31,674)	(716)		(33,388)
Balance sheet exposure		(88,004)	(24,711)	844		(111,871)

31 December 2013						
Foreign Currency		USD	BRL	AUD	CAD	
USD equivalent	Note	US\$000	US\$000	US\$000	US\$000	Total
Cash	16	52	21,723	8,959	1	30,735
Trade and other receivables	17	8,521	5,226	351	-	14,098
Borrowings	24	(456,241)	-	-	-	(456,241)
Trade and other payables	22	(26,054)	(37,739)	(690)	-	(64,483)
Balance sheet exposure		(473,722)	(10,790)	8,620	1	(475,891)

The following significant exchange rates (US\$1.00) applied during the period:

	Average rate		Year end date spot rate	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
R\$	2.3536	2.1576	2.6562	2.3426
A\$	1.1077	1.1137	1.2204	1.1187
C\$	1.1044	1.0644	1.1537	1.0633

Sensitivity analysis

A 10 per cent strengthening of the US dollar against the following currencies at 31 December 2014 would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the period ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

The following table shows the increase/(decrease) in profit or loss:

US\$000	Profit or loss
31 December 2014	
R\$	2,246
A\$	(77)
C\$	-
31 December 2013	
R\$	1,139
A\$	862
C\$	-

A 10 per cent weakening of the US dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

INTEREST RATE RISK

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Carrying Amount US\$000	31 December 2014	31 December 2013
Variable rate instruments		
Financial assets	17,560	30,735
Financial liabilities	(48,996)	(61,241)
	(31,436)	(30,506)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the period ended 31 December 2013.

US\$000	Profit or loss		Equity	
	100bp Increase	100bp decrease	100bp increase	100bp decrease
31 December 2014				
Variable rate instruments	(314)	314	-	-
Cash flow sensitivity (net)	(314)	314	-	-
31 December 2013				
Variable rate instruments	(305)	305	-	-
Cash flow sensitivity (net)	(305)	305	-	-

FAIR VALUES

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

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Consolidated		31 December 2014		31 December 2013	
US\$000	Note	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	17	40,510	40,510	57,174	57,174
Cash and cash equivalents	16	17,560	17,560	30,735	30,735
Senior unsecured notes	24	-	-	(395,000)	(395,000)
Subordinated unsecured notes	24	(100)	(100)	-	-
Senior convertible secured notes	24	(48,722)	(48,722)	-	-
Convertible note derivative	25	(6,921)	(6,921)	-	-
Caterpillar finance lease facility	24	(1,259)	(1,259)	(9,031)	(9,031)
Bradesco loan	24	(47,000)	(47,000)	(50,000)	(50,000)
Atlas Copco finance lease facility	24	(737)	(737)	(2,210)	(2,210)
Trade and other payables	22	(33,388)	(33,388)	(64,483)	(64,483)
		(80,057)	(80,057)	(432,815)	(432,815)

The basis for determining fair values is further disclosed in Note 5.

CAPITAL MANAGEMENT

For the year ended 31 December 2014, the Group's policy in managing capital was to ensure that the Group continued as a going concern, and that its capital base was sufficiently strong so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective was to maintain a level of debt finance, determined according to prevailing commercial conditions, that provides a balance between adequate funding and appropriate gearing.

The capital base is considered to include the total equity plus borrowings ("total capital") of the Group, which as at 31 December 2014, stood at US\$88.823 million. In determining the funding mix of debt and equity, consideration was given to the relative impact of the gearing ratio on the ability of the Group to service loan interest and repayment schedules and also to generate adequate free cash available for corporate and exploration activities. The tenure of the debt profile was also considered in determining the gearing ratio. The Group's debt to total assets ratio as at 31 December 2014 was 64% (31 December 2013: 288%).

30. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2014 (31 December 2013: Nil).

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For the year ended 31 December 2014

31. CAPITAL AND OTHER COMMITMENTS

	31 December 2014	31 December 2013
	US\$000	US\$000
Operating lease commitments		
<i>Non-cancellable operating lease rentals:</i>		
Within one year	477	745
One year or later and no later than five years	5	1,185
	482	1,930
Exploration expenditure commitments		
<i>Commitments for rental fees under exploration licence agreements:</i>		
Within one year	564	902
One year or later and no later than five years	3	-
Greater than five years	1	-
	568	902
Contractual, capital and operating commitments		
<i>Contracted but not provided for and payable:</i>		
Within one year	27,264	36,784
One year or later and no later than five years	3,987	31,582
Greater than five years	244	1,479
	31,495	69,845

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32. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	31 December 2014	31 December 2013
	US\$000	US\$000
Cash flows from operating activities		
Profit/(loss) for the year	382,945	(493,861)
<i>Adjustments for:</i>		
Impairment of property, plant & equipment	-	331,182
Change in fair value of convertible note option	(61,987)	-
Net foreign exchange (gain)/loss	(19,346)	34,582
Depreciation and amortisation expense	651	15,112
Interest expense	35,024	49,028
Provision for rehabilitation – discount & inflation rate adjustment	3,138	-
Restructuring expenses	14,872	-
Subordinated notes expense	100	-
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)

33. CONSOLIDATED ENTITIES

Ownership interest				
Name of entity	Country of incorporation	Class of shares	31 December 2014 %	31 December 2013 %
Parent entity				
Mirabela Nickel Limited	Australia	Ordinary		
Subsidiaries				
Mirabela Mineração do Brasil Ltda	Brazil	Ordinary	100	100
Mirabela Investments Pty Limited	Australia	Ordinary	100	100

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34. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2014 the parent entity of the Group was Mirabela Nickel Limited.

	31 December 2014 US\$000	31 December 2013 US\$000
Result of parent entity		
Profit/(loss) for the year	414,856	(444,511)
Other comprehensive income	66,954	109,048
Total comprehensive (expense)/income for the period	481,810	(335,463)

	31 December 2014 US\$000	31 December 2013 US\$000
Financial position of parent entity at period end		
Current assets	12,833	12,532
Total assets	12,836	12,532
Current liabilities	917	420,879
Total liabilities	65,658	420,879
Total equity of the parent entity comprising of:		
Contributed equity	805,521	796,517
Translation reserve	(21,295)	47,720
Share based payments reserve	15,141	14,460
Accumulated losses	(852,189)	(1,267,044)
	(52,822)	(408,347)

Parent entity capital and other commitments

	31 December 2014 US\$000	31 December 2013 US\$000
Operating lease commitments		
<i>Non-cancellable operating lease rentals are payable as follows:</i>		
Within one year	373	745
One year or later and no later than five years	5	1,185
	378	1,930

35. SUBSEQUENT EVENTS

Offtakes

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 offtake 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.

1. Corporate Governance at Mirabela

The board of directors of Mirabela (**Board**) is committed to effective corporate governance to improve company performance, enhance corporate social responsibility and benefit all stakeholders. Accordingly, the Board has established, and the Company adheres to, a number of codes, policies and charters to ensure that these intentions are met and shareholders are fully informed about the affairs of the Company.

This Corporate Governance Statement, dated 24 March 2015 and approved by the Board on 26 March 2015, summarises the key corporate governance principles and practices of the Company.

It is noted that on 25 February 2014 the Company entered voluntary administration, with the Board appointing Korda Mentha as its administrators. On 13 May 2014, the creditors of Mirabela Nickel Limited resolved to enter into a deed of company arrangement (**DOCA**) to give effect to a proposed restructure and recapitalisation. Upon completion of the restructure and recapitalisation in June 2014, the Deed Administrators retired, the DOCA was terminated in accordance with its terms and the day to day management and control of Mirabela reverted to the Company's newly appointed board of directors. The Company re-listed on the Australian Securities Exchange (**ASX**) on 30 June 2014.

The Company has developed its corporate governance policies and practices based on the recommendations made by the Australian Securities Exchange (**ASX**) Corporate Governance Council's Corporate Governance Principles and Recommendations.

The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Councils (ASX CGC) 2nd Edition of its Corporate Governance Principles and Recommendations. For the Reporting Period, the Board considers that the Company has followed those ASX Recommendations which are relevant to the Company's size and complexity. Where the Company has not complied with a recommendation this is identified, with the reasons for not following the recommendation specified, in accordance with ASX Listing Rule 4.10.3.

The ASX Corporate Governance Council released its 3rd Edition of Corporate Governance Principles and Recommendations in March 2014 (**3rd Edition Recommendations**). While the Company is not required to measure its governance practices against the 3rd Edition Recommendations until the financial year ended December 2015, the Company has undertaken a comprehensive review of its corporate policies and practices in light of the 3rd Edition Recommendations. Where necessary, amendments have been made to the Company's policies to ensure compliance with the 3rd Edition Recommendations. The Board adopted the revised policies on 25 August 2014 and on 8 January 2015 and is in the process of implementing any necessary changes to its governance practices to ensure compliance by December 2015.

The Company's Board regularly reviews and, as required, refines its corporate governance codes, policies and charters to ensure that appropriate corporate governance systems are in place and aligned with the Company's overall strategy and growth, current Australian legislation, and good governance practices.

The corporate governance section on the Company's website at <http://mirabela.com.au/governance.asp> includes details on the Company's corporate governance practices and copies of relevant policies and charters.

2. Board of Directors

2.1 Role of the Board and Management

The primary role of the Board is to oversee the activities of the Company and its subsidiaries (**Group**) for the benefit of its shareholders, employees and other stakeholders.

The Board assumes responsibility for the stewardship and overall direction, management and corporate governance of the Company and its subsidiaries (**Group**). The roles and responsibilities of the Board are formalised in the Board Charter, which defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management.

The Board Charter was reviewed and amendments approved by the Board on 8 January 2015. The Board Charter is posted to the corporate governance section of the Company's website.

Responsibility for the day-to-day management of the Company is delegated by the Board to the Chief Executive Officer/Managing Director (**Managing Director**), who is accountable to the Board. The Managing Director manages the Company in accordance with the corporate objectives, strategy, plans and policies approved by the Board. The Board has determined that the Managing Director is appropriately qualified and experienced to discharge the required responsibilities.

Formal letters are provided to directors, setting out the key terms and conditions of their appointment. The Managing Director, Chief Financial Officer and Company Secretary and other key management personnel also have formal contracts of appointment setting out key terms of their roles, duties, rights and responsibilities and entitlements on termination.

2.2 Board composition

As at the commencement of the Company's 2014 financial year, the Board was comprised of five non – executive directors (Geoff Handley, Colin Steyn, Peter Nicholson, Ian McCubbing and Nicholas Sheard) and one executive director (Ian Purdy). On 11 January 2014 Geoff Handley, Colin Steyn and Peter Nicholson resigned as Directors. On 7 April Ian McCubbing and Nicholas Sheard resigned as directors and on 5 May 2014 Ian Purdy resigned.

Prior to the Company's reinstatement to official quotation on the ASX on 30 June 2014, a new Board of directors was established, comprising three non-executive directors (Mr Ross Griffiths, Mr Richard Newsted and Mr Mark Milazzo) and one executive director (Ms Maryse Bélanger), with Mr Alastair McKeever subsequently appointed as a non-executive director on 6 August 2014 (**Current Directors**). Further details of the directors who held the position during the past financial year are set out in Section 1.1 of the Directors' Report. The Directors' Report includes information on the directors' qualifications, experience, date of appointment and independent status.

The skill set of the Current Board consists of members with detailed knowledge and experience of mineral exploration and mining operations as well as financial and commercial expertise (see Section 1.1 of the Directors' Report), all critical skills required by the Board in pursuing the Company's business plan at this stage of its life cycle. In addition, each director is charged with having a thorough understanding of, and responsibility for, the protection of the rights of the Company and its stakeholders. The Board is currently satisfied that it has the required skills necessary to fulfil its duties. The Board is in the process of preparing a board skills matrix setting out the mix of skills and diversity that the Board seeks to achieve in its membership.

2.3 Chairman

The Chairman is appointed by the directors of the Board. It is the Company's policy that the Chairman and Managing Director is not the same individual, and that the Chairman is an independent director. The Chairman is responsible for chairing Board and Company meetings, providing leadership to the Board and the Group, overseeing shareholder communications, and ensuring that there are procedures and processes in place to evaluate the Board, its committees and individual directors and that these evaluations are conducted. The Board has developed a written position description for the Chairman which is summarised in the Company's Board Charter.

At the commencement of the 2014 financial year, Mr Geoff Handley was the Chairman of the Board. Upon Mr Handley's retirement in January 2014, Mr Ian McCubbing assumed the role of Chairman on 11 January 2014 and retired on 7 April 2014. Both Mr Handley and Mr McCubbing were independent, non – executive directors.

Mr Richard Newsted assumed the role of the Chairman of the Board in June 2014. In accordance with ASX Recommendation 2.2, Mr Newsted is an independent, non- executive director.

2.4 Director independence

The Board assesses the independence of a director prior to appointment, and of all appointed directors, as appropriate. When assessing the independence of a director the Board has regard to the independence criteria set out in the ASX Corporate Governance Council's Principles and Recommendations. The Board reviews the independence of each Director on an on-going basis in light of interests disclosed to the Board. If the Board's assessment of a director's independence changes, then the change is disclosed to the market.

Directors are to inform the Chairman prior to accepting any new appointment to the board of any other entity.

ASX Recommendation 2.1 requires that a majority of the Board should be independent directors.

At the commencement of the Company's 2014 financial year, and prior to entering into voluntary administration, four of the six Company directors were considered to be independent. Mr Colin Steyn was not considered to be independent due to his direct association with Lancaster Park, which until 31 January 2014 held 5.4% shareholding in the Company, making it a substantial shareholder within the definition of the Corporations Act. On 31 January 2014 Lancaster Park ceased to be a substantial shareholder of the Company.

Mr Peter Nicholson was an employee at Resource Capital Funds Management Pty Ltd, which is a subsidiary of the entity that manages Resource Capital Fund V L.P. (RCF-V). RCF-V beneficially owned 18.3% of the voting rights in the Company. The previous Board considered the independence of Mr Nicholson and concluded that Mr Nicholson's indirect relationship with RCF-V and his inability to exert any control over RCF-V meant that he was considered by the Board to be an independent director in accordance with ASX Recommendation 2.1.

Mr Ian Purdy was not independent as he was an executive of the Company in the role of Managing Director.

Of the five Current Directors, three are considered to be independent.

Mr Alastair McKeever is a research team leader at Guggenheim Partners Investment Management. Guggenheim Partners and its associates beneficially own a substantial shareholding (>5%) of the Company's voting rights and, therefore, Mr McKeever is not considered to be independent within the definition of independence set out in ASX Recommendation 2.1.

Ms Maryse Bélanger is not independent as she is an executive of the Company in the role of Managing Director.

Accordingly, during 2014 the Company was in compliance with ASX Recommendation 2.1.

2.5 Conflicts of interest

In accordance with the *Corporations Act 2001* (Cth), the Company's constitution and the Company's Code of Conduct and Ethics, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned is not present at the meeting whilst the item is being considered.

2.6 Board performance

As at the end of 2014, the Board had not conducted a formal performance review. This is due to the relatively short time that the Current Directors have been in office, and the fact that the Company was in voluntary administration during the first half of 2014. The Board intends to conduct a performance review of the Board, its individual members and its Committees during the 2015 financial year.

2.7 Performance evaluation of senior executives

The Remuneration and Nomination Committee develops and recommends to the Board the process for evaluating the performance of the Company's senior management team, and ensures that performance of senior executives is regularly reviewed by the Board. The Board evaluates the performance of senior executives by reviewing the achievement of key strategic outcomes set by the Board against measurable and qualitative indicators and fulfilment of the senior executives' responsibilities and duties. The results of the performance review for 2014 are included in the audited Remuneration Report in Section 3 of the Directors' Report.

2.8 Remuneration

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and executives.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

For details on the amount of remuneration for all directors refer to the Remuneration Report in Section 3 of the Directors' Report.

In relation to the payment of bonuses and allocation of performance rights to executives, the Remuneration & Nomination Committee considers the overall performance of the Company and the performance of the individual during the period and recommends to the Board the incentive payments payable to executives in accordance with the Company's Short Term and Long Term Incentive Plans.

2.9 Non-executive directors' remuneration

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders.

ASX Recommendation 8.2 contains guidelines that non-executive directors' remuneration should be different to that of executives, should normally be remunerated by fixed fees and that non-executive directors should not receive security based remuneration or bonus payments. The Company is in compliance with this ASX Recommendation. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Details of the non-executive directors' fees are disclosed in the Remuneration Report in Section 3 of the Directors' Report.

2.10 Retirement and re-election

The Company's constitution provides that the directors of the Company must be elected and retire in rotation, with one third of directors (excluding the Managing Director and rounded down to the nearest whole number) retiring and being eligible for re-election at each Annual General Meeting.

2.11 Board access to information and professional advice

Each director has the right of access to all relevant Company information and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Company's expense.

2.12 Terms, induction and director education

The Company provides new directors with an information pack consisting of an appointment letter, Company Constitution, Board Charter, corporate governance policies, including a Securities Trading Policy, Continuous Disclosure Policy, Code of Conduct and Ethics, Risk Management Policy, Audit Committee Charter and Remuneration and Nomination Committee Charter together with other information about the Company

Directors are expected to maintain the skills required to discharge their duties as directors of the Company. All directors are encouraged to participate in industry conventions and forums, and continuing education opportunities to update and enhance their skills and knowledge.

2.13 Board meetings

Board meetings are scheduled to be held at least six times a year. During 2014, additional meetings were convened as circumstances warranted. Details of the number of Board meetings held and attendance at those meetings is set out in the Directors report. The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary and is circulated in advance. The independent directors confer at least annually without management and non-independent directors present. During the 2014 financial year the independent directors held one such meeting.

3. Board Committees

The Board has established two standing committees to assist the Board in discharging its responsibilities. These committees are:

- Audit and Risk Committee; and
- Remuneration and Nomination Committee.

3.1 Audit and Risk Committee

The Audit and Risk Committee is appointed and authorised by the Board to assist the Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities. The Audit and Risk Committee is responsible for the oversight of the integrity of the accounting and financial statements and financial reporting processes of the Group, the Group's external audit processes as well as the Group's system of risk management and internal control. In particular, the Audit and Risk Committee undertakes the functions of an audit committee as set out in the ASX Recommendations.

In accordance with ASX Recommendations the Audit and Risk Committee currently comprises three non-executive, independent directors, Mr Griffiths, Mr Newsted and Mr Milazzo. The Audit and Risk Committee is chaired by Mr Griffiths (who is an independent director and is not the chair of the Board). Further details of the qualifications of the Audit and Risk Committee Members, the number of meetings held and attendance at those meetings can be found in the Directors Report.

The Audit and Risk Committee operates under a charter approved by the Board and reports to the Board on all matters relevant to the Committee's role and responsibilities. The Audit Committee Charter which governed the Committee during 2014 was adopted in early 2012. In late 2014 the Audit Committee Charter was reviewed and a decision was made to include risk management with the Audit Committee. The Audit and Risk Committee Charter was then adopted by the Board on 8 January 2015 and is available on the corporate governance section of the Company's website.

The Audit and Risk Committee reviews the effectiveness of the Company's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks. The Audit and Risk Committee oversees and appraises the quality of the external audit and the internal control procedures including financial reporting and practices, business ethics, policies and practices, accounting policies, and management and internal controls.

The Audit and Risk Committee meets with the Company's external auditors before finalisation of any audit or review, and makes recommendations to the Board. The Audit and Risk Committee keeps under review the Company's relationship with the external auditors, including review of the auditor's independence, planning and results of the external audit and assessment of the auditor's performance, and rotation of the audit engagement partner. The Audit and Risk Committee approves all non-audit services to be provided to the Company by its external auditors. The external auditor reports directly to the Audit and Risk Committee and is accountable to the Audit and Risk Committee.

The Audit and Risk Committee recommended to the Board that the financial reports for the period ended 31 December 2014 be approved. The Board has approved the Company's financial reports for the period ended 31 December 2014 and authorised a statement that they present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

3.2 Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in fulfilling its corporate governance responsibilities in regard to remuneration and nomination matters, including Board appointments, re-elections, performance evaluation, succession planning, diversity obligations, provision of training and development opportunities for directors.

The Remuneration and Nomination Committee operates under a charter approved by the Board, which amongst other things, describes the process by which the Board identifies new candidates for Board nomination and the powers and responsibilities of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee Charter which governed the Remuneration and Nomination Committee in 2014 was adopted in early 2012. It was reviewed and revised in late 2014, and adopted by the Board on 8 January 2015. A copy of the charter is posted on the corporate governance section of the Company's website.

In accordance with ASX Recommendations, the Nomination and Remuneration committee is currently structured so that it consists of a majority of independent directors, an independent chairperson and at least 3 members. The current members of the Remuneration and Nomination Committee are Mr Richard Newsted (Chairman), Mr Mark Milazzo, Mr Ross Griffiths, and Mr Alastair McKeever. Further details of the members of the Remuneration and Nomination Committee during the 2014 financial year are set out at in the Directors Report. Due to the Company being in administration in the first half of 2014, the Remuneration and Nomination Committee did not meet in 2014.

4. Ethical Decision-Making

4.1 Code of Conduct

All directors and employees of the Group are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has adopted a Code of Conduct and Ethics that sets out the standards of ethical behaviour required of the Board, senior executives and all employees. The Code of Conduct and Ethics was revised and updated in August 2014, and is posted to the corporate governance section of the Company's website. The Company's subsidiary in Brazil, Mirabela Mineração do Brasil Ltda, has adopted a Code of Conduct that is closely aligned with that of the Company.

The Company's Code of Conduct requires that directors and employees:

- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and not misuse information;
- value and maintain professionalism;
- avoid conflicts of interest;
- strive to be good corporate citizens; and
- have respect for each other.

All directors and employees are responsible for maintaining the Code of Conduct and have a responsibility to report breaches of the code to executive management or an appropriate Board member. Harassment in any form is not acceptable in the Group and any actions that constitute harassment or a breach of the Code of Conduct are regarded as serious misconduct and will be investigated by the Company.

The Company monitors adherence to the Code of Conduct and possible fraud activity through a whistleblower hotline, employee training and regular feedback from management.

4.2 Whistleblower hotline

The Company established a whistleblower hotline in Brazil in 2012. On-going fraud awareness occurs by means of continuous discussions with executive and management personnel and through the internal weekly news publication in Brazil.

The hotline is managed by an independent consultant and is accessible to all employees and third parties by email, telephone or mail. Hotline submissions are initially reviewed and filtered by the independent consultant who forwards any alleged fraud complaints to a hotline steering committee. The hotline steering committee meets as and when required to address all complaints that have been forwarded by the independent consultant. If warranted, the fraud allegations are then forwarded to Ernst & Young forensics for investigation.

Several fraud allegations were received in 2014 through the hotline. None of the fraud allegations were confirmed.

4.3 Securities trading policy

The Company has established a Securities Trading Policy that imposes certain restrictions on directors, senior management and other employees trading in the Company's securities. The policy has been adopted in compliance with the ASX Listing Rules and to prevent trading in contravention of the insider trading provisions of the *Corporations Act 2001* (Cth), in particular, when Company personnel are in possession of price-sensitive information.

In general, trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information that is not available to the market;
- where Designated Persons (as that term is defined in the Securities Trading Policy) are engaging in the business of "active trading" in the Company's shares – that is, frequent and regular trading activity with a view to deriving profit – related income from that activity;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or full year results to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a Designated Person is applying for securities pursuant to that disclosure document.

All Designated Persons are required to first seek approval from the Company Secretary, Chairman of the Board or an appropriate member of the Board prior to trading in the Company's securities. In accordance with the provisions of

the *Corporations Act 2001* (Cth) and the ASX Listing Rules, directors advise the ASX of any transaction conducted by them in shares or options in the Company.

The Company's Securities Trading Policy was reviewed and amended by the Board on 8 January 2015. A copy is posted on the corporate governance section of the Company's website.

4.4 Sustainability

The Group is committed to compliance with all relevant laws and regulations and continual assessment of its operations to ensure protection of the environment, the community and the health and safety of its employees.

The Group has adopted appropriate procedures to ensure that all Group activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues as essential requirements for all its activities. Procedures are maintained to govern the activity of employees and contractors to ensure that the sustainability objectives are met.

5. Diversity

The Company is committed to the development of a workplace environment that promotes diversity and recognises the key competitive benefits of recruiting, developing and retaining a talented, diverse and motivated workforce in the Group. The Company recognizes that diversity in its business helps create sustainable shareholder value, provides a more dynamic and enjoyable work environment, and will often create new opportunities for the Company.

The Company considers diversity to be about recognising, respecting and valuing differences based on, but not limited to, gender, ethnicity, age, religion, disability, national origin and sexual orientation.

A review of the Company's Diversity and Equal Opportunity Policy was undertaken in December 2014, with the revised policy being approved by the Board on 8 January 2015. A copy of this policy can be found on the Company's website.

The Remuneration and Nomination Committee is responsible for overseeing the implementation of the strategies to achieve the objectives of the Diversity Policy, including the development of measurable objectives for the achievement of gender diversity, the assessment of the measurable objectives and progress against them annually.

Due to the Company being in administration in the first half of 2014 the previous Remuneration and Nomination Committee did not meet in 2014 and some of the progress against objectives remained unchanged from 2013. The current Remuneration and Nomination Committee is in the process of reviewing the diversity objectives and preparing a new set of formal measurable diversity objectives for 2015.

Table 1 sets out the progress against the measurable diversity objectives for 2014.

Table 1: Measurable diversity objectives for 2014

Measurable Objectives	Progress Objectives
Development and assessment of measurable objectives for the achievement of gender and cultural diversity.	The measurable objectives are currently being reviewed and amended by the Remuneration and Nomination Committee.
Approach all Board appointments with no bias towards gender or cultural diversity but with selection criteria based on experience and merit to enhance the skills of the Board. Priority to be given to the appointment of a female director when the next director is appointed, other than on the normal rotation of directors.	All Board appointments that occurred during the year were approached in accordance with the objective, with the Company successfully appointing its first female Board Member in June 2014.
Recruitment and selection is approached with equality that ensures no bias towards gender or cultural diversity with selection criteria based on experience and merit.	Recruitment and selection that took place during the year was approached in accordance with the objective.
Promotions are based on equality with no bias towards gender or cultural diversity to ensure the best person for the role is selected.	All promotions made during the year were approached in accordance with the objective.
Approach all training and career development opportunities with equality to ensure no bias towards any staff member(s).	All training and career development that took place during the year was conducted in accordance with the objective.
Offer flexible working arrangements for mothers of young children, provided the arrangement is acceptable to both the employee and the Company.	The Company is working with employees to support flexible working arrangements, with the Company successfully providing women with young children flexible working arrangements in the Perth office during the 2014 year.
Promotion of equality in remuneration levels.	Remuneration levels across the organization are reviewed annually as part of the annual remuneration review process. During this process any inequalities are identified and addressed.

Table 2 demonstrates the Group Company's gender diversity as at 31 December 2014. Reference to Senior Executives includes all key management personnel of the Company.

Despite a reduction of the workforce in 2014, the number of women employed by the Group increased by 1% from 2013. The number of women on the Board increased by 20% and the number of women in Senior Executive Positions across the Group increased by 3% from 2013.

Table 2: Group Gender Diversity

	31 December 2014	%
Women on the Board	1	20
Women in Senior Executive Positions	2	20
Women employees in total	74	12

6. Disclosure

6.1 Continuous Disclosure and Communications Policy

The Company has adopted a Continuous Disclosure and Communications Policy which sets out management's roles and responsibilities and the processes to be followed in order to ensure compliance with ASX and the Corporations Act continuous disclosure obligations. The policy sets out the roles and responsibilities of directors, officers and employees of the Group to ensure that the Company maintains a level of disclosure that is of a high standard, promotes compliance with the Company's disclosure obligations and provides investors with timely and equal access to information.

A Disclosure Committee has been established which manages day-to-day compliance with the Company's continuous disclosure obligations. The Disclosure Committee is comprised of the Managing Director and Chief Executive Officer, a non-executive director of the Board, the Chief Financial Officer, the Company Secretary and an external legal advisor.

The Continuous Disclosure and Communications Policy was reviewed, amended and adopted by the Board in August 2014. A copy of the policy is posted to the corporate governance section of the Company's website.

6.2 Communication with shareholders

Communications with, and accountability to, shareholders is a priority for the Company. The Company's Continuous Disclosure and Communications Policy outlines the Company's commitment to continuous disclosure and communications with its shareholders. The Board provides shareholders with information that may have a material effect on the price of the Company's securities, notifying the ASX of this information, posting the information on the Company's website, and issuing media releases.

Information is communicated to shareholders as follows:

- the Annual Report is distributed to shareholders who request a copy, including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments. Copies of the Annual Report are also placed on the Company's website;
- quarterly results are announced through teleconferences and transcripts of the teleconferences are placed on the Company's website;
- providing quarterly investor conference calls;
- all ASX announcements (including financial reports and quarterly reports) are posted to the Company's website as soon as practicable following release; and
- full texts of notices of meetings and associated explanatory material are placed on the Company's website.

6.3 Website

All of the above information is made available on the Company's website. Copies of all presentations made by the Company in a public forum are posted on the website (unless legal restrictions prohibit the publication of the

presentation on the website). Information is emailed to shareholders who lodge their email contact details with the Company.

6.4 Meetings

The external auditors attend the Company's annual general meeting to answer any questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

The Board encourages full participation of shareholders at its annual general meeting to ensure a high level of accountability, identification with the Company's strategy and goals and shareholder participation in decision making. Shareholders are encouraged to ask questions of the Director's, senior management and external auditors. Important issues are presented to the shareholders as single resolutions.

The shareholders are, amongst others, responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors.

7. Risk Management

7.1 Risk management

Risk management is a function of the Audit and Risk Committee. The Audit and Risk Committee is responsible for reviewing and approving processes for the identification, assessment, reporting and management of risks and reviewing and approving procedures for the maintenance and monitoring of the Company's risk profile.

The Company has a Risk Management Policy and an Audit and Risk Committee Charter which are posted to the corporate governance section of the Company's website.

7.2 Internal control framework

The Board acknowledges that it is responsible for the Company's overall internal control framework for risk oversight and management of the Company's material business risks, and recognises that a cost effective internal control system will not preclude all errors and irregularities. The Board retains responsibility for reviewing the effectiveness of the Company's internal control framework for the management of business risks.

The Managing Director and the Chief Financial Officer are responsible for establishing, maintaining and reviewing the Company's risk management and internal control system. The Managing Director and Chief Financial Officer must provide regular reports to the Board declaring that they have evaluated the effectiveness of the internal controls and procedures, and that they have reasonable assurance that all material information is known for filing purposes, the internal control of financial reporting is reliable for purposes of external reporting in accordance with the relevant accounting standards, and that no changes in the controls have occurred that may materially affect their effectiveness.

The Managing Director and the Chief Financial Officer have declared in writing to the Board, as required under section 295A of the *Corporations Act 2001* (Cth) that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively in all material respects. All risk assessments cover the whole financial period and the period up to the signing of the annual financial report for all material operations in the Company.

7.3 Audit and compliance

Where considered appropriate, the Board may invite the Company's external auditors, professional advisors and management to advise the Board on relevant issues to ensure compliance with all corporate financial and

accounting standards. The Board considers audit matters prior to the half yearly and full year statutory reporting cycles. The alternate quarterly results are reviewed by the Audit and Risk Committee and recommended to the Board for approval.

SHAREHOLDER INFORMATION

EXCHANGE LISTING

Mirabela Nickel Limited shares are listed on the Australian Securities Exchange (ASX). The Company's ASX code is MBN.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 19 March 2015

Name of Shareholder	Total number of voting shares in Mirabela Nickel Limited in which the substantial shareholder and associates hold relevant interests	Percentage of total number of voting shares
HSBC Custody Nominees (Australia) Limited	302,748,498	32.56%
National Nominees Limited	112,893,520	12.14%
Hare & Co LLC	52,404,597	5.64%
JP Morgan Nominees Australia Limited	46,776,238	5.03%

CLASS OF SHARES AND VOTING RIGHTS

At 19 March 2015 there were 4,366 holders of 929,710,216 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's constitution being that:

- Each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS

Range	Holders	Units	Percentage
1-1000	2,675	497,810	0.05%
1,001-5,000	501	1,215,660	0.13%
5,001-10,000	237	1,824,154	0.20%
10,001-100,000	694	28,121,532	3.02%
100,001 and over	259	898,051,060	96.60%
Total	4,366	929,710,216	100.00%

The number of shareholders holding less than a marketable parcel is 3,052.

SHAREHOLDER INFORMATION

UNLISTED OPTIONS

Securities	Number of securities on issue	Number of holders	Name of holders	Number held
Nil	-	-		-

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 19 MARCH 2015

	Name of ordinary shareholder	Number of shares held	Percentage of shares held
1	HSBC Custody Nominees (Australia) Limited	302,748,498	32.56%
2	National Nominees Limited	112,893,520	12.14%
3	Hare & Co LLC	52,404,597	5.64%
3	JP Morgan Nominees Australia Limited	46,776,238	5.03%
5	Pioneer Funds Global High Yield	39,384,364	4.24%
6	Merrill Lynch Pierce Fenner & Smith	30,638,919	3.30%
7	Pioneer Global High Yield Fund	27,099,676	2.91%
8	National Nominees Limited <DB A/C>	26,747,934	2.88%
9	HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	21,047,253	2.26%
10	First Island Trust Company Ltd <The Rhino A/C>	20,046,800	2.15%
11	Sparinvest Pool	16,885,740	1.82%
12	Comsec Nominees Pty Ltd	9,567,881	1.03%
13	Powhattan & Co LLC	6,852,955	0.74%
14	Pioneer High Income Trust	6,776,723	0.73%
15	Pioneer Fund - US High Yield	6,591,297	0.71%
16	Ice 3 Global Credit Clo Ltd	6,536,765	0.70%
17	Citicorp Nominees Pty Limited	6,470,837	0.70%
18	JP Morgan Chase Bank NA	6,264,456	0.67%
19	First Island Trust Company Ltd <The Marlborough A/C>	6,101,200	0.66%
20	SEI Institutional Managed Trust	5,273,038	0.57%
		757,108,691	81.44%

OTHER INFORMATION

There is no current on-market buyback of the Company's securities and the Company does not have any securities on issue that are subject to escrow restriction.