



MIRABELA NICKEL
LTD

(Administrators Appointed) (Receivers and Managers Appointed)

Sale process and operational update

Perth, AUSTRALIA – 15 June 2016: Mirabela Nickel Limited (In Liquidation) (Receivers and Managers Appointed) (ASX: MBN) wishes to provide the following update and overview of the sale process that it has conducted in relation to the assets of MBN and disclose certain material to comply with its obligations under non-disclosure agreements.

Sale process update

The receivers and managers of MBN (**the Receivers**) have conducted an extensive sale process for the assets of MBN, which did not result in any offers for the assets of MBN that were capable of acceptance. Following completion of that sale process, the Receivers engaged in extensive negotiations with an ad hoc group of noteholders of MBN (**Noteholders**) (the **Ad Hoc Group**) in an attempt to reach an agreement for a Noteholder bid for MBN's shareholding in Mirabela Mineração do Brasil Ltda (**MMB**) (a **Noteholder Bid**). The Ad Hoc Group have ultimately been unable to deliver a Noteholder Bid that is capable of implementation.

In connection with the negotiations, MBN provided certain confidential information to the Ad Hoc Group and other potential bidders for the assets of MBN pursuant to non-disclosure agreements (**NDAs**). The NDAs have now expired pursuant to their terms. MBN is making the disclosures in this update in accordance with the terms of the NDAs.

The last proposal relating to the Noteholder Bid contained the following key terms:

- Debt forgiveness of US\$37.5 million in exchange for the transfer of the shares that MBN and Mirabela Investments Pty Limited (**MBI**) (In Liquidation) (Receivers and Managers Appointed) held in MBB and the intercompany loan from MBN to MBB.
- A significant number of conditions precedent, including the reclassification of the real estate properties owned or occupied by MBB in Brazil from rural real estate to urban real estate, and receipt of change of control consents and licensing authorisations with respect to MBB and its mineral licences.

As noted above, the Noteholder Bid was unable to be progressed to completion. In order for an alternative Noteholder Bid to proceed, any Noteholder, or group of Noteholders, would (amongst other key conditions) be required to control a sufficient majority of the notes held by the Noteholders to approve the implementation of the proposed transaction and provide security pre-funding and/or indemnity to the Noteholder Trustee in accordance with the terms of the Indenture, on terms satisfactory to the Noteholder Trustee, in relation to the implementation of the transaction.

Given that a Noteholder Bid was not capable of being progressed to completion and no deed of company arrangement was proposed, on 13 June 2016 the creditors of MBN and MBI voted to place the companies in liquidation.

Liquidation of MBN and ongoing role of Receivers

Following the appointment of the liquidator to MBN (the **Liquidator**) on 13 June 2016, the Receivers are conducting an assessment of the prospects of a sale of the assets of MBN (including the MBB shares) and have commenced re-engaging with interested parties to

seek to realise the assets of MBN. The Receivers will continue to control the secured property of MBN including the quotas in MBB until such time as a transaction is implemented, or the Receivers retire. The Receivers may retire if there is no genuine prospect of concluding a transaction within a reasonable time frame.

Following completion of the calendar year 2014 restructure, MBN and MBB were required to secure the movable equipment for the benefit of the Noteholders. As at the date of this announcement, security over the movable equipment has still not been perfected as required under Brazilian law and therefore the movable equipment is not secured property of the Noteholders.

The Receivers also note the potential risk of bankruptcy proceedings being initiated in respect of MBB in Brazil having regard to the liquidation of the parent entities of MBB. The effect of such proceedings would be that the return available to Noteholders would be adversely affected for a number of reasons including on the basis that the movable equipment of MBB is unlikely to be available as secured property of the Noteholders, and bankruptcy proceedings may also adversely affect the continuation of the mineral licences held by MBB.

Cash position

Following payment of MBN trading costs, future liabilities, staff redundancies, legal, advisor and Receivers' fees and disbursements there is approximately \$150,000 of available cash at MBN as at 14 June 2016.

The Noteholders are entitled to any excess funds held by MBN following completion of the receivership.

The cash balance at MBB is currently c. U\$5.5 million. There is currently an overdue creditor balance (amongst other amounts) of c. U\$3.0 million owing to Companhia Bahiana de Pesquisa Mineral (**CBPM**) the owner of the existing mining tenements in Brazil. CBPM has written to MBB advising it that it may commence action to terminate the Exploration and Mining Lease Agreement in respect of the existing tenements. Should CBPM take such action, MBB may not be able to mine the existing tenements.

The operations in Brazil have been on care and maintenance since approximately April 2016. MBB management is of the opinion that the existing cash balance will be sufficient to sustain the operations in Brazil on 'care and maintenance' until at least September 2016. The Receivers have not separately reviewed MBB management's view of the period for which the cash balance will sustain the operations in Brazil.

MBN's annual ASX listing fee falls due for payment on 31 July 2016. Failure to pay the ASX listing fee could result in MBN being removed from the official list of the ASX, and MBN ceasing to be an ASX listed entity.

The Receivers have explored various funding alternatives from external parties and the Noteholders, however as at the date of this announcement there is no funding proposal capable of being implemented.

Bradesco

Bradesco is a secured creditor of MBB. It is currently owed approximately US\$47 million. The appointment of Voluntary Administrators to MBN and MBI was an event of default under the Bradesco facility. Further, in 2015, MBB did not make a payment under the Bradesco facility and further events of defaults occurred. No formal standstill or other type of arrangements are currently in place with Bradesco.

Financial accounts

Voluntary Administrators were appointed to MBN and MBI on 24 September 2015. On 9 December 2015, Darren Weaver retired as one of the administrators, leaving Martin Jones of Ferrier Hodgson as the companies' sole administrator.

As at the date of appointment, the 30 June 2015 half-year accounts had been prepared (unaudited), however due to concerns in relation to the ability of MBN to continue as a going concern, it was not possible to finalise the audit and sign the accounts.

In February 2016, MBN prepared a draft unaudited consolidated set of accounts for the financial year ended 31 December 2015. The accounts include an overview of the then existing debt position following the appointment of the Voluntary Administrators and Receivers.

The draft unaudited accounts were disclosed to the Noteholders pursuant to the NDAs and accordingly are attached to this announcement in accordance with the requirements of the NDAs. The Receivers note that there has been no audit or review of these draft accounts, they are indicative only, and may be inaccurate.

Australian corporate office

The Australian corporate (head) office in Perth has been closed and all employees of MBN have been made redundant, with the exception of the Chief Executive Officer of MBN (Maryse Belanger), who was based in Brazil, who resigned from her role as Chief Executive Officer and from the Board of MBN with effect from 6 June 2016.

Employees that have been made redundant have been paid their priority entitlements.

Several senior executives continue to be employed by MBB in Brazil, including the Chief Financial Officer Mr Milson Mundim. Maryse Belanger is in the process of being removed from the board of MBB and it is intended that she will be replaced with another senior executive of MBB.

There are currently no Board members remaining at MBN.

Important Notices

The purpose of this material is to enable MBN to comply with its disclosure obligations under the NDAs entered into with Noteholders which have expired in accordance with their terms. Reliance should not be placed on the information or opinions contained in this material. Your attention is also drawn to the fact that the attachments to this material are in draft form only and have not been finalised by management, reviewed by the Receivers, or audited.

This material is not and does not constitute an offer, invitation or recommendation to subscribe for, or purchase any securities or Notes. Neither this material, nor anything contained in it, will form the basis of any contract or commitment.

This material does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any decision to purchase or subscribe for securities or Notes should only be made after undertaking an independent assessment and determination of this material and after seeking appropriate financial advice.

This material contains forward looking statements which are not based solely on historical facts but are based on current expectations about future events and results. These forward looking statements are subject to inherent risks and uncertainties. Actual events or results may differ materially from the expectations expressed or implied in such forward looking statements.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this material. The attachments to this material are in draft form only and reliance should not be placed on them. To the maximum extent permitted by law, the Receivers, the Liquidator, MBN, and their affiliates and related bodies corporate, and their respective officers, directors, employees, agents and advisers disclaim any liability (including, without limitation any liability arising from fault or negligence) for any loss or damage arising from any use of this material or its contents, including any error or omission there from, or otherwise arising in connection with it, or as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. Accordingly, you are cautioned about placing any reliance on forward looking statements contained in this material.

Unless otherwise indicated, all references to estimates, targets and forecasts and derivations of the same in this material are references to estimates, targets and forecasts by MBB management. Management estimates, targets and forecasts are based on views held only at the date of that material, and actual events and results may be materially different from them. Neither the Receivers, the Liquidator nor MBN undertakes to revise the material to reflect any future events or circumstances.

This material may not be lawfully published in some jurisdictions or may only be provided to certain persons and you must not view this material if to do so would be unlawful in your jurisdiction or may otherwise place either the Receivers, the Liquidator or MBN under obligations which it has not complied with.

All figures are expressed in Australian dollars unless stated otherwise.

Contact Details

Mirabela Nickel Limited (In Liquidation) (Receivers and Managers Appointed)

Telephone: +61 8 9220 9373

mirabela@kordamentha.com

The purpose of the disclosure of this material is to enable MBN to comply with its disclosure obligations under the NDAs entered into with Noteholders which have expired in accordance with their terms. Reliance should not be placed on the information or opinions contained in this material. Your attention is also drawn to the fact that this material is in draft form only and has not been finalised by management, reviewed by the Receivers, or audited.



MIRABELA NICKEL LTD

ABN 23 108 161 593

Condensed Interim Consolidated Financial Report

For the half-year ended 30 June 2015

Incorporating Appendix 4D

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

CONTENTS

APPENDIX 4D	3
DIRECTORS' REPORT	4
DIRECTOR'S DECLARATION	9
LEAD AUDITOR'S INDEPENDENCE DECLARATION	10
INDEPENDENT AUDITOR'S REVIEW REPORT	11
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	13
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW	17
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORT	18

APPENDIX 4D**Reporting Period**

The reporting period is the half-year ended 30 June 2015. The previous corresponding period is 30 June 2014.

Results for announcement to the market

		% change		30-Jun-15 US\$000
Revenue from ordinary activities	Up	14%	To	108,297
Loss from ordinary activities after tax	Up ⁽¹⁾	118%	To	67,163
Loss attributable to equity holders	Up ⁽¹⁾	118%	To	67,163

⁽¹⁾ 30 June 2014 was a profit from ordinary activities of US\$373.880 million.

No dividend was paid or proposed during the half-year ended 30 June 2015 (half-year ended 30 June 2014: Nil).

The Group incurred a gross profit for the period of US\$9.718 million (30 June 2014: gross loss of US\$11.929 million) and a net loss for the period of US\$67.163 million (30 June 2014: net profit of US\$373.880 million). Sales generated comprised 9,022 tonnes of nickel and 2,548 tonnes of copper, contributing to gross sales of US\$108.297 million, offset by treatment, refining and transport charges of US\$23.805 million and cost of sales of US\$74.774 million. The Group's net loss of US\$67.163 million for the period was primarily driven by the fair value adjustment of the convertible note derivative of US\$40.098 million, interest expense on non-current borrowings of US\$12.392 million and a net foreign currency exchange loss of US\$10.576 million.

Net tangible deficiency

The net tangible deficiency per ordinary share as at 30 June 2015 were (US\$0.09) (31 December 2014: (US\$0.01)).

Investments in controlled entities

During the period, there were no changes in control over Group entities.

Wholly owned subsidiaries of Mirabela Nickel Limited included the following:

- Mirabela Mineração do Brasil Ltda
- Mirabela Investments Pty Ltd

Mirabela Nickel Limited owns 100% of the Santa Rita nickel sulphide mine in Bahia, Brazil, which is the Group's principal revenue-generating asset.

Investments in associates and joint ventures

Mirabela Nickel Limited does not have any interests in associates or joint venture entities.

Review and accounting standards

The report is based on the condensed interim consolidated financial report that has been subjected to a review by the Company's auditor. All entities incorporated into the consolidated Group's results were prepared under IFRS.

Material uncertainty regarding continuation as a going concern

The matters set forth in Note 3(e) of the condensed interim consolidated financial report indicate the existence of 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.

Directors' report

The directors of Mirabela Nickel Limited (the **Company**) present their report together with the condensed interim consolidated financial report of the Group, comprising the Company and its subsidiaries, for the half-year ended 30 June 2015 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.

Directors

The following persons were Directors of the Company (the **Board**) during the whole of the half-year ended 30 June 2015 and up to the date of this report, unless otherwise stated:

Richard Newsted

Maryse Belanger

Ross Griffiths

Alastair McKeever

Mark Milazzo

OPERATING AND FINANCIAL REVIEW

Mirabela Nickel Ltd is an international mining company engaged in nickel sulphide mining activities and the production and subsequent sales of concentrate. The ordinary shares of the Company are listed on the Australian Securities Exchange (**ASX**) under the symbol "MBN".

The Company's principal asset is the 100% owned Santa Rita nickel sulphide, open pit mine in Bahia State, Brazil. The Santa Rita operation is a world class asset, and produces a high quality nickel concentrate via an open pit supported by a state of the art nickel flotation processing plant with a current mine life of 14 years (including 2015).

The Company also has a number of near-mine and regional exploration prospects that have the potential to provide additional, organic growth.

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 leveraged to the nickel price and the Brazilian real/US dollar exchange rate. The continuing low nickel prices combined with capital requirements pose significant challenges in terms of liquidity.

However, the group demonstrated strong operations performance during the half-year ended 30 June 2015, with overall improvement noted across both the mine and plant. Also, the increase in broken ore inventory has aided in ensuring a constant feed to the plant and has allowed for a steady state operation of the milling circuit.

The gyratory crusher continues to operate at approximately 1,300 tonnes per hour, with a high availability during the six month period at 86%. However, during July 2015 an unplanned stoppage of the crusher adversely impacted production until operations returned to normal on 22 July 2015. This impact on production was lowered by use of the secondary crusher. Full year production is still anticipated to be in line with nickel production guidance of between 16,500 and 18,000 tonnes of nickel in concentrate for the full year.

Capital expenditure for the six month period was US\$14.599 million. The tailings deposition and dam wall construction is progressing according to the 2015 operations plan.

As a result of the depressed nickel price environment, and with the intention of further reducing operating costs, the Company commenced from 14 August 2015 a slowdown of the mining operations (primarily affecting Mine Operations, Maintenance and Planning), which is expected to last for at least thirty days. Available ore on site is expected to be

Directors' report

sufficient to provide a steady plant feed for up to two months, ensuring that concentrate production continues to operate normally.

Safety

The Group's twelve month moving average Lost Time Injury Frequency Rate (**LTIFR**) closed the half-year ended 30 June 2015 at 0.64 (30 June 2014: 1.22). The LTIFR has been impacted by one lost time incident during the six month period. The Group continues to target further improvements to its safety record through ongoing safety reviews, training and improvement programs.

Mining

Total mined material movement for the six month period was 12.61 million tonnes of material moved for 3.32 million tonnes of ore.

Improved drill rig availability during the second quarter of 2015 resulted in higher drilled meters achieved and provided higher tonnage of available broken material. A delay in the rebuild program of the truck fleet unfavourably impacted their physical availability during the six month period. However, material movement remained in line with plan. Excavator fleet availability improved during the second quarter of 2015 with the resolution of hydraulic system issues noted during the first quarter. The Company commenced rebuilding its own shovels during the six month period, and the first Terex RH120 returned to operational status in June 2015. Its performance to-date meets expectations. A second refurbished Terex shovel was also added to the fleet in July 2015.

Average mine grades of 0.44% Ni resulted for the half-year ended 30 June 2015, compared to 0.42% for the comparative period ended 30 June 2014.

Processing

During the six month period ended 30 June 2015 a total of 3.26 million tonnes of ore was milled, at an average head grade of 0.45% nickel and achieving an average recovery of 55.8%. Plant availability and utilisation were respectively 92.1% and 92.6% during the six month period. The gyratory crusher performance remains in the range of 1,200-1,400 tonnes per hour. As noted above, an unplanned stoppage of the crusher adversely impacted production during July 2015. However, this has been remedied and the crusher is again functioning at normal expectations.

Sale of concentrate

During the half-year ended 30 June 2015, the Group produced 8,211 tonnes of contained nickel in concentrate, 2,252 tonnes of contained copper in concentrate, and 149 tonnes of contained cobalt in concentrate. During the six month period a total of 6,832 tonnes of nickel in concentrate was sold to an international and foreign domiciled trading house (**ITH**) and 2,190 tonnes of nickel in concentrate was sold to Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) pursuant to an offtake agreement.

Nickel in concentrate sales were lower than forecast during June 2015 due to a shipment being delayed as a result of the Brazilian Ministry of Labour's stop work order relating to the handling, transportation and shipping of concentrate at the Ilheus port. The shipment was originally scheduled to be loaded at port before the end of June 2015. The stop work order was subsequently lifted and the shipment completed by mid-July 2015.

Exploration

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

Directors' report

Operating Licence

Mirabela Brazil holds an operating licence for the Santa Rita mine, issued by the Bahia State Environmental Board (**INEMA**). The 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 based on its knowledge, but there is no guarantee the operating licence will be granted and what new conditions will apply.

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 six month period. The arbitration proceedings were initiated by Votorantim in relation to its alleged force majeure claim and contractual obligations under its offtake agreement with Mirabela Brazil. Mirabela Brazil is also requesting compensation for financial loss.

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

FINANCIAL REVIEW

The Group recorded a net loss for the six month period ended 30 June 2015 of US\$67.163 million, representing a loss of US\$0.07 per share, in comparison to a net profit for the same period ended 30 June 2014 of US\$373.880 representing an earnings of US\$0.43 per share.

The net loss of US\$67.163 million for the period was primarily driven by the fair value adjustment on the convertible note derivative of US\$40.098 million, interest expense on non-current borrowings of US\$12.392 and a net foreign currency exchange loss of US\$10.576 million. The net profit for the comparative period ended 30 June 2014 was primarily driven by the debt forgiveness of the US\$395.000 million 8.75% Senior Unsecured Notes due 15 April 2018 and incurred interest.

Total assets decreased by US\$10.257 million to US\$142.928 million from 31 December 2014. This was mainly due to a decrease in inventories during the period offset in part by an increase in property plant and equipment.

Total liabilities were US\$223.516 million, an increase of US\$61.336 million from 31 December 2014. The increase in total liabilities was mainly as a result of the fair value adjustment on the convertible note derivative of US\$40.098 million and deferred revenue of US\$10.356 million.

Total equity was also negatively impacted by the movement in the fair value of the convertible note derivative.

FINANCIAL POSITION

During the six month period ended 30 June 2015, cash and cash equivalents decreased by US\$1.324 million to US\$16.236 million.

Cash inflows from operating activities for the period were US\$20.265 million. Cash receipts of US\$83.642 million reflected the sale of 8,211 tonnes of nickel in concentrate, and associated by-products, to an international trading house (**ITH**) and Norilsk Nickel, offset by cash outflows of US\$63.990 million, driven primarily by operational costs.

Net cash outflows from investing activities for the period were US\$14.599 million. The cash outflows included budgeted capital expenditure primarily relating to the ongoing tailings deposition and dam wall construction.

Directors' report

The net cash outflow from financing activities of US\$3.547 million mainly reflects principal and interest repayments of the Banco Bradesco S.A. working capital facility and the Caterpillar and Atlas Copco finance lease facilities.

The Board and management continue to focus on assessing key business requirements to ensure the Group's ability to realise its assets and settle its obligations in an orderly manner. 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 and business plan. This modelling has been updated for projected nickel prices, foreign exchange and capital expenditure assumptions.

Based on revised modelling reflecting the impact of the continued low nickel price environment, the Board formed the view that in order to remain a going concern that it needed an injection of cash. Further details on this new funding are set out the subsequent events section below. The going concern basis of preparation of the financial report 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 receipt of the additional funding expected to be received in October 2015, along with the achievement of production in accordance with the existing life of mine plan, commercial pricing, and the stability of the nickel prices and foreign exchange rates to consensus views. Should the operations not successfully achieve forecast production, commercial prices, forecast nickel prices and foreign exchange assumptions not be achieved, the Group may be required to further 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 receipt of the new funding and the continued achievement of the new mine plan that was approved at the beginning of 2015. Should one or more of the key assumptions contained in that new mine plan, 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 (refer also to Notes 2 and 3(e) to the condensed interim consolidated financial report).

SUBSEQUENT EVENTS

Performance Rights

On 7 July 2015, the Company issued 482,263 fully paid ordinary shares as a result of conversion of 482,263 outstanding performance rights in accordance with the "Mirabela Nickel Limited Performance Rights Plan" originally approved by Shareholders on 13 September 2010. These shares are subject to a twelve month holding lock.

Securities

As a result of the share issue on 7 July 2015, arising from the performance rights as noted above, at the date of this report the Company has 930,192,479 ordinary shares on issue quoted on the ASX.

Funding

Due to the continuing low nickel price having a significant impact on the Group's cash position, the Company sourced additional funding by way of debt. Receipt of this funding remains conditional on agreeing final documentation and 66.7% of existing Senior Convertible Secured Noteholders voting in favour of this debt being provided. The additional funding will be available to the Company in October 2015. **<further details to be added regarding the additional funding>**

COMPARATIVE INFORMATION

Comparative information is presented for the half-year ended 30 June 2014 for the statement of profit or loss and other comprehensive income and as at 31 December 2014 for the statement of financial position.

Directors' report

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10 and forms part of the Directors' Report for the half-year ended 30 June 2015.

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 Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:

Richard Newsted
Non-executive Chairman

Perth, 26 August 2015

Maryse Belanger
Chief Executive Officer & Managing Director

Perth, 26 August 2015

DRAFT

Directors' declaration

- 1 In the opinion of the directors of Mirabela Nickel Limited (the **Company**):
 - (a) The condensed interim consolidated financial statements and notes that are set out on pages 13 to 31 of the condensed interim consolidated financial report:
 - (i) give a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, for the half year ended on that date; and
 - (ii) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
 - (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 and ASX Corporate Governance Principle 7.3 by the Chief Executive Officer and Chief Financial Officer for the half year ended 30 June 2015.
- 3 The directors draw attention to Note 3(a) to the condensed interim 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 condensed interim consolidated financial statements, which make reference to the going concern basis of preparation.

Dated at Perth this twenty sixth day of August 2015.

Signed in accordance with a resolution of the directors.

Richard Newsted
Non-executive Chairman

Perth, 26 August 2015

Maryse Belanger
Chief Executive Officer & Managing Director

Perth, 26 August 2015

Lead auditor's independence declaration



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

KPMG

R Gambitta

Partner

Perth

26 August 2015

DRAFT



DRAFT



KPMG

R Gambitta

Partner

Perth

26 August 2015

DRAFT

Condensed interim consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2015

		Half-year ended 30 June 2015	Half-year ended 30 June 2014
	<i>Note</i>	US\$000	US\$000
Sales revenue	8	108,297	94,949
Treatment, refining and transport charges		(23,805)	(20,881)
Net sales revenue		84,492	74,068
Direct costs		(68,646)	(79,879)
Royalties		(4,516)	(4,386)
Depreciation, amortisation and depletion		(1,612)	(1,732)
Cost of sales		(74,774)	(85,997)
Gross profit/(loss)		9,718	(11,929)
General and administration expenses	9	(2,599)	(21,514)
Financial income	10	612	862
Financial expense	10	(13,010)	(22,544)
Net foreign exchange (loss)/gain	11	(10,576)	26,604
Other income	12	70	439,902
Other expenses	12	(44,931)	(21,180)
		(70,434)	402,130
(Loss)/profit before income tax		(60,716)	390,201
Income tax	13	(6,447)	(16,321)
(Loss)/profit for the period		(67,163)	373,880
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(4,430)	(22,244)
Net change in fair value of cash flow hedges transferred to profit or loss		-	1,406
Other comprehensive expense for the period, net of tax		(4,430)	(20,838)
Total comprehensive income/(expense) for the period		(71,593)	353,042
EARNINGS/(LOSS) PER SHARE			
Basic earnings/(loss) per share (\$ per share)		(0.07)	0.43
Diluted earnings/(loss) per share (\$ per share)		(0.07)	0.43

The accompanying notes form part of this condensed interim consolidated financial report.

Condensed interim consolidated statement of changes in equity

For the half-year ended 30 June 2015

		Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total deficiency
Half-year ended	Note	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
30 June 2015							
Balance at 1 January 2015		803,813	(154,201)	5,590	-	(664,197)	(8,995)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(67,163)	(67,163)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(4,430)	-	-	-	(4,430)
Net change in fair value of cash flow hedges transferred to profit or loss	17	-	-	-	-	-	-
Total other comprehensive income/(expense)		-	(4,430)	-	-	-	(4,430)
Total comprehensive income/(expense) for the period		-	(4,430)	-	-	(67,163)	(71,593)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue during the period		-	-	-	-	-	-
Share based payments cancelled during the period		-	-	-	-	-	-
Share based payment recognised		-	-	-	-	-	-
Total transactions with equity holders		-	-	-	-	-	-
Balance at 30 June 2015	25	803,813	(158,631)	5,590	-	(731,360)	(80,588)

The accompanying notes form part of this condensed interim consolidated financial report.

Condensed interim consolidated statement of changes in equity

For the half-year ended 30 June 2014

		Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
Half-year ended 30 June 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 PERIOD							
Loss for the period		-	-	-	-	373,880	373,880
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(22,244)	-	-	-	(22,244)
Net change in fair value of cash flow hedges transferred to profit or loss	17	-	-	-	1,406	-	1,406
Total other comprehensive income/ (expense)		-	(22,244)	-	1,406	-	(20,838)
Total comprehensive income/ (expense) for the period		-	(22,244)	-	1,406	373,880	353,042
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period net of issue cost		7,296	-	-	-	-	7,296
Share based payments cancelled during the period		-	-	(328)	-	328	-
Share based payment recognised		-	-	328	-	-	328
Total transactions with equity holders		7,296	-	-	-	328	7,624
Balance at 30 June 2014	25	803,813	(147,959)	5,590	(3,334)	(673,262)	(15,152)

The accompanying notes form part of this condensed interim consolidated financial report.

Condensed interim consolidated statement of financial position

As at 30 June 2015

	Note	30 June 2015 US\$000	31 December 2014 US\$000
ASSETS			
Cash and cash equivalents	14	16,236	17,560
Trade and other receivables	15	6,362	5,865
Inventories	16	34,020	55,893
Total current assets		56,618	79,318
Trade and other receivables	15	32,711	34,645
Property, plant and equipment	19	51,544	36,859
Exploration and evaluation assets	18	2,055	2,363
Total non-current assets		86,310	73,867
Total assets		142,928	153,185
LIABILITIES			
Trade and other payables	20	23,753	22,032
Deferred revenue	21	10,356	11,356
Provisions	22	2,395	2,028
Borrowings	23	-	1,996
Total current liabilities		36,504	37,412
Provisions	22	19,295	13,234
Borrowings	23	104,295	95,822
Convertible note derivative	24	48,719	6,921
Deferred tax liability	13	14,703	8,791
Total non-current liabilities		187,012	124,768
Total liabilities		223,516	162,180
Net liabilities		(80,588)	(8,995)
EQUITY			
Contributed equity	25	803,813	803,813
Reserves		(153,041)	(148,611)
Accumulated losses		(731,360)	(664,197)
Total deficiency		(80,588)	(8,995)

The accompanying notes form part of this condensed interim consolidated financial report.

Condensed interim consolidated statement of cash flow
For the half-year ended 30 June 2015

	Half-year ended 30 June 2015	Half-year ended 30 June 2014
<i>Note</i>	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	83,643	69,622
Cash paid to suppliers and employees	(63,990)	(114,340)
Interest received	612	862
Net cash from/(used in) operating activities	20,265	(43,856)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,599)	(15,653)
Net cash used in investing activities	(14,599)	(15,653)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,540)	(2,413)
Repayment of borrowings	(2,007)	(7,816)
Proceeds from borrowings	-	100,000
Net cash (used in)/from financing activities	(3,547)	89,771
Net increase in cash and cash equivalents	2,119	30,262
Cash and cash equivalents at beginning of the period	17,560	30,735
Effect of changes in foreign currency	(3,443)	1,425
Cash and cash equivalents at end of the period	16,236	62,422

The accompanying notes form part of this condensed interim consolidated financial report.

Notes to condensed interim consolidated financial report For the half-year ended 30 June 2015

1. REPORTING ENTITY

The Company is domiciled in Australia. The address of the Company's registered office is Level 10, London House, 216 St Georges Terrace, Perth WA 6000. The condensed interim consolidated financial statements of the Company for the half-year ended 30 June 2015 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, predominantly nickel, in Brazil.

2. STATUS OF OPERATIONS AND GOING CONCERN

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

Mirabela's Board approved mine plan for 2015 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.

The continued depressed nickel price environment has caused significant stress to the Group's cash position, resulting in additional funding being sought by the Company to sustain the Group through this period. Various funding options were assessed by the Company; however, it was determined that debt funding was the appropriate option to pursue. As such, debt funding was secured and is expected to be available in October 2015.

The continued depressed nickel price environment has caused significant stress to the Group's cash position, resulting in additional funding being sought by the Company to sustain the Group through this period. Various funding options were assessed by the Company; however, it was determined that debt funding was the appropriate option to pursue. As such, debt funding was secured and is expected to be available in October 2015.

The Board's assessment that the going concern basis of preparation is appropriate for the next 12 months is based on the cashflow forecasts and sensitivities performed by the Company, which incorporate the new debt funding. The Board is also relying on the approved new mine plan and should one or more of the key assumptions contained in that new mine plan, particularly the realised nickel price and production assumptions, not be achieved ongoing, 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 condensed interim consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, IAS 34: *Interim Financial Reporting* and the Corporations Act 2001. The condensed interim 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 condensed interim consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the financial year ended 31 December 2014. The condensed interim consolidated financial statements for the half-year ended 30 June 2015 have been prepared on a going concern basis.

**Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2015**

The condensed interim consolidated financial report was approved by the Board of Directors on 26 August 2015.

(b) Basis of measurement

The condensed interim consolidated financial report has 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 condensed interim consolidated financial report is presented in United States 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 the 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.

(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 Group's consolidated annual financial report as at and for the financial year ended 31 December 2014.

(e) Financial position and going concern basis of preparation

The Group ended the half-year with cash on hand and on deposit of US\$16.236 million (31 December 2014: \$17.560 million). Cash was positively impacted during the period by cashflows from operations; offset in part by capital expenditure (primarily relating to the tailings dam project), repayment of borrowings, and interest payments.

The Group generated a loss of US\$67.163 million for the six months ended 30 June 2015, which was attributable primarily to fair value adjustments of the convertible note option of US\$40.098 million, interest expense of US\$12.392 million and net foreign currency exchange losses of US\$10.576 million. Foreign currency exchange losses comprise of realised and unrealised movements on the conversion of cash holdings and borrowings. The Group's net liability position as at 30 June 2015 increased to US\$80.588 million. Net cash inflows from operating and investing activities for the six months ended 30 June 2015 were US\$5.666 million.

The Board and management continue to focus 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 approved 2015 mine plan focuses on

**Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2015**

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 and business plan. This modelling has been updated for projected nickel prices, foreign exchange and capital expenditure assumptions.

Based on revised modelling reflecting the impact of the continued low nickel price environment, the Board formed the view that in order to remain a going concern that it needed an injection of cash. The going concern basis of preparation of the financial report 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 receipt of the additional funding expected to be received in October 2015, along with the achievement of production in accordance with the existing life of mine plan, commercial pricing, and the stability of the nickel prices and foreign exchange rates to consensus views. Any additional debt funding proposed is subject to a 66.7% consent of the existing Senior Convertible Secured Noteholders. Should the operations not successfully achieve forecast production, commercial prices, forecast nickel prices and foreign exchange assumptions not be achieved, the Group may be required to further 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 receipt of the debt funding and the continued achievement of the new mine plan that was approved at the beginning of 2015. Should one or more of the key assumptions contained in that new mine plan, particularly the realised nickel price and production assumptions, not be achieved, or the proposed debt funding not be received, 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 condensed interim consolidated financial report.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed interim consolidated financial report are consistent with those applied by the Group in its consolidated annual financial report as at and for the financial year ended 31 December 2014.

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.

Fair value determination disclosures are described in the Group's consolidated annual financial report as at and for the financial year ended 31 December 2014.

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

6. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the financial year ended 31 December 2014.

7. SEGMENT REPORTING

During the financial period, the Group operated in one business and operating segment, being mineral exploration and production, and in one primary geographical area, being Brazil, with two customers: an international trading house (ITH) and Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**), subsidiary of OJSC MMC Norilsk Nickel. Sales for the half-year ended 30 June 2015 were split 66% to ITH and 34% to Norilsk Nickel (half-year ended 30 June 2014: 60% to ITH and 40% to Norilsk Nickel).

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

Internal reporting is prepared on the same basis as this condensed interim consolidated financial report.

8. SALES REVENUE

	Half-year ended 30 June 2015 US\$000	Half-year ended 30 June 2014 US\$000
Nickel Sales	95,274	83,003
Copper Sales	8,939	7,099
Cobalt Sales	1,068	886
Other Sales	3,016	3,961
Sales Revenue	108,297	94,949

Nickel sales are comprised as follows:

	Half-year ended 30 June 2015 US\$000	Half-year ended 30 June 2014 US\$000
Realised nickel sales	89,620	71,577
Revaluation of unrealised nickel sales	5,654	12,120
Unwinding of metal and foreign exchange forward contracts designated as hedges	-	(694)
Nickel Sales	95,274	83,003

Realised nickel sales for the half-year ended 30 June 2015 comprised 9,022 tonnes of nickel in concentrate (half-year ended 30 June 2014: 6,176 tonnes), 75% being payable (half-year ended 30 June 2014: 81% payable) at an average realised nickel price of US\$6.01/lb; (half-year ended 30 June 2014: US\$6.49/lb).

Revaluation of unrealised nickel sales comprises forward price revaluation on sales that have not been finalised as at the period end. In accordance with the Group's offtake agreements, sales are initially recognised using a provisional sales price, being the average LME price of the five consecutive days prior to the issuance of relevant shipping documents. 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

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

offtake agreements. The period between provisional invoicing and final pricing is typically between four to five 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 selected from either the month of scheduled shipment or the first or second month after the month of scheduled shipment.

9. GENERAL & ADMINISTRATION EXPENSE

The general & administration expenses for the half year ended 30 June 2014 included legal and advisory fees of approximately US\$16.300 million relating to the Company's restructure/recapitalisation process.

10. FINANCIAL INCOME/EXPENSE

	Half-year ended 30 June 2015 US\$000	Half-year ended 30 June 2014 US\$000
Interest received	612	862
Financial income	612	862
Interest expense ^(a)	(12,392)	(22,038)
Borrowing costs	(143)	-
Unwinding of rehabilitation costs	(475)	(506)
Financial expense	(13,010)	(22,544)

(a) Interest expense

The half year ended 30 June 2014 included interest on the US\$395.000 million 8.75% Senior Unsecured Notes due 2018, which were extinguished on 25 June 2014 as part of the Company's restructure process.

11. NET FOREIGN EXCHANGE (LOSS)/GAIN

The net foreign exchange loss is predominantly unrealised and relates primarily to the translation of borrowings and cash which are denominated in currencies other than the functional currencies of entities in the Group. The senior convertible secured notes and the Banco Bradseco working capital facility are significant contributors to this unrealised foreign exchange loss.

12. OTHER INCOME AND OTHER EXPENSES

	Half-year ended 30 June 2015 US\$000	Half-year ended 30 June 2014 US\$000
Debt forgiveness ^(a)	-	439,715
Sundry	70	187
Other income	70	439,902
Fair value adjustment on derivative ^(b)	(40,098)	-
Provision for recoverable Brazilian tax credits ^(c)	(4,409)	(5,221)
Research expenses	(29)	(308)
Indirect taxes	-	(408)
Sundry	(395)	(371)
Restructuring expenses ^(d)	-	(14,872)
Other expenses	(44,931)	(21,180)

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

(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 held 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 24).

(c) Recoverable Brazilian tax credits

As a result of the concentrate sales shift from Votorantim to an international trading house (**ITH**), there is no certainty that the accumulated Brazilian state input tax credits, which are offset against the same indirect taxes on domestic sales, will be fully utilised in the future.

(d) Restructuring expenses

The restructuring expenses for the half-year ended 30 June 2014 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.

13. INCOME TAX EXPENSE

The tax expense relates to the derecognition of tax losses that were previously recognised to offset deferred tax liabilities. Under the recapitalisation of the Company that was completed on 25 June 2014, the Australian tax losses of the Company were extinguished as a result of the application of the commercial debt forgiveness provisions of the Australian tax legislation.

14. CASH AND CASH EQUIVALENTS

	30 June 2015 US\$000	31 December 2014 US\$000
Cash at bank and on hand	7,772	11,210
Call deposits	8,464	6,350
	16,236	17,560

15. TRADE AND OTHER RECEIVABLES

	30 June 2015 US\$000	31 December 2014 US\$000
Current asset		
Trade receivables	2,857	1,775
Prepayments	3,505	4,090
	6,362	5,865
Non-current asset		
Prepayments	32,711	34,645
	32,711	34,645

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

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\$2.545 million has been taken up during the half-year ended 30 June 2015 against the doubtful component of the State tax credits (cumulative to-date provision value of US\$14.141 million).

16. INVENTORIES

	30 June 2015	31 December 2014
	US\$000	US\$000
Broken ore – at cost	4,082	3,955
Concentrate – at cost	15,224	29,312
Stores, spares and consumables - net realisable value	14,714	22,626
	34,020	55,893

Stores, spares and consumables represent materials and supplies consumed in the concentrate production process. All inventories 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 the half year ended 30 June 2015 equated to US\$2.017 million.

17. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

As at 30 June 2015 there were no metal or foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions, and was fully unwound as at 31 December 2014.

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

	Half-year ended 30 June 2015	Half-year ended 30 June 2014
	US\$000	US\$000
Nickel and Copper- forward contracts	-	1,406
Foreign exchange - forward contracts	-	-
	-	1,406

18. EXPLORATION AND EVALUATION ASSETS

	30 June 2015	31 December 2014
	US\$000	US\$000
Balance at the beginning of the period	2,363	2,663
Effect of movements in foreign exchange	(308)	(300)
Balance at the period end	2,055	2,363

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 condensed interim consolidated financial report
For the half-year ended 30 June 2015

19. PROPERTY, PLANT & EQUIPMENT

30 June 2015 US\$000	Plant & equipment	Leased assets	Land	Mine properties	Construction & development expenditure	Total
Cost						
Balance at 1 January 2015	338,383	57,042	8,716	332,605	1,741	738,487
Additions	4,558	-	-	9,528	513	14,599
Disposals	(3)	-	-	-	-	(3)
Rehabilitation discount and inflation rate adjustment	-	-	-	7,505	-	7,505
Transfer to stores spares and consumables	-	-	-	-	-	-
Transfers ^(a)	50,266	(50,266)	-	-	-	-
Effect of movement in exchange rates	(48,919)	(6,776)	(1,234)	(47,926)	(259)	(105,114)
Balance at 30 June 2015	344,285	-	7,482	301,712	1,995	655,174
Depreciation and impairment						
Balance at 1 January 2015	(336,568)	(53,746)	(8,716)	(300,857)	(1,741)	(701,628)
Depreciation charge for the period	(432)	-	-	(1,180)	-	(1,612)
Transfers ^(a)	(47,373)	47,373	-	-	-	-
Effect of movement in exchange rates	48,859	6,373	1,234	42,598	246	99,310
Balance at 30 June 2015	(335,514)	-	(7,482)	(259,439)	(1,495)	(603,930)
Net book value at 30 June 2015	8,771	-	-	42,273	500	51,544

(a) Transfers

These relate to leased assets being transferred to plant and equipment upon expiry of the lease agreement.

Impairment Assessment

As the Group identified impairment indicators, primarily being the challenging nickel market conditions based on LME nickel prices, the Group performed an impairment test on the recoverability of its assets using consensus analyst nickel price assumptions as at 30 June 2015.

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 basis for determination of the recoverable amount was:

- *Nickel price* – future nickel prices were based on the quarter two 2015 consensus views from market participants (31 December 2014: quarter four of 2014);
- *Nickel production* – future nickel production was based on the new fourteen year life of mine model with material movement in 2015 of 25.6Mtpa (31 December 2014: 25.6Mtpa 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 25.6Mtpa including marginal ore grade material (31 December 2014: 25.6Mtpa in 2015);

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

- *Foreign exchange rates* – Brazilian real to US dollar exchange rates were based on the second quarter of 2015 (31 December 2014: fourth quarter of 2014) forecast consensus views from market participants; and
- *Discount rate* – a post-tax real discount rate of 10.20% (31 December 2014: 10.20%) 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 30 June 2015. However, any material negative change in the above assumptions may result in a future impairment occurring.

31 December 2014 US\$000	Plant & equipment	Leased assets	Land	Mine properties	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
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	-
Effect of movement in exchange rates	44,527	7,107	1,154	39,858	183	92,829
Balance at 31 December 2014	(336,558)	(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

20. TRADE AND OTHER PAYABLES

	30 June 2015 US\$000	31 December 2014 US\$000
Trade payables	17,607	14,947
Other payables and accrued expenses	6,146	7,085
	23,753	22,032

Other payables and accrued expenses as at 30 June 2015 mainly comprise royalties on commodity sales and Brazilian federal and state taxes.

Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2015

21. DEFERRED REVENUE

	30 June 2015	31 December 2014
	US\$000	US\$000
Deferred revenue	10,356	11,356
	10,356	11,356

Deferred revenue as at 30 June 2015 relates to a partial early payment received from a customer prior to cargo arrival at destination in July 2015.

22. PROVISIONS

	30 June 2015	31 December 2014
	US\$000	US\$000
Current liability		
Provision for annual leave	2,395	1,940
Provision for onerous lease	-	88
	2,395	2,028
Non-current liability		
Provision for rehabilitation	19,239	13,166
Other provision non-current	56	68
	19,295	13,234
Reconciliation of movements in provisions		
Provision for annual leave		
Balance at beginning of period	1,940	3,094
Provision made/(reversed) during the period	725	(804)
Effect of movements in foreign exchange	(270)	(350)
Balance at period end	2,395	1,940
Provision for onerous lease		
Balance at beginning of period	88	298
Provision used during the financial period	(83)	(185)
Effect of movements in foreign exchange	(5)	(25)
Balance at period end	-	88
Provision for rehabilitation		
Balance at beginning of period	13,166	10,093
Accretion expense	475	1,021
Discount and inflation rate adjustment	7,505	3,138
Effect of movements in foreign exchange	(1,907)	(1,086)
Balance at period end	19,239	13,166
Other provision non-current		
Balance at beginning of period	68	151
Provision (reversed)/made during the financial period	(3)	(64)
Effect of movements in foreign exchange	(9)	(19)
Balance at period end	56	68

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

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

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.

23. BORROWINGS

30 June 2015 US\$000	Subordinate unsecured note (i)	Senior convertible secured note (ii)	Caterpillar finance lease facility (iii)	Banco Bradesco loan (iv)	Atlas Copco finance lease facility (v)	Total
Interest Rate	1.00%	9.5%	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	107	57,188	-	47,000	-	104,295
Current borrowings	-	-	-	-	-	-
Non-current borrowings	107	57,188	-	47,000	-	104,295
	107	57,188	-	47,000	-	104,295

31 December 2014 US\$000	Subordinate unsecured note (i)	Senior convertible secured note (ii)	Caterpillar finance lease facility (iii)	Banco Bradesco loan (iv)	Atlas Copco finance lease facility (v)	Total
Interest Rate	1.00%	9.5%	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

- (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 half year ended 30 June 2015 was US\$5.722 million (cumulative to-date of US\$11.184 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

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

option, which is separately disclosed at Note 24. The US\$115.000 million of SCSNs initially comprised: borrowings of US\$39.107 million; convertible note option initial recognition of US\$68.597 million; and initial debt establishment costs of US\$7.296 million. The 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 30 June 2015.

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 was for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was previously drawn down to US\$40.795 million. All amounts owing on this facility were fully repaid on 1 April 2015. Lease payments under the facility were calculated on the basis of a 60 month term, and included 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.
- (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 part of ITH offtake 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. The facility was fully repaid on 31 January 2015.

24. CONVERTIBLE NOTE DERIVATIVE

	30 June 2015	31 December 2014
	US\$000	US\$000
Balance at beginning of period	6,921	-
Fair value – initial recognition	2,218	68,908
Fair value – adjustment	40,098	(61,987)
Effect of movement in foreign exchange rates	(518)	-
Balance at period end	48,719	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 30 June 2015 is reflected in the fair value movement. An increase in the

Notes to condensed interim consolidated financial report

For the half-year ended 30 June 2015

share price of the Company increases the convertible note derivative liability. The decrease in the Company's share price since inception has resulted in a decrease in the fair value loss. Volatility of the share price also impacts the value of the convertible note derivative, with an increase in the volatility factor increasing the fair value loss.

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 derivative liability. The strengthening in the USD:AUD exchange rate since inception has also contributed to the fair value loss.

25. CONTRIBUTED EQUITY

Movement in share capital for the half-year ended 30 June 2015

Ordinary shares		Number of shares	US\$
1 January 2015	Opening balance	929,710,216	803,813,073
30 June 2015	Closing balance	929,710,216	803,813,073

Movement in share capital for the half-year ended 30 June 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.

Weighted average number of shares

	Half-year ended 30 June 2015	Half-year ended 30 June 2014
Weighted basic average number of shares outstanding	929,710,216	878,555,039
Weighted diluted average number of shares outstanding	929,710,216	878,555,039

Unissued Shares under Performance Rights at 30 June 2015

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

No performance rights were granted during the half-year ended 30 June 2015.

Notes to condensed interim consolidated financial report For the half-year ended 30 June 2015

Unissued Shares under Performance Rights at 31 December 2014

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

482,263 performance rights were outstanding at 30 June 2015, relating to the “*Mirabela Nickel Limited Performance Rights Plan*” (originally approved at a Shareholders’ meeting held on 13 September 2010) which were in holding lock and vested on 31 December 2013 but which were subsequently suspended by the previous Board on 10 January 2014 (refer Note 26 for further details).

26. SUBSEQUENT EVENTS

Performance Rights

On 7 July 2015, the Company issued 482,263 fully paid ordinary shares as a result of conversion of 482,263 outstanding performance rights in accordance with the “*Mirabela Nickel Limited Performance Rights Plan*” originally approved by Shareholders on 13 September 2010. These shares are subject to a twelve month holding lock.

Securities

As a result of the share issue on 7 July 2015, arising from the performance rights as noted above, at the date of this report the Company has 930,192,479 ordinary shares on issue quoted on the ASX.

Funding

Due to the continuing low nickel price having a significant impact on the Group’s cash position, the Company sourced additional funding by way of debt. Receipt of this funding remains conditional on agreeing final documentation and 66.7% of existing Senior Convertible Secured Noteholders voting in favour of this debt being provided. The additional funding will be available to the Company in October 2015. <further details to be added regarding the additional funding>

The purpose of the disclosure of this material is to enable MBN to comply with its disclosure obligations under the NDAs entered into with Noteholders which have expired in accordance with their terms. Reliance should not be placed on the information or opinions contained in this material. Your attention is also drawn to the fact that this material is in draft form only and has not been finalised by management, reviewed by the Receivers, or audited.



MIRABELA NICKEL LTD

ABN 23 108 161 593

Condensed Consolidated Financial Report For the year ended 31 December 2015

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

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW	7
NOTES TO CONDENSED CONSOLIDATED FINANCIAL REPORT	8

DRAFT

Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

		Year ended 31 December 2015	Year ended 31 December 2014
	<i>Note</i>	US\$000	US\$000
Sales revenue	8	157,449	137,677
Treatment, refining and transport charges		(34,537)	(35,237)
Net sales revenue		122,912	102,440
Direct costs		(110,319)	(123,323)
Royalties		(7,956)	(9,229)
Depreciation, amortisation and depletion		(3,566)	(651)
Cost of sales		(121,841)	(133,203)
Gross profit/(loss)		1,071	(30,763)
Impairment of property, plant and equipment		(44,505)	-
General and administration expenses	9	(6,445)	(27,324)
Financial income	10	966	1,327
Financial expense	10	(91,579)	(35,024)
Net foreign exchange (loss)/gain	11	(27,162)	14,499
Other income	12	33,136	502,220
Other expenses	12	(59,180)	(33,199)
		(194,769)	422,499
(Loss)/profit before income tax		(193,698)	391,736
Income tax	13	(6,447)	(8,791)
(Loss)/profit for the period		(200,145)	382,945
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(3,074)	(28,486)
Net change in fair value of cash flow hedges transferred to profit or loss		-	4,740
Other comprehensive expense for the period, net of tax		(3,074)	(23,746)
Total comprehensive income/(expense) for the period		(203,219)	359,199
EARNINGS/(LOSS) PER SHARE			
Basic earnings/(loss) per share (\$ per share)		(0.22)	0.42
Diluted earnings/(loss) per share (\$ per share)		(0.22)	0.31

The accompanying notes form part of this condensed consolidated financial report.

Condensed consolidated statement of changes in equity

For the year ended 31 December 2015

		Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total deficiency
Year ended	Note	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
31 December 2015							
Balance at 1 January 2015		803,813	(154,201)	5,590	-	(664,197)	(8,995)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(200,145)	(200,145)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(3,074)	-	-	-	(3,074)
Net change in fair value of cash flow hedges transferred to profit or loss		-	-	-	-	-	-
Total other comprehensive income/(expense)		-	(3,074)	-	-	-	(3,074)
Total comprehensive income/(expense) for the period		-	(3,074)	-	-	(200,145)	(203,219)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue during the period		-	-	-	-	-	-
Share based payments cancelled during the period		-	-	-	-	-	-
Share based payment recognised		-	-	-	-	-	-
Total transactions with equity holders		-	-	-	-	-	-
Balance at 31 December 2015	24	803,813	(157,275)	5,590	-	(864,342)	(212,214)

The accompanying notes form part of this condensed consolidated financial report.

Condensed consolidated statement of changes in equity

For the year ended 31 December 2014

		Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
Year ended	Note	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
31 December 2014							
Balance at 1 January 2014		796,517	(125,715)	5,590	(4,740)	(1,047,470)	(375,818)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	382,945	382,945
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(28,486)	-	-	-	(28,486)
Net change in fair value of cash flow hedges transferred to profit or loss	17	-	-	-	4,740	-	4,740
Total other comprehensive income/(expense)		-	(28,486)	-	4,740	-	(23,746)
Total comprehensive income/(expense) for the period		-	(28,486)	-	4,740	382,945	359,199
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period net of issue cost		7,296	-	-	-	-	7,296
Share based payments cancelled during the period		-	-	(328)	-	328	-
Share based payment recognised		-	-	328	-	-	328
Total transactions with equity holders		7,296	-	-	-	328	7,624
Balance at 31 December 2014	24	803,813	(154,201)	5,590	-	(664,197)	(8,995)

The accompanying notes form part of this condensed consolidated financial report.

Condensed consolidated statement of financial position

As at 31 December 2015

		31 December 2015	31 December 2014
	Note	US\$000	US\$000
ASSETS			
Cash and cash equivalents	14	25,747	17,560
Trade and other receivables	15	2,936	5,865
Inventories	16	15,916	55,893
Total current assets		44,599	79,318
Trade and other receivables	15	27,049	34,645
Property, plant and equipment	19	-	36,859
Exploration and evaluation assets	18	-	2,363
Total non-current assets		27,049	73,867
Total assets		71,648	153,185
LIABILITIES			
Trade and other payables	20	26,033	33,388
Provisions	21	1,108	2,028
Borrowings	22	232,957	1,996
Total current liabilities		260,098	37,412
Provisions	21	9,821	13,234
Borrowings	22	-	95,822
Convertible note derivative	23	-	6,921
Deferred tax liability	13	13,943	8,791
Total non-current liabilities		23,764	124,768
Total liabilities		283,862	162,180
Net liabilities		(212,214)	(8,995)
EQUITY			
Contributed equity	24	803,813	803,813
Reserves		(151,685)	(148,611)
Accumulated losses		(864,342)	(664,197)
Total deficiency		(212,214)	(8,995)

The accompanying notes form part of this condensed consolidated financial report.

Condensed consolidated statement of cash flow
For the year ended 31 December 2015

		Year ended 31 December 2015	Year ended 31 December 2014
	<i>Note</i>	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		139,847	136,336
Cash paid to suppliers and employees		(96,431)	(187,961)
Interest received		966	1,327
Net cash from/(used in) operating activities		44,382	(50,298)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(25,365)	(43,874)
Net cash used in investing activities		(25,365)	(43,874)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(3,829)	(4,047)
Repayment of borrowings		(2,007)	(12,275)
Proceeds from borrowings		-	100,000
Net cash (used in)/from financing activities		(5,836)	83,678
Net increase/(decrease) in cash and cash equivalents		13,181	(10,494)
Cash and cash equivalents at beginning of the period		17,560	30,735
Effect of changes in foreign currency		(4,994)	(2,681)
Cash and cash equivalents at end of the period	<i>14</i>	25,747	17,560

The accompanying notes form part of this condensed consolidated financial report.

**Notes to condensed consolidated financial report
For the year ended 31 December 2015**

1. REPORTING ENTITY

The Company is domiciled in Australia. The address of the Company's registered office is Level 10, London House, 216 St Georges Terrace, Perth WA 6000. The condensed consolidated financial statements of the Company for the Year ended 31 December 2015 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, predominantly nickel, in Brazil.

2. STATUS OF OPERATIONS

The Group is engaged in the mining, production and sale of nickel sulphide concentrate. Its principal asset is the 100% owned Santa Rita nickel open pit mine in Bahia State, Brazil. The Santa Rita operation is a world class asset, produces a high quality metal concentrate via an open pit supported by a state of the art nickel flotation processing plant with a current mine life of 13 years. The Group also has a number of near-mine and regional exploration prospects.

Further commentary regarding the Group's status of operations is pending.

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 condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, IAS 34: *Interim Financial Reporting* and the Corporations Act 2001. The condensed 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 condensed consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the financial year ended 31 December 2014. The condensed consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis.

(b) Basis of measurement

The condensed consolidated financial report has 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 condensed consolidated financial report is presented in United States 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 the 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.

Notes to condensed consolidated financial report

For the year ended 31 December 2015

(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 Group's consolidated annual financial report as at and for the financial year ended 31 December 2014.

(e) Financial position and going concern basis of preparation

The Group ended the year with cash on hand and on deposit of US\$25.747 million (31 December 2014: \$17.560 million). Cash was positively impacted during the period by cashflows from operations; offset in part by capital expenditure (primarily relating to the tailings dam project), repayment of borrowings, and interest payments.

The Group generated a loss of US\$200.145 million for the year ended 31 December 2015, which was attributable primarily to interest expense of US\$83.247 million, acceleration premium of US\$51.332 million (refer Note 22), impairment charge of US\$44.505 million and net foreign currency exchange losses of US\$27.162 million. Foreign currency exchange losses comprise of realised and unrealised movements on the conversion of cash holdings and borrowings. The Group's net liability position as at 31 December 2015 increased to US\$212.214 million. Net cash inflows from operating and investing activities for the year ended 31 December 2015 were US\$19.017 million.

Further commentary regarding going concern is pending.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed consolidated financial report are consistent with those applied by the Group in its consolidated annual financial report as at and for the financial year ended 31 December 2014.

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).

Notes to condensed consolidated financial report

For the year ended 31 December 2015

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

Fair value determination disclosures are described in the Group's consolidated annual financial report as at and for the financial year ended 31 December 2014.

6. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the financial year ended 31 December 2014.

7. SEGMENT REPORTING

During the financial period, the Group operated in one business and operating segment, being mineral exploration and production, and in one primary geographical area, being Brazil, with two customers: an international trading house (ITH) and Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**), subsidiary of OJSC MMC Norilsk Nickel. Sales for the year ended 31 December 2015 were split 88% to ITH and 12% to Norilsk Nickel (year ended 31 December 2014: 57% to Norilsk Nickel and 43% to ITH).

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

Internal reporting is prepared on the same basis as this condensed consolidated financial report.

8. SALES REVENUE

	Year ended 31 December 2015 US\$000	Year ended 31 December 2014 US\$000
Nickel Sales	140,853	121,489
Copper Sales	12,096	8,747
Cobalt Sales	542	1,273
Other Sales	3,958	6,168
Sales Revenue	157,449	137,677

Nickel sales are comprised as follows:

	Year ended 31 December 2015 US\$000	Year ended 31 December 2014 US\$000
Realised nickel sales	138,367	119,480
Revaluation of unrealised nickel sales	2,486	3,863
Unwinding of metal and foreign exchange forward contracts designated as hedges	-	(1,854)
Nickel Sales	140,853	121,489

Realised nickel sales for the year ended 31 December 2015 comprised 9,022 tonnes of nickel in concentrate (year ended 31 December 2014: 9,213 tonnes), 70% being payable (year ended 31 December 2014: 81% payable) at an average realised nickel price of US\$5.05/lb; (year ended 31 December 2014: US\$7.24/lb).

Notes to condensed consolidated financial report**For the year ended 31 December 2015**

Revaluation of unrealised nickel sales comprises forward price revaluation on sales that have not been finalised as at the period end. In accordance with the Group's offtake agreements, sales are initially recognised using a provisional sales price, being the average LME price of the five consecutive days prior to the issuance of relevant shipping documents. 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 offtake agreements. The period between provisional invoicing and final pricing is typically between four to five 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 selected from either the month of scheduled shipment or the first or second month after the month of scheduled shipment.

9. GENERAL & ADMINISTRATION EXPENSE

The general & administration expenses for the year ended 31 December 2014 included legal and advisory fees of approximately US\$15.508 million relating to the Company's restructure/recapitalisation process.

10. FINANCIAL INCOME/EXPENSE

	Year ended 31 December 2015	Year ended 31 December 2014
	US\$000	US\$000
Interest received	966	1,327
Financial income	966	1,327
Interest expense ^(a)	(83,247)	(33,876)
Borrowing costs	(7,208)	(127)
Unwinding of rehabilitation costs	(1,124)	(1,021)
Financial expense	(91,579)	(35,024)

(a) Interest expense

For the year ended 31 December 2015, interest expense included an acceleration of the effective interest charge on the US\$115.000 million 9.50% Senior Convertible Secured Notes (SCSNs) of US\$66.294 million, as a result of the Event of Default under the SCSN Indenture Agreement (refer Note 22).

The year ended 31 December 2014 included interest on the US\$395.000 million 8.75% Senior Unsecured Notes due 2018, which were extinguished on 25 June 2014 as part of the Company's restructure process.

11. NET FOREIGN EXCHANGE (LOSS)/GAIN

The net foreign exchange loss is predominantly unrealised and relates primarily to the translation of borrowings and cash which are denominated in currencies other than the functional currencies of entities in the Group. The Senior Convertible Secured Notes and the Banco Bradseco working capital facility are significant contributors to this unrealised foreign exchange loss.

Notes to condensed consolidated financial report
For the year ended 31 December 2015

12. OTHER INCOME AND OTHER EXPENSES

	Year ended 31 December 2015	Year ended 31 December 2014
	US\$000	US\$000
Debt forgiveness ^(a)	-	439,715
Fair value adjustment on derivative ^(b)	6,921	61,987
Sundry ^(c)	26,215	518
Other income	33,136	502,220
Provision for recoverable Brazilian tax credits ^(d)	(6,958)	(11,022)
Research expenses	(50)	(827)
Reversal of provision for rehabilitation: discount and inflation rate adjustment	-	(3,138)
Indirect taxes	-	(1,943)
Subordinated notes expense	-	(100)
Restructuring expenses ^(e)	-	(14,872)
Acceleration premium ^(f)	(51,725)	-
Sundry	(447)	(1,297)
Other expenses	(59,180)	(33,199)

(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 held 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 23). As a result of the Event of Default under the SCSN Indenture Agreement (refer Note 22), the remaining value of the convertible note option was fully written off.

(c) Settlement proceeds

US\$25.000 million of sundry income relates to the cash settlement received from Norilsk Nickel in relation to a breach of contract.

(d) Recoverable Brazilian tax credits

As a result of the concentrate sales shift from Votorantim to an international trading house (**ITH**), there is no certainty that the accumulated Brazilian state input tax credits, which are offset against the same indirect taxes on domestic sales, will be fully utilised in the future.

(e) Restructuring expenses

The restructuring expenses for the year ended 31 December 2014 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.

Notes to condensed consolidated financial report

For the year ended 31 December 2015

(f) Acceleration premium

Due to the Event of Default under the SCSN Indenture Agreement, a premium is deemed payable representing unaccrued interest from the date of default to the original maturity date of 24 June 2019, discounted to present value using a pre-defined discount rate.

13. INCOME TAX EXPENSE

The tax expense relates to the derecognition of tax losses that were previously recognised to offset deferred tax liabilities. Under the recapitalisation of the Company that was completed on 25 June 2014, the Australian tax losses of the Company were extinguished as a result of the application of the commercial debt forgiveness provisions of the Australian tax legislation. The tax expense and deferred tax position have not been recalculated as at 31 December 2015.

14. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
	US\$000	US\$000
Cash at bank and on hand	4,778	11,210
Call deposits	20,969	6,350
	25,747	17,560

15. TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014
	US\$000	US\$000
Current asset		
Trade receivables	246	1,775
Prepayments	2,690	4,090
	2,936	5,865
Non-current asset		
Prepayments	27,049	34,645
	27,049	34,645

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\$5.727 million has been taken up during the year ended 31 December 2015 against the doubtful component of the State tax credits (cumulative to-date provision value of US\$13.615 million).

16. INVENTORIES

	31 December 2015	31 December 2014
	US\$000	US\$000
Broken ore – at cost	2,709	3,955
Concentrate – at cost	4,801	29,312
Stores, spares and consumables - net realisable value	8,406	22,626
	15,916	55,893

Notes to condensed consolidated financial report

For the year ended 31 December 2015

Stores, spares and consumables represent materials and supplies consumed in the concentrate production process. All inventories 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 the year ended 31 December 2015 equated to US\$3.284 million.

17. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

As at 31 December 2015 there were no metal or foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions, and was fully unwound as at 31 December 2014.

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

	Year ended 31 December 2015	Year ended 31 December 2014
	US\$000	US\$000
Nickel and Copper- forward contracts	-	4,740
	-	4,740

18. EXPLORATION AND EVALUATION ASSETS

	31 December 2015	31 December 2014
	US\$000	US\$000
Balance at the beginning of the period	2,363	2,663
Impairment charge	(1,699)	-
Effect of movements in foreign exchange	(664)	(300)
Balance at the period end	-	2,363

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. As at 31 December 2015, the exploration and development assets were fully impaired.

Notes to condensed consolidated financial report
For the year ended 31 December 2015

19. PROPERTY, PLANT & EQUIPMENT

31 December 2015 US\$000	Plant & equipment	Leased assets	Land	Mine properties	Construction & development expenditure	Total
Cost						
Balance at 1 January 2015	338,383	57,042	8,716	332,605	1,741	738,487
Additions	3,756	2,055	-	18,867	687	25,365
Disposals	(193)	(1)	-	-	-	(194)
Rehabilitation discount and inflation rate adjustment	-	-	-	(152)	-	(152)
Transfer to stores spares and consumables	(561)	-	-	-	-	(561)
Transfers ^(a)	(3,090)	(4,716)	-	8,493	(687)	-
Effect of movement in exchange rates	(106,104)	(18,975)	(2,784)	(90,619)	(499)	(218,981)
Balance at 31 December 2015	232,191	35,405	5,932	269,194	1,242	543,964
Depreciation and impairment						
Balance at 1 January 2015	(336,568)	(53,746)	(8,716)	(300,857)	(1,741)	(701,628)
Depreciation charge for the period	(1,339)	-	-	(2,237)	-	(3,576)
Impairment charge	(27)	-	-	(42,779)	-	(42,806)
Reclassification of assets	-	-	-	(222)	-	(222)
Effect of movement in exchange rates	105,743	18,341	2,784	76,901	499	204,268
Balance at 31 December 2015	(232,191)	(35,405)	(5,932)	(269,194)	(1,242)	(543,964)
Net book value at 31 December 2015	-	-	-	-	-	-

(a) Transfers

These include leased assets being transferred to plant and equipment upon expiry of the lease agreement.

Impairment Assessment

As the Group identified impairment indicators, primarily being the challenging nickel market conditions based on LME nickel prices, the Group performed an impairment test on the recoverability of its assets using consensus analyst nickel price assumptions as at 31 December 2015. As a result, the remaining assets as at 31 December 2015 were fully impaired.

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.

Notes to condensed consolidated financial report

For the year ended 31 December 2015

31 December 2014 US\$000	Plant & equipment	Leased assets	Land	Mine properties	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
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	-
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

20. TRADE AND OTHER PAYABLES

	31 December 2015 US\$000	31 December 2014 US\$000
Trade payables	18,528	26,303
Other payables and accrued expenses	7,505	7,085
	26,033	33,388

Other payables and accrued expenses as at 31 December 2015 mainly comprise royalties on commodity sales and Brazilian federal and state taxes.

Notes to condensed consolidated financial report
For the year ended 31 December 2015

21. PROVISIONS

	31 December 2015	31 December 2014
	US\$000	US\$000
Current liability		
Provision for annual leave	1,108	1,940
Provision for onerous lease	-	88
	1,108	2,028
Non-current liability		
Provision for rehabilitation	9,777	13,166
Other provision non-current	44	68
	9,821	13,234
Reconciliation of movements in provisions		
Provision for annual leave		
Balance at beginning of period	1,940	3,094
Provision made/(reversed) during the period	(235)	(804)
Effect of movements in foreign exchange	(597)	(350)
Balance at period end	1,108	1,940
Provision for onerous lease		
Balance at beginning of period	89	298
Provision used during the financial period	(79)	(185)
Effect of movements in foreign exchange	(10)	(25)
Balance at period end	-	88
Provision for rehabilitation		
Balance at beginning of period	13,166	10,093
Accretion expense	1,124	1,021
Discount and inflation rate adjustment	(6,115)	3,138
Effect of movements in foreign exchange	1,602	(1,086)
Balance at period end	9,777	13,166
Other provision non-current		
Balance at beginning of period	68	151
Provision (reversed)/made during the financial period	(2)	(64)
Effect of movements in foreign exchange	(22)	(19)
Balance at period end	44	68

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 condensed consolidated financial report

For the year ended 31 December 2015

22. BORROWINGS

31 December 2015 US\$000	Subordinate unsecured note (i)	Senior convertible secured note (ii)	Banco Bradesco loan (iv)	Total
Interest Rate	1.00%	9.5%	6.00% + LIBOR	
Loan Term	2014 to 2044	2014 to 2019	2012 to 2018	
Carrying Value	5,050	180,906	47,000	232,957
Current borrowings	5,050	180,906	47,000	232,957
Non-current borrowings	-	-	-	-
	5,050	180,906	47,000	232,957

31 December 2014 US\$000	Subordinate unsecured note (i)	Senior convertible secured note (ii)	Caterpillar finance lease facility (iii)	Banco Bradesco loan (iv)	Atlas Copco finance lease facility (v)	Total
Interest Rate	1.00%	9.5%	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

- (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.

As a result of the Company entering into voluntary administration on 24 September 2015, the Subordinated Notes became fully due and payable, including PIK interest, in accordance with clause 7 of the Subordinated Promissory Note Agreement. The full liability has been classified as current.

- (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 2015 was US\$5.722 million (cumulative to-date of US\$11.184 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 23. The US\$115.000 million of SCSNs initially comprised: borrowings of US\$39.107 million; convertible note option initial recognition of US\$68.597 million; and initial debt establishment costs of US\$7.296 million. The amounts change over the life of the SCSNs as effective interest charges and fair value adjustments occur.

Notes to condensed consolidated financial report

For the year ended 31 December 2015

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 2015.

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.

As a result of the Company entering into voluntary administration on 24 September 2015, the Senior Convertible Secured Notes became fully due and payable, including PIK interest and accrued interest, in accordance with clause 6.02 of the Indenture Agreement. Under clause 6.03 of the Indenture Agreement an Acceleration Premium was also triggered, calculated at US\$51.725 million (refer Note 12(f)). The full liability has been classified as current.

- (iii) The US\$55.000 million master funding and leasing agreement was for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was previously drawn down to US\$40.795 million. All amounts owing on this facility were fully repaid on 1 April 2015. Lease payments under the facility were calculated on the basis of a 60 month term, and included 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.
- (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 part of ITH offtake arrangements.

As a result of the Company entering into voluntary administration on 24 September 2015 and due to the reduced cashflow position of Mirabela Brazil, the full liability has been classified as current.

- (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. The facility was fully repaid on 31 January 2015.

23. CONVERTIBLE NOTE DERIVATIVE

	31 December 2015	31 December 2014
	US\$000	US\$000
Balance at beginning of period	6,921	-
Fair value – initial recognition	-	68,908
Fair value – adjustment	(6,921)	(61,987)
Balance at period end	-	6,921

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

Notes to condensed consolidated financial report

For the year ended 31 December 2015

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 2015 is reflected in the fair value movement. An increase in the share price of the Company increases the convertible note derivative liability. The decrease in the Company's share price since inception has resulted in a decrease in the fair value loss. Volatility of the share price also impacts the value of the convertible note derivative, with an increase in the volatility factor increasing the fair value loss.

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 derivative liability. The strengthening in the USD:AUD exchange rate since inception has also contributed to the fair value loss.

The balance of the convertible note derivative has been fully written off, as a result of the Event of Default under the SCSN Indenture Agreement relating to the Company entering into voluntary administration on 24 September 2015.

24. CONTRIBUTED EQUITY

	Number of Securities		Value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
			US\$000	US\$000
Net ordinary shares	930,192,479	929,710,216	803,813	803,813
	930,192,479	929,710,216	803,813	803,813

Movement in share capital for the year ended 31 December 2015

Ordinary shares		Number of shares	Issue price	US\$
1 January 2015	Opening balance	929,710,216		803,813,073
7 July 2015	Shares issued on conversion of Performance Rights	482,263		-
31 December 2015	Closing balance	<u>930,192,479</u>		<u>803,813,073</u>

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
31 December 2014	Closing balance	<u>929,710,216</u>		<u>803,813,073</u>

(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.

Weighted average number of shares

	Year ended 31 December 2015	Year ended 31 December 2014
Weighted basic average number of shares outstanding (000's)	930,185	904,343
Weighted diluted average number of shares outstanding (000's)	930,185	1,259,514

Notes to condensed consolidated financial report
For the year ended 31 December 2015

Unissued Shares under Performance Rights at 31 December 2015

There were no unissued shares under performance rights as at 31 December 2015.

Unissued Shares under Performance Rights at 31 December 2014

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

25. SUBSEQUENT EVENTS

To be considered. Eg:

- Sale process
- Creditor bid
- DOCA
- Liquidation