

30 October 2009

Company Announcements Office
Australian Securities Exchange
10th Floor, 20 Bridge Street
Sydney NSW 2000

QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

HIGHLIGHTS

- Commencement of owner operating mining at Santa Rita
- Completion of plant construction at Santa Rita
- Commencement of plant commissioning
- Obtained operating licence for Santa Rita
- Successfully completed an equity raising for US\$97.2 million
- Key new appointments to the senior management team
- Colin Steyn appointed to Board of Directors

SANTA RITA PROJECT

Construction & commissioning update

Construction of the Santa Rita project was completed during the quarter and commissioning is now well underway.

The primary crusher was run for several hours and about 1000 tonnes of crushed ore was conveyed and stockpiled at the mill feed tunnel stockpile. Commissioning of the SAG and ball mills is expected to start shortly.

All substations for the operation have been commissioned and are fully energised. Power is supplied at 230KV from the national power grid only 7km away.

Details of the project status as at the end of the quarter are as follows:

- Stockpiled ore now totals about 245,000 tonnes
- Mining capacity on site is currently about 25,000 tonnes of rock per day
- The second mining fleet delivery is expected by the end of October, increasing capacity to about 60,000 tonnes of rock per day

- Additional equipment arrivals during November and December will increase mining capacity to 80,000 tonnes of rock per day by year end.
- Commissioning of the primary crusher and conveyors is under way
- The SAG and ball mills are aligned on their bearings. Installation of ring gears and drive mechanisms has been completed and the liner installation is underway, so commissioning of the mills is expected to start shortly.
- Flotation cells, thickeners, blowers, reagent plant, air, water, analysers and automated control systems are all pre-commissioned and ready for full commissioning under load
- The Larox filter is ready for full commissioning under load
- A laboratory facility for assays and bench float test work is now operational and being used for grade control.
- The tailings dam is complete
- The operating team has been running the plant on a continuous 24 hour basis since mid-September on wet load (without the mills) in order to check systems and ensure smooth handover from the construction team to the operation team upon completion of commissioning.
- Maintenance facilities for the mining fleet are expected to be fully operational by end of October.
- The environmental authorities have issued an operating license for Santa Rita. All environmental and operating licenses have now been awarded for the 6.4Mtpa production capacity.

Ramp-up to full operating capacity of 6.4Mtpa is anticipated to take about one year with installation of a second ball mill planned for early next year. The foundations and infrastructure for the second ball mill have already been built. At full production, Santa Rita is expected to produce 26,000 tonnes of nickel in concentrate a year.

Mining

A major milestone was achieved with the commencement of owner-operator mining at Santa Rita in August. In May 2009, contractors completed pre-stripping and stockpiled about 170,000t of ROM ore. Float test recovery work on this ore is in line with expectations. An additional 800,000t of ore was pre-stripped to a strip ratio of about 2:1. The stockpiled and pre-stripped ore will be used for commissioning the plant and the start-up schedule allows some time to prepare the mine and mining team for the onset of full production requirements during the ramp-up phase.

The initial mining fleet, comprised of four Caterpillar 777 trucks (100 tonne), two D9 tracked bulldozers and a grader, will prepare the pit for larger scale operations. From September 2009, a second delivery of larger capacity Caterpillar 785 trucks (150 tonne), an additional two Caterpillar 777 trucks, Terex O&K RH90 and RH120 excavators is expected. Maintenance and training is being provided by the local Caterpillar dealerships Marcosa SA and Sotreq SA. The mining fleet is owned and operated by the Company under a lease finance arrangement with Caterpillar Financial.

Senior Management Appointments

The Company has recently made a number of the senior management appointments to strengthen the operational capability and experience of its management team.

Mr Bryan Hyde was recently appointed Santa Rita Project Managing Director, based on site. Both the construction and operating teams are now reporting directly to Mr Hyde.

Mr Hyde has over 30 years experience in the mining and metallurgical industry with depth exposure to numerous projects similar to Santa Rita. Mr Hyde was a member of the founding management team of LionOre Mining International and played a major role in managing that company's operations, including two years as Chairman of LionOre Australia, ending in 2006 when the company was acquired by Norilsk Nickel International. As Managing Director of Tati Nickel, a LionOre subsidiary, Mr Hyde was responsible for overseeing the Selkirk and Phoenix open-cut nickel sulphide operation from conception to production and through numerous plant upgrades.

Mr Peter Breese, previously Chief Executive Officer of Norilsk Nickel International, is assisting Mr Hyde on an ad hoc basis and advising the Company on organizational structure as a consultant. Both Mr Hyde and Mr Breese have agreed to an initial tenure of 18 months.

An executive management committee was recently established to oversee the various operating and project teams. The committee meets on-site monthly and will report to the Board and the Managing Director. Mr Breese is the Chairman of this committee.

Mr Chris Els has been appointed Chief Financial Officer of Mirabela commencing 1 August, 2009 having recently resigned from his previous role as Chief Financial Officer of Norilsk Australia (formerly LionOre Australia). Mr Els will be responsible for operational reporting and cost control across the Company, having previously undertaken a similar task for Norilsk Australia's five nickel operations.

The Company is pleased to have made appointments of this calibre with direct experience in nickel sulphide operations. The involvement of this ex-Lionore team brings excellent operating experience to the Company as it enters into production.

Financing

A total combined equity raising undertaken by the Company resulted in the issue of 50 million shares at A\$2.35 per share (or equivalent) to raise gross proceeds of A\$117.5 million (US\$97.2 million), with US\$44.5 million allocated to cover cost over-runs on the Santa Rita project, announced in July, with the balance of the proceeds raised allocated to additional working capital requirements of the project. It is expected that the Company now has adequate financing in place to transition Santa Rita to cash positive operations by Q1 2010.

Hedging

Mirabela now has total USD/BRL currency hedging in place of US\$159.3million at an average rate of 2.1344, providing cover of approximately half of the currency exposure arising from operating costs denominated in BRL for the duration of the senior loan repayment period. This includes US\$40 million of USD/BRL cover placed during the quarter to sell US Dollars at an average rate of BRL 2.1229 for the period January 2010 to December 2011.

Mirabela's metal hedge commitments at 30 September 2009 consisted of Ni 19,402t for delivery from July 2010 to March 2014 at an average price of US\$7.82/lb (US\$17,234.80/t), and Cu 8,952t at US\$2.73/lb (US\$6.012/t) for delivery from April 2011 to March 2015. In addition, the Company has commitments in respect of sold call options for Ni 2,400t at a strike price of US\$6.50/lb (US\$14,330/t) and Cu at a strike price of US\$1.80/lb (US\$3,968/t).

CORPORATE

Board

The company was pleased to announce the appointment of Mr Colin Steyn as a Non-Executive Director of the Company. Mr Steyn is best known for his role as President and CEO of Lionore Mining International from 1999, to 2007 when the company was sold to Norilsk for over US\$6 billion. He was a founding director of LionOre and was instrumental in growing the company's nickel production from 2,000tpa to over 36,000tpa. Mr Steyn has extensive operating and financial experience with nickel sulphide projects and a proven track record in building an international mining company. The appointment of Mr Steyn is particularly timely for the Company as it becomes a nickel producer.

Cash Position

The Company held balances of cash on hand and on deposit as at 30 September of A\$62.6 million (US\$55.1 million), including US\$25 million held in a Santa Rita project contingency reserve account. In addition, subsequent to 30 September 2009 further proceeds of A\$8.23 million was received for the final tranche of shares issued under the 50 million share capital raising undertaken in the quarter.

Available facilities

As at 30 September the company has undrawn loan facilities of A\$28.3 million (US\$25 million) under the US\$190 million senior loan facility available for completion of the Santa Rita project and A\$52.1 million (US\$45.9 million) available for financing of mining equipment under the US\$55 million master funding and lease agreement with Caterpillar Financial Services Corporation.

Share Capital

As at 30 September the Company's issued share capital consisted of 334,786,375 ordinary shares, and a balance of 12,558,900 unlisted options were outstanding.

During the quarter 46,500,000 ordinary shares were issued pursuant to the placement of 50,000,000 shares at A\$2.35 commenced in July 2009. The balance of 3,500,000 placement shares was issued subsequent to the quarter end in October 2009. The sum of 400,000 ordinary shares was issued upon exercise of options.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MIRABELA NICKEL LIMITED

ABN

23 108 161 593

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(14)	(14)
(b) development	-	-
(c) production	-	-
(d) administration	(1,790)	(1,790)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	43	43
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(9)	(9)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,770)	(1,770)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(76,467)	(76,467)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Cash acquired in subsidiary	-	-
Net investing cash flows	(76,467)	(76,467)
1.13 Total operating and investing cash flows (carried forward)	(78,237)	(78,237)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	109,625	109,625
1.15	Costs of the issue	(5,310)	(5,310)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (realised gains/ (losses) on forward contracts)	-	-
	Net financing cash flows	104,315	104,315
	Net increase (decrease) in cash held	26,078	26,078
1.20	Cash at beginning of quarter/year to date	42,094	42,094
1.21	Exchange rate adjustments to item 1.20	(5,617)	(5,617)
1.22	Cash at end of quarter	62,555	62,555

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(964)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	
	<p>The aggregate amount of payments in 1.23 includes directors' fees, salaries and consulting fees and technical services, and includes \$475,000 of short term incentive cash bonuses were paid in respect of the 2009 financial year.</p>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- During the quarter, the company entered into foreign exchange contracts to sell US\$40 million at an average rate of BRL 2.12, maturing over for the period January 2010 to December 2011.

Mining equipment with a value of US\$3.75 million acquired during the quarter was financed to US\$3.37 million by drawdown under the US\$55 million Caterpillar Finance Facility.
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	385,044	304,620
3.2 Credit standby arrangements	-	-

Available loan facilities include a balance of US\$25 million (A\$28.3 million) under the US\$190 million Senior Loan Facility and US\$45.9 million (A\$52.1 million) under the US\$55 million Caterpillar Finance Facility.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(25)
4.2 Development	(60,000)
Total	(60,025)

The estimate of cash outflows for development includes the net operating and capital costs of the Santa Rita Project. These costs will be financed from cash and from drawdown of the balance of US\$25 million of the Senior Loan Facility.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	34,130	11,056
5.2 Deposits at call	28,425	31,038
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	62,555	42,094

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	871.244/2006	Exploration permit	100%	Under application
	871.245/2006	Exploration permit	100%	Under application
	872.528/2005	Exploration permit	100%	Relinquished
6.2 Interests in mining tenements acquired or increased	831.812/2008	Exploration permit	-	100%
	831.814/2008	Exploration permit	-	100%
	831.955/2008	Exploration permit	-	100%
	831.956/2008	Exploration permit	-	100%
	831.957/2008	Exploration permit	-	100%
	831.958/2008	Exploration permit	-	100%
	831.959/2008	Exploration permit	-	100%

All tenement references are in respect of Brazilian exploration permits.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Performance +securities <i>Convert to ordinary securities on development of a commercial mining project</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.				
7.3 +Ordinary securities	334,786,375	334,786,375		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	46,500,000 400,000	46,500,000 400,000	\$2.35 \$0.95	\$2.35 \$0.95
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	12,558,900 Convert on a 1:1 basis	Nil	Exercise price \$0.95 (0.4089m) \$5.60 (1.8m) \$6.20 (1.4m) \$6.20 (0.3m) \$6.20 (0.35m) \$6.20 (0.3m) US\$8.00 (5.0m) \$3.00 (3.0m)	Expiry date 30 April 2010 23 February 2011 30 June 2011 7 September 2011 31 December 2011 30 September 2012 Final repayment of the Norilsk loan (scheduled expiry 31/12/12) 7 July 2013
7.8 Issued during quarter				
7.9 Exercised during quarter	400,000		\$0.95	30 April 2010
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Stephen Hills

Company Secretary

Date: 30 October 2009

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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