MIRABELA NICKEL LTD

ANNUAL REPORT 2009

MIRABELLA NICKEL LIMITED

CONTENTS

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Bill Clough	Chairman
Nick Poll	Managing Director
Craig Burton	Corporate Director
Joe Hamilton	Non-Executive Director
Nick Sheard	Non-Executive Director

COMPANY SECRETARY

Stephen Hills

STOCK EXCHANGE LISTINGS

Australian Securities Exchange
(ASX code: MBN)
Toronto Stock Exchange
(TSX code: MNB)

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2009 HIGHLIGHTS

OPERATIONS

- Commencement of mining operations at Santa Rita
- Completion of Santa Rita plant construction and commencement of commissioning
- 45% increase in Santa Rita open-pit resource base – 130Mt measured and indicated resource
- Upgraded proven and probable reserve to 121Mt
- Delivered maiden underground resource of 55Mt and increased to 87.5Mt
- Secured 5 year off-take agreements for 100% of production
- Obtained operating licence for Santa Rita

CORPORATE

- Successfully completed US$523 million debt and equity financing to fully fund Santa Rita
- Secured US$55 million mining fleet purchase funding with Caterpillar
- Completion of nickel and copper hedging to support senior debt
- Expanded on-ground management team with key new appointments

MANAGING DIRECTOR'S ADDRESS

THE SANTA RITA MINE IS FULLY FINANCED AND BUILT, COMMISSIONING IS UNDERWAY AND A POTENTIALLY NEW UNDERGROUND PROJECT WAS IDENTIFIED IN DECEMBER 2008, SO THE PAST YEAR HAS BEEN A MOMENTOUS ONE FOR MIRABELA AND ITS SHAREHOLDERS.

Owner-operated mining is ramping up quickly, commissioning of the plant is well underway and an operations team has been established under the leadership of Mr. Bryan Hyde, a veteran General Manager of nickel sulphide operations. Ramp-up to full operating capacity of 6.4Mtpa is anticipated to take about one year.

A total of US$523 million in equity and debt financing was secured during one of the most difficult financial markets in history. This completes Santa Rita's financing requirements through to cash flow positive operations.

With the announcement of a new underground resource in December 2008, the Company is now studying the viability of another 690,000 tonnes of contained nickel in underground resources that could potentially double production. This would result in production from Santa Rita representing about 4% of world annual nickel production. A full feasibility study and resource drill out is planned to commence once the Santa Rita operation is cash flow positive.

We remain positive about the long term outlook for nickel prices given the rarity of new sources of nickel sulphide production like Santa Rita and the continuing high capital cost and low success rate of nickel laterite projects.

Santa Rita is the largest nickel sulphide mine to be discovered in over a decade and one of the few independently owned, tier one nickel assets in the world. With a targeted cash cost of production under US$3.00/lb of nickel, which represents about 50th percentile on the cash cost curve, Santa Rita is well positioned to become a world class producer of nickel for the next two decades and beyond.

I would like to thank shareholders for their support during what has been a challenging year. It's going to be an exciting year ahead as Mirabela becomes a fully fledged producer and continues to unlock value from Santa Rita.

This has been a very demanding year for the Company's employees, so I would also like to congratulate and thank the Mirabela team for their perseverance and commitment to turning Santa Rita into a reality, in just five years from discovery.

I look forward to your continued support for the year ahead.

Nick Poll
Managing Director

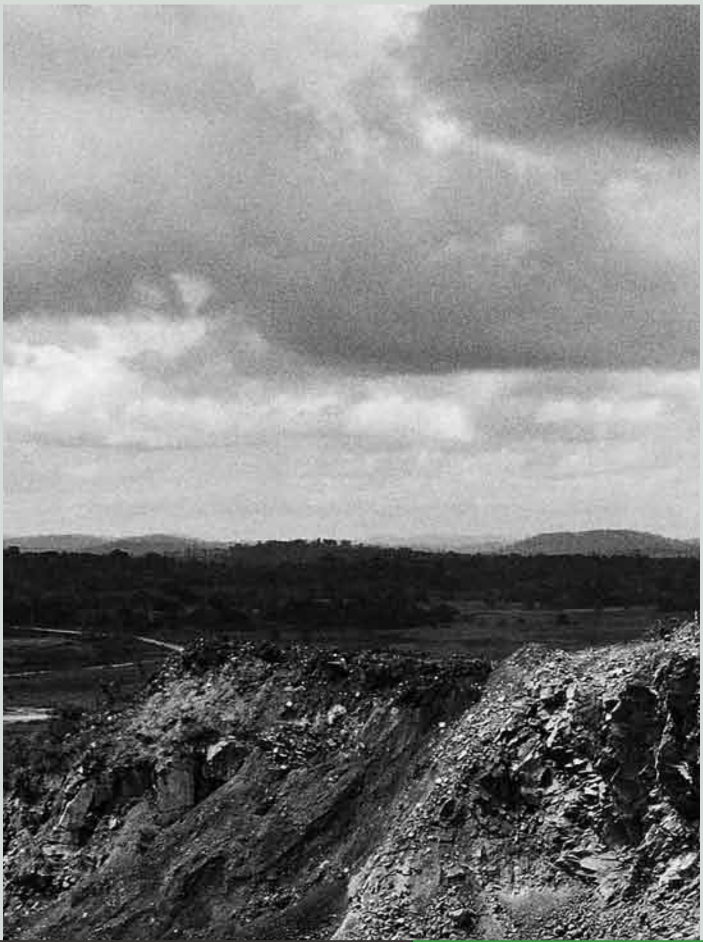
OPERATIONAL REVIEW

Mirabela's primary focus is the Santa Rita nickel sulphide mine, located in Bahia, Brazil. Santa Rita is the largest nickel sulphide mine to be discovered in over a decade.

SANTA RITA DEVELOPMENT

RESOURCES AND RESERVES

As announced in September 2008, the Santa Rita resource was increased by a significant 45% over the previous estimate to 150Mt @ 0.60% Ni for 900,000 tonnes of contained nickel. As a result, proven and probable reserves increased to 121Mt @ 0.60% Ni for 726,000 tonnes of contained nickel. There is a strong likelihood of further increases in open-pit reserves with additional drilling and this is expected to recommence once Santa Rita is cash flow positive.



SANTA RITA PROVEN AND PROBABLE RESERVES – OPEN PIT (AS ANNOUNCED NOVEMBER 2008)

JORC/NI 43.101 RESERVE	MT	NI	CU	CO	PT
Proven	15.1	0.65%	0.16%	0.017%	108 ppb
Probable	105.9	0.59%	0.16%	0.015%	89 ppb
Total	121.0	0.60%	0.16%	0.016%	91 ppb

- Contained nickel – 726,000t (1,600 million lb)
- Strip ratio – 7.2 to 1
- Weighted average recovery – 70.2% Ni

The Reserve estimate is based upon the Potential Mill Feed Resource Estimate (pit optimized resource) announced in September 2008 as follows:

- Measured and Indicated Resource – 130Mt grading 0.60% Ni and 0.16% Cu
- Inferred Resource – 20Mt grading 0.60% Ni and 0.16% Cu
- Strip ratio – 7.6 to 1

MINING, CONSTRUCTION AND PROCESSING

Construction of the world-class mining and processing infrastructure is complete and commissioning has begun. 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 first quarter 2010. The foundations and infrastructure for the second ball mill have already been built.

The Company commenced owner-operated mining in August 2009. Bulk mining methods are being deployed using 100t and 150t trucks (Caterpillar 777 and 785s) combined with Terex O&K RH90 and RH120 excavators and Caterpillar 992 loaders. It is expected that a fleet of up to 35 trucks and 6 excavators will be required to meet the full 6.4Mtpa production capacity.

The Santa Rita concentrator is a conventional flotation circuit. Major plant components include a Metso gyrational crusher, Outotec SAG and ball mills, Outotec float cells, thickeners and automated control systems and a Larox filter.

An operating license has been granted by the Brazilian environmental authorities for the Santa Rita mine and all plant facilities. All construction and operation licenses have now been obtained for Santa Rita at the full 6.4Mtpa capacity.

FINANCE AND HEDGING

Mirabela successfully secured all required funding for the Santa Rita project this year, despite difficult market conditions. This is expected to see Santa Rita through to cash flow positive operations in March 2010. A total of US$290m in project debt and US$233m in equity finance have been raised since 1 July 2008.

A senior loan facility for US$190m was entered into with Barclays, Credit Suisse, Caterpillar, West LB and HVB. Most of this loan was drawn down during the period with the balance of US$25m expected to be drawn down in late 2009. In addition, the Company has fully drawn down a total of US$100m from its off-take partners Norilsk Nickel and Votorantim.

During the September 2008 quarter, the Company completed nickel and copper hedging in support of the senior loan facility. Hedging comprises of 17,000t of nickel forward sold at an average price of US$8/lb for the period July 2010 to March 2014 and 9,000t of copper forward sold at an average price of US$2.73/lb for the period April 2010 to March 2015. Additional nickel hedging of 2,400t at US$6.60/lb was taken out late in the period to supplement the hedge book between July 2010 and June 2011.

Currency hedging contracts totaling US$159m at an average of R$2.13 to the US$ have been taken out for the period January 2010 to March 2014.

In addition to the US$290m in project debt, Mirabela Brazil entered into a US$55m lease financing agreement with Caterpillar Financial Services for the Santa Rita mining fleet. This financing provides for up to 90% of the purchase price of mobile equipment from Caterpillar agents in Brazil, Marcosa SA and Sotreq SA, and is secured by the purchases. Draw downs on this facility will coincide with equipment deliveries planned over the next 12 months.

CONTRACTS

During the period, the Company entered into a five year off-take agreement with two off-take partners - Norilsk Nickel and Votorantim. Each partner will take 50% of all production and has provided US$50m in subordinated loans. Payability (after taking into account treatment and refining charges) from these off-take agreements is expected to average about 70% of the contained nickel value.

During the period, the Company entered into a fixed price agreement for electrical supply starting at R13.62c per KWH in 2009 and escalating to R14.98c per KWH in 2013. Power is supplied at 230KV via a 7km transmission line from the national grid, of which 80% is hydroelectric. The plant is expected to use up to 32MW at a throughput rate of 6.4Mtpa.


6003

UNDERGROUND POTENTIAL

Mirabela is exploring the potential for a significant expansion of Santa Rita through development of an underground mining operation beneath the open-pit. This underground development could potentially double the nickel production from Santa Rita.

In December 2008, the Company announced a maiden underground Inferred Resource of 55Mt at 0.82% Ni. This was upgraded by 59% in February 2009 with results from further drill holes.

SANTA RITA UNDERGROUND RESOURCE (ANNOUNCED FEBRUARY 2009)

JORC/NI 43.101 CATEGORY	MILLION TONNES	NI	CU
Inferred	87.5	0.79%	0.23%

Based on a total of only 17 drill holes, this resource represents on average over 40,000 tonnes of contained nickel in resource per drill hole. The best intersection (158m @ 0.99% Ni) has come from one of the deepest holes drilled at Santa Rita and demonstrates that grade and width continue to improve with depth. The underground mineralization is open along strike and at depth, so there is excellent potential to grow the resource further.

During the year, Mirabela completed a preliminary mining study on the underground operation. This study was based on a 5Mtpa production rate using an inclined conveyor system and sub-level open stoping with paste backfill.

The resultant estimated mining cost of about US$32/t is very encouraging, as the higher cost of underground mining compared with open-pit mining is offset by the higher grade from underground sources that average 0.79% Ni, compared with open-pit sources that average 0.60% Ni.

Results were as follows:

- Capital cost to full production - US$235m (excluding concentrator expansion)
- Post production capital- US$70m
- Sustaining capital - US$8m pa from year 6
- Mining cost (including development) - US$32/t
- Target cash costs after credits: less than US$4.00/lb

  All costs have an accuracy of +/- 30%.

A 5Mtpa underground production capacity would require an expansion of the existing mill facilities to about 11Mtpa. There is currently no cost estimate for such a plant expansion. It is expected that the current site infrastructure would be adequate.

Work is continuing on a more detailed study and a full feasibility study, including resource drill out, will commence once the Santa Rita operation is cash flow positive.

Caution: Inferred resources are, by definition, of insufficient confidence to have economic considerations applied that would enable them to be categorised as mineral reserves, and there is no certainty that any preliminary assessment will be realised in respect of such resources.

QUALIFYING STATEMENT

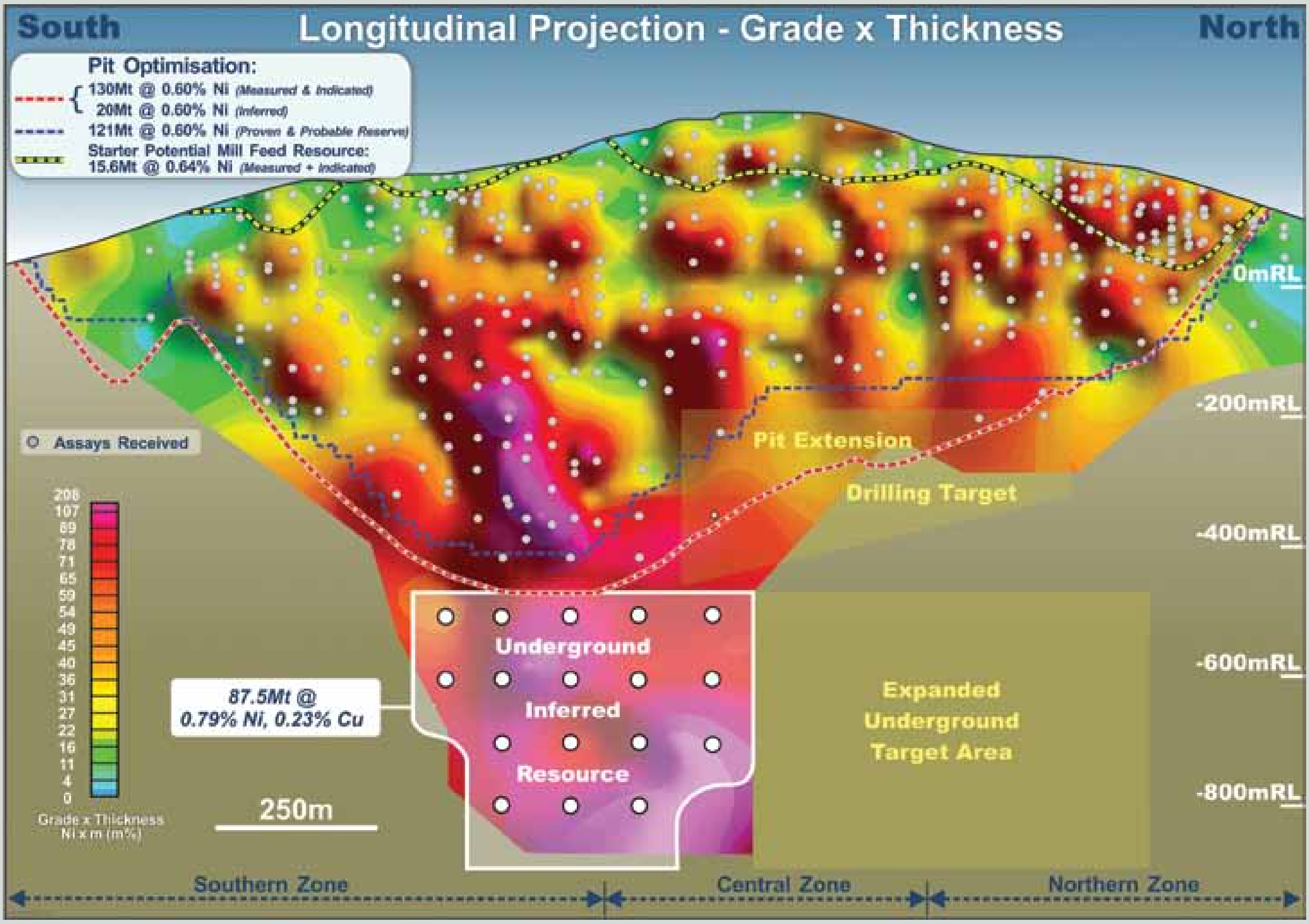
The information in this report that relates to Exploration Results for the Santa Rita Nickel Deposit is based on information compiled by Mr. Lauritz Barnes who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Barnes is consultant to Mirabela Nickel Limited. Mr. Barnes has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve' and is a Qualified Person in accordance with NI 43-101. Mr. Barnes consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Santa Rita Nickel Deposit is based on information compiled by Mr. Lauritz Barnes and Mr. Brett Gossage, who are both Members of The Australasian Institute of Mining and Metallurgy. Mr. Barnes is consultant to Mirabela Nickel Limited and Mr. Gossage is the Senior Principal with Coffey Mining Pty Ltd, independent resource consultants engaged by Mirabela Nickel Limited. Mr. Barnes and Mr. Gossage have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve' and are each a Qualified Person in accordance with NI 43-101. Mr. Barnes and Mr. Gossage consent to the inclusion in the presentation of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Ore Reserves, Mining Production and Cost Estimation for the Santa Rita Nickel Deposit is based on information compiled by Mr. Carlos Guzman who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Guzman is a professional Mining Engineer and Project Manager with NCL Brasil and is a consultant to Mirabela Nickel Limited. Mr. Guzman qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve' and is a Qualified Person in accordance with NI 43-101. Mr. Guzman consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

All other technical information in this report has been reviewed by Mr. Nicholas Poll, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Poll is the Managing Director of the Company. Mr. Poll consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

SCHEMATIC LONGSECTION

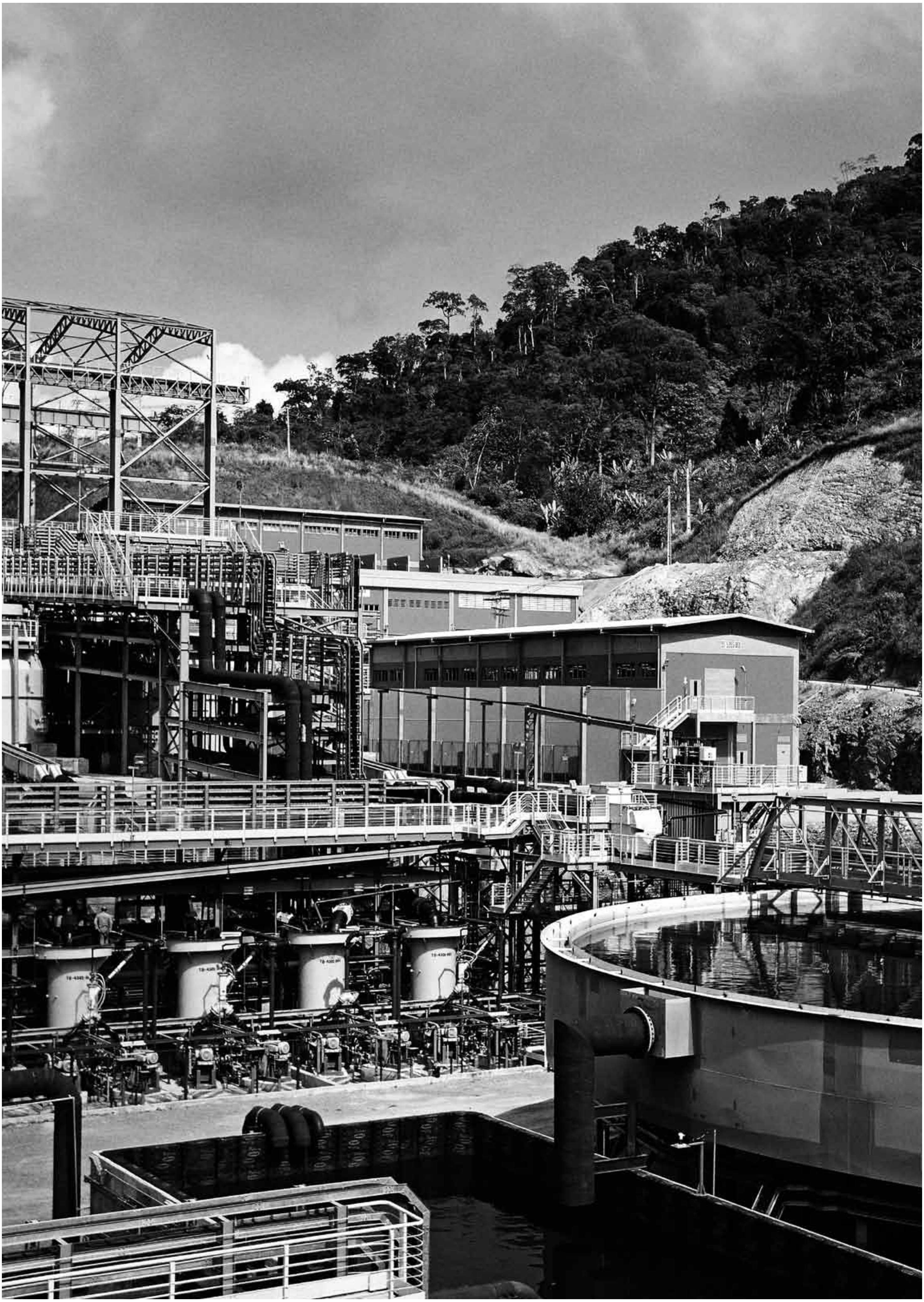


This schematic long section is a contour map of the downhole Ni metres (Ni grade x composite intersection) across the mineralised zone. It also shows the drill hole pierce points, the outline of various pit shells, the location of the underground inferred resource, and planned drilling target areas for resource expansion.

PEOPLE, COMMUNITY AND ENVIRONMENT

The Santa Rita operation is expected to have a significant, direct economic impact on the surrounding communities, employing up to 500 people directly and about 1,500 people indirectly. About two thirds of the Company's work force is expected to come from the local communities, particularly the towns of Ipiau and Itagiba. All employees are locally based.

In keeping with a policy of working closely with these local communities, the Company has continued to work with Papamel and Sofre, two non-governmental organizations (NGO's) in the region, to monitor environmental compliance, ensure the community is kept well informed about the operation and to foster sustainable development. In addition, the Company has many educational and social initiatives underway that have been developed through its NGO partners.



MIRABELA – FINANCIALS

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The Directors of the Company present their report together with the financial report of Mirabela Nickel Ltd (the Company) and of the Consolidated Entity being the Company and its subsidiaries for the financial year ended 30 June 2009 and the auditors' report thereon.

1. DIRECTORS AND COMPANY SECRETARY

The Directors and the Company Secretary of the Company at any time during or since the end of the financial year are as follows.

1.1 Directors

Mr Bill Clough BSc (Geol), BCom(Hons) – Non Executive Chairman, Appointed 5/3/2004

Mr Clough has many years experience in mining, engineering and logistics businesses, with a more recent focus upon resource opportunities in developing countries. Since 1999, Bill has pursued mining projects in Brazil, and was the founding investor and current Director of AIM listed Serabi Mining plc. Also in Brazil, Bill founded Colomi Iron Mineracao, which is currently exploring for iron ore in a private partnership with Vale. Bill is also the founder of Twiniza Oil Ltd, which has oil and gas interests in Thailand, Myanmar, Papua New Guinea and Australia. Bill identified and negotiated the acquisition of the Mirabela Project and intends to identify further base metal projects suitable for acquisition by the Company.

Mr Nick Poll BSc (Hons), MSc (Geol), MSc (Bus) - Managing Director, Appointed 5/3/2004

Mr Poll is the founding Managing Director of Mirabela Nickel and led the discovery and development of the Santa Rita project. He is a geologist with more than 20 years experience in the development of mining projects internationally, including several years as a corporate development consultant in London.

Having gained considerable experience in nickel sulphide exploration and mining development at WMC's Kambalda nickel project during the late 1980s, Mr Poll then became involved in WMC's Brazilian operations for several years. Subsequently, he set up and managed WMC's gold exploration program in French Guiana. He is a fluent speaker of Portuguese and French. Mr Poll has an MSc in geology from the Colorado School of Mines and an MSc in business from the Sloan Program at London Business School.

Mr Poll is a member of the Australian Institute of Mining and Metallurgy since 1990.

Mr Craig Burton BJuris, LLB, MAICD – Executive Director, Appointed 5/3/2004

Mr Burton is an experienced and active investor in start-up projects and businesses, both public listed and private, with a focus on the resources, oil and gas, mining services and agribusiness sectors. He often assumes an executive or non-executive director role to assist the early development of such companies.

Mr Burton is currently an executive director of Mirabela Nickel Ltd and a non-executive director of Wildhorse Energy Limited, Matra Petroleum plc, Exco Resources Ltd, Solimar Energy Limited, Rewards Consolidated Entity Limited and Capital Drilling Limited. He is a co-founder of three ASX 300 companies – Mirabela Nickel Limited, Albidon Limited and Panoramic Resources Limited. He has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors

Mr Joe Hamilton BSc (Hons), MSc, CFA, P.Geo. - Non Executive Director, Appointed 26/3/2007

Mr Hamilton graduated from the University of Toronto in 1985 with a Bachelor of Science (Honours) degree in Geology. He then went on to earn a Masters of Science (Applied) from Queen's University in 1991. Mr Hamilton has more than 20 years' experience in the international mining industry.

Mr Hamilton was employed as a precious metals research analyst with Dundee Securities Corporation from June 1997 to March 2003. He then held a similar position with RBC Capital Markets, Global Mining Division from March 2003 to December 2004. He became the Chief Operating Officer of the Company in January 2005 and was promoted to the CEO role in 2007. Mr Hamilton is currently a member of the Association of Professional Geoscientists of Ontario, the Association of Professional Engineers and Geoscientists of Saskatchewan, Canada and the CFA Institute.

Mr Nick Sheard MAIG, R, P.Geo - Non Executive Director, Appointed 20/3/2007

Mr. Sheard has a long history of involvement in nickel sulphide exploration and development. Up till 2007 Mr. Sheard was the Vice President, Exploration of Inco. Based in Toronto Mr. Sheard managed an exploration team of 250 people with nine offices and 11 mines worldwide. Under Mr. Sheard's leadership, the Inco team discovered the Reid Brook nickel sulphide deposit in Labrador, Canada. Prior to joining Inco, Mr. Sheard held various senior management positions with MIM Exploration Pty Ltd in Australia from 1990 to 2003; including General Manager of Worldwide Exploration and Chief Geophysicist. Mr. Sheard is also Executive Chairman of Carpentaria Exploration Limited. He is a member of ASEG and AIG and is Registered Professional Geoscientist – Mineral Exploration and Geophysics.

1.2 Company Secretary

Mr Stephen Hills BCom, BCompt Hons CA - Company Secretary

Mr Hills joined Mirabela in June 2006, having served for the previous three years as CFO of Gallery Gold Limited, an ASX listed company, which brought the Mupane Gold Project into production in Botswana in 2004.

Prior to this, Mr Hills' commercial experience included senior financial roles in mining and related services companies, including 6 years as the CFO of Scientific Services Limited, an international provider of analytical services and down-hole drilling products primarily to the mining and oil & gas extractive industries. In these roles Mr Hills had significant involvement in strategic planning processes and corporate development activities in Australia, Indonesia, Mongolia, Tanzania, Ghana, Mali & South Africa. He is a member of the Institute of Chartered Accountants Australia, having originally obtained that designation in South Africa prior to emigrating to Australia in 1988.

1.3 Directors' Meetings

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

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Present	Held	Present	Held	Present	Held
Bill Clough	13	14	4	4	3	3
Nick Poll	14	14	-	-	-	-
Craig Burton	14	14	-	-	-	-
Nick Sheard	12	14	4	4	3	3
Joe Hamilton	11	14	4	4	3	3

1.4 Corporate Governance

The Directors of Mirabela Nickel Ltd support and have adhered to the principles of sound corporate governance. The Corporate Governance Statement is attached to this report.

2. SUMMARY OF OPERATIONS

OPERATING AND FINANCIAL REVIEW

Santa Rita Project

The Company's primary focus is the Santa Rita nickel sulphide project, located in Bahia, Brazil. The project is based on the world's largest greenfield nickel sulphide discovery since 1996.

The Santa Rita Project is a nickel sulphide development project with both open pit and underground components located approximately 360 kilometres south-west of Salvador and approximately 6 kilometres from the town of Ipiau, having a population of 40,000 people. The Santa Rita project is comprised of an open-cut mine and a concentration plant to produce a mixed nickel-copper-platinum-cobalt sulphide concentrate for sale and shipment to third party smelters. The open cut operation contains more than 900,000t of contained nickel resource in open-cut limits, has a 19 year mine life based on current reserves.

The Company is currently studying the viability of another 690,000t of contained nickel in underground resources that could potentially double production to about 50,000tpa of nickel. A preliminary mining study for the underground operations was completed during the reporting period.

Resource and Reserve

During the financial year period, Mirabela delivered a substantial increase in resources and reserves at the Santa Rita project.

Santa Rita Proven and Probable Reserves – Open Pit (announced November 2008)

Category	Mt	Ni	Cu	Co	Pt (ppb)
Proven	15.1	0.65%	0.16%	0.017%	108
Probable	105.9	0.59%	0.16%	0.015%	89
Total	121.0	0.60%	0.16%	0.016%	91

(Contained nickel – 726,000t (1,600 million lb); Strip ratio – 7.2 to 1; Weighted average recovery – 70.2% Ni)

The Reserve estimate is based upon the Potential Mill Feed Resource Estimate (pit optimized resource) announced in September 2008 as follows:

Santa Rita Potential Mill Feed Resource Estimate

Category	Mt	Ni	Cu	Co	Pt (ppb)
Measured	15.1	0.65%	0.16%	0.017%	108
Indicated	115.2	0.60%	0.16%	0.015%	92
Inferred	19.8	0.60%	0.16%	0.016%	86

(Cut off grades - 0.30% Pyroxenite, 0.35% Olivine Orthopyroxenite, 0.45% Harzburgite, 0.50% Dunite)

- Strip ratio – 7.6 to 1
- Includes 5% ore loss
- Weighted average cut off grade of 0.34% nickel

Construction Update

Mirabela achieved some significant milestones in the development of the Santa Rita project, culminating in the commencement of mining operations in August 2009 and commissioning activity in October 2009. In July 2008 the Company revised the engineering of the Santa Rita project to accommodate a throughput capacity of 6.4 mtpa, up 40% from the original 4.6mtpa throughput capacity. This reflects an average annual production rate of 27,000 tonnes per annum of nickel in concentrate assuming a resource grade of 0.61% Ni and a recovery rate of 70%. Production will ramp up to a full production capacity of 6.4 million tonnes per annum.

Details of the project construction status as at the date of this report are as follows:

- Approximately 180,000 tonnes of ore on the run of mine ("ROM") pad with an additional 800,000 tonnes available at a strip ratio of approximately 2:1;
- dry commissioning of the primary crusher is complete;
- the apron feeder and motor for the primary crusher have been run without load;
- the main conveyors are complete;
- the reclaim tunnel is complete with all three apron feeders tested and run without load;
- the conveyors for the pebble recycle circuit have been tested;
- the flotation tanks and thickeners are complete and have been water tested;
- the LAROX filter has been installed and commissioned;
- the blowers have been commissioned;
- the reagent tanks and dosing pumps have been water tested;
- the compressed air system has been commissioned and compressed air has been distributed throughout the plant;
- the raw water supply and storage is commissioned;
- the plant water system is commissioned;
- the main substation is complete, and has been commissioned and is supplying full power to the entire plant;
- all electrical rooms are fully commissioned;
- the control room is complete and "dry run" commissioning is underway;
- the tailings dam is complete and fully prepared for commissioning; and
- installation of the SAG mill and first ball mill is well underway.

Installation of the grinding circuit is now the critical lead-time item. With all other major items almost complete, the Company is focused on the installation of the grinding circuit and on commencing commissioning of the plant in October 2009.

Power Supply

In October 2008 the Company entered into a fixed price contract with Coelba for electricity supply. This includes 25Mwh or electrical power to Santa Rita in 2009, with a forecast increase to 32Mwh from the first quarter for 2010 which will be sufficient to power the fully 6.4mtpa throughput. Power is supplied via 7 kilometre transmission line from the grid, and 80% of the power supplied from the grid is hydroelectric.

Mining

On March 23, 2009 the Company entered into an agreement with Caterpillar Financial Services Corporation for a master funding and lease facility of US$55 million for the lease financing of Caterpillar mobile equipment purchased from the local dealerships of Marcosa SA and Sotreq SA, Brazil. The mining fleet is owned and operated by the Company. An initial order of four Caterpillar 777 trucks (100 tonne), two D9 tracked bulldozers and a grader was delivered in June/ July 2009. A second delivery of larger capacity Caterpillar 785 trucks (150 tonne), an additional two 777 trucks, Terex O&K RH90 and RH120 excavators and more ancillary equipment is in progess. Maintenance and training is to be provided by the local dealerships of Marcosa SA and Sotreq SA, Brazil. The mining fleet is owned and operated by the Company.

Offtake Arrangements

In 2008, Mirabela successfully negotiated firm off-take agreements for 100% of all concentrate production from the Santa Rita Project until the end of 2014. In July 2008 Mirabela Brazil entered into a concentrate sales agreement with Votorantim Metais Ltda for the purchase of 50% of the nickel concentrate produced for its smelter in Brazil, and in September 2008 entered into a concentrate sales agreement with Norilsk Nickel for the purchase of 50% of the nickel concentrate to be shipped to Finland.

Project Financing and Hedging

In connection with the offtake arrangements, Mirabela has secured a total of US$100 million in loans from its offtake partners. Under the Votorantim Prepayment Agreement, Votorantim provided the Company with a US$50 million term facility. The Votorantim facility was drawn down by Mirabela Brazil in August 2008. The US$50 million Norilsk Offtake Loan was advanced to the Company in October 2008. In addition, under the Norilsk option agreement, Norilsk has the option to convert up to US$40 million of the Norilsk Offtake Loan into ordinary shares in the capital of Mirabela Nickel at a conversion price of US$8.00 per share, for a maximum of five million shares.

In July 2008, Mirabela Brazil entered into a bridge credit agreement with Barclays Capital ("Barclays") and Credit Suisse International ("Credit Suisse") for a US$80 million term loan, of which US$50 million was immediately drawn down and the balance of US$30 million was subsequently drawn down on 29 October 2008. The loan was subsequently repaid in May 2009 from the proceeds of the Senior Loan.

On 11 September 2008 Mirabela Brazil entered into a credit facility agreement with Barclays Bank plc and Credit Suisse as lenders in respect of the US$280 million original Senior Loan. The original Senior Loan was not syndicated as originally contemplated, which was a condition precedent to funding, and as a result no amounts were drawn under the loan.

On 6 April 2009 Mirabela entered into an amended agreement with Barclays Bank plc, Credit Suisse, West LB AG, Caterpillar Financial Services Corporation, and Bayerische Hypo-und Vereinsbank, for a term loan of US$190 million ("Senior Loan"). On 22 May 2009, the Company made its first drawdown under the Senior Loan of US$165 million. The loan proceeds were used to: (i) repay a US$80 million bridge term loan made in July 2008; (ii) fund a US$25 million reserve contingency account; and (iii) fund the Santa Rita Project construction and development costs.

Metals Hedging

In accordance with the terms of the original Senior Loan arrangements, in September 2008 the Company entered into forward contracts for 17,000 tonnes of nickel at an average price of US$8.00/lb for July 2010 to March 2014 and 9,000 tonnes of copper at an average price of US$2.73/lb for April 2011 to March 2015. The Company entered into additional nickel hedges in June 2009, with 2,400 tonnes of nickel sold at an average price of US$6.60/lb (US$14,550.51/tonne) for the delivery period July 2010 to June 2011.

Capital

During the year the following material changes to the Company's share capital occurred:

On 8 April 2009, 120,000,000 ordinary shares of the Company were issued following the conversion of subscription receipts issued at C$1.00 (Australian dollar equivalent of A$1.20 per ordinary share) pursuant to a Canadian short form prospectus offering, for gross proceeds of A$144.0 million;

On 17 April 2009, 32,445,275 ordinary shares were issued to institutional investors at A$1.20 per ordinary share for gross proceeds of A$38.9 million; and

On 18 May 2009, 5,000,000 ordinary shares were issued to Australian institutional investors at A$2.15 per ordinary share for gross proceeds of A$10.75 million;

Santa Rita Underground Development

Mirabela is exploring the potential for a significant expansion of Santa Rita through development of an underground mining operation beneath the open cut pit. The underground development could potentially double projected production from Santa Rita to over 50,000tpa of nickel in concentrate.

In December 2008, the Company announced a maiden underground resource of 55mt at 0.82% Ni. This was upgraded by 59% in February 2009 with results from further drill holes.

Category	Mt	Ni	Cu
Inferred	87.5	0.79%	0.23%

Grade envelope defined by Ni cut off grade of 0.50% Ni – no block model cut off applied

During the past year, Mirabela completed a preliminary mining study on the underground operation. This study was based on a 5Mtpa production rate using an inclined conveyor system and sublevel open stoping with paste backfill.

Results were as follows:

Capital cost to full production - US$235m (excluding concentrator expansion)

Post production capital- US$70m

Sustaining capital - US$8m pa from year 6

Mining cost (including development) - US$32 pt

Target cash costs after credits: less than US$4.00lb

All costs have an accuracy of +/- 30%.

A 5Mtpa underground production capacity would require an expansion of the existing mill facilities to about 11Mtpa. This would result in an additional 28,000tpa of nickel production for a total of 55,000tpa of nickel in concentrate. There is currently no cost estimate for such a plant expansion. It is expected that the current site infrastructure would be adequate. Work is continuing on a more detailed study, also based on a production rate of 5Mtpa. A full feasibility study will be completed once the open-pit mining operations are ramped-up to full capacity.

Exploration

The mineralisation at Santa Rita is open at depth, and Mirabela has an ongoing exploration program underway targeting extensions to the resource in the deeper parts of the Central, Southern and Northern zones. While the Company is focused on ramping up production from its open cut operations, Mirabela is also committed to further definition drilling at the underground resource to test the increasing grade at depth. In addition, the Company has undertaken work on identifying additional mill feed from other nearby sources such as the Peri Peri project, 2km to the north-east of the Santa Rita Project and the Palestina project 25km to the south. The Company has currently put this program on hold while it focuses on the significant underground potential at the Santa Rita project

LIQUIDITY AND CAPITAL RESOURCES

Pursuant to the current Santa Rita Technical Report, the capital cost estimate for the Santa Rita project is US$434 million excluding sustaining capital and mining fleet. In April 2009 the Company revised this capital cost estimate to US$440 million. The additional $6 million was financed using the proceeds of the private placement referred to above and completed in May 2009.

In July 2009, the Company further revised its budget for the completion of the Santa Rita project to reflect increases in the cost of: (i) major component equipment and materials (US$7.9 million and US$1.6 million, respectively); (ii) civil and earthworks (US$4.8 million); (iii) electrical supply and distribution (US$10.5 million); (iv) freight and insurance (US$3.0 million); and (v) other sundry items (net US$0.2 million). These cost overruns, which aggregate US$28.0 million, represent a cost overrun of about 6% of the initial capital cost estimate of US$434 million.

In addition, the Company has recently made the decision to proceed with the construction of port infrastructure (US$1.0 million) and offices and workshops (US$4.8 million) at the Santa Rita project site. Both items were initially contemplated in the development plans for the Santa Rita project but were suspended pending financing and completion of essential items. Management is of the view that both the proposed port infrastructure and site buildings will enhance project operations.

As the Santa Rita project approaches commissioning, the Company has engaged operational personnel for day-to-day maintenance and operation of the site and facility, together with the related equipment, technology, and light vehicles to be used by that operations team, resulting in an increase to the pre production expenses component of the working capital budget for the Santa Rita project of US$5.3 million.

The Santa Rita construction costs are primarily denominated in Brazilian Real, while the proceeds of the Senior Loan were denominated in United States dollars. Due to adverse fluctuations in the exchange rate for the purchase of Brazilian Real using United States dollars (compared to the Company's then budgeted rate of 2.2 Brazilian Real for each U.S. dollar), the Company suffered a foreign exchange conversion shortfall of approximately $10.1 million Brazilian Real (US$5.3 million). This foreign exchange shortfall effectively reduced the proceeds of the Senior Loan available to pay Santa Rita Project construction costs by the same amount.

Subsequent to the financial year end the Company has completed a capital raising programme through the placement of a total of 50,000,000 ordinary shares at the Australian equivalent of A$2.35 per share for gross proceeds of $117.5 million. The net proceeds are to be allocated as per the summary below, with the balance of proceeds raised being allocated to general working capital:

Santa Rita Project Cost Overruns	R$53.9m (US$28.1m)
Optional Capital Items	R$11.2m (US$5.8m)
Pre-Production Expenses	R$10.2m (US$5.3m)
Foreign Exchange Shortfall	R$10.1m (US$5.3m)
Total	R$85.4m (US$44.5m)

*Converted at an exchange rate of R$1.92 to the US dollar

As noted previously Mirabela has also arranged a US$55 million facility for the financing for 90% of the cost of the mining fleet. As of the date of this report, the Company has drawn down US$5.946 million of the Leasing Facility, leaving available credit of US$49.054 million.

The directors consider the going concern basis of preparation to be appropriate as the cash flow forecast for the Consolidated Entity anticipates sufficient cash and debt facility to settle debts and obligations in the ordinary course of business. The cash flow forecast is dependent upon the Consolidated Entity completing construction and commissioning of the Santa Rita Project during the remainder of the 2009 calendar year followed by the successful operation of mining and production activities to enable cash flow forecasts to be achieved. Should the completion of construction, commissioning and commencement of operations not successfully achieve forecasts, the Consolidate Entity may be required to source additional funds through further debt, equity or a combination of the two.

At 30 June 2009 the Company had a net working capital deficit of A$61.226 million. In addition, long term Interest bearing liabilities relating to the Votorantim Offtake loan, the Norilsk Offtake loan, & the Senior Loan amount to A$296.720 million.

Subsequent to the year end the Company completed a capital raising program for gross proceeds of $117.5 million.

As at 24 September 2009, the Consolidated Entity had cash and cash equivalents of $75.3 million, including proceeds from 7 million shares due to settle on 29 September 2009, and a balance on US$25 million remains to be drawn under the senior loan facility.

3. REMUNERATION REPORT - audited

3.1 Principles of Compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including directors of the Company and other executives. Key management personnel include the most highly remunerated S300A directors and executives of the Company and the Consolidated Entity.

Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Company obtains independent advice on the appropriateness of compensation packages of both the Company and the Consolidated Entity given trends in comparative companies both locally and internationally, and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel
- The key management personnel's ability to control performance
- The amount of incentives within each key management person's compensation

Compensation packages include a mix of fixed and variable compensation with performance-based incentives.

In addition to their salaries, the Consolidated Entity may also provide non-cash benefits to its key management personnel.

3.1.1 Fixed compensation

Fixed compensation consists of base compensation, which is calculated on a total cost basis and includes employer contributions to superannuation funds.

3.1.2 Performance-linked compensation

The Company currently has no fixed formula for the cash component of performance based remuneration built into director or executive remuneration packages. Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Consolidated Entity.

Cash bonuses designed to reward key management personnel for meeting or exceeding their operational objectives are paid at the discretion of the board. Performance incentives are also provided as options over ordinary shares of the Company.

Details of Performance Linked Compensation

Following the performance reviews completed by the remuneration committee, recommendations were made for a short term incentive to be applied for key management personnel. Consideration was given to recognition of the outcome of intensive capital raising and debt financing activities undertaken during a period of severe global financial conditions, and the quantum of the short-term incentives recommended is in response to what is considered likely to be a non–recurring situation. The short-term incentive cash bonuses payable in respect of the financial year ended were approved by the Board at a meeting held on 29 July 2009.

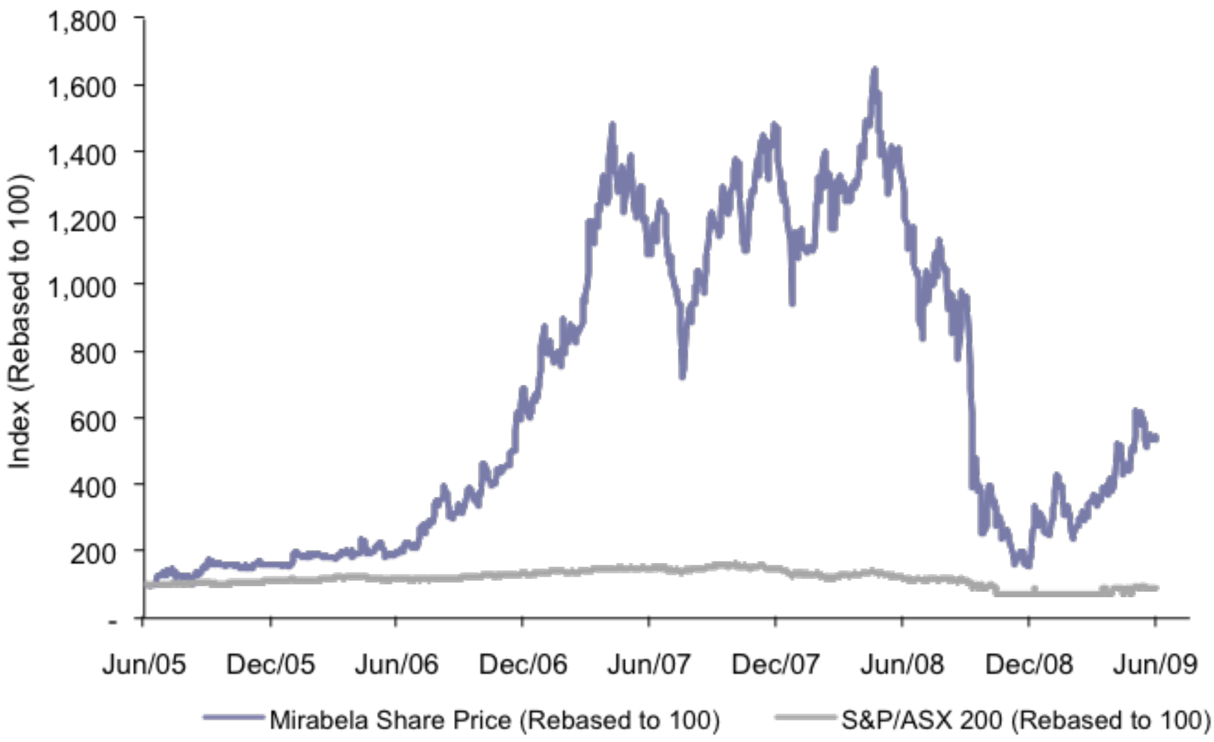
3.1.3 Long-term incentive

Options are issued to key management personnel at the discretion of the Board. The ability to exercise the options is conditional upon the key management personnel achieving certain performance hurdles.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

3.1.4 Consequences of performance on shareholder wealth

As the company has not yet achieved operational status, its reported earnings are not relevant as a measure of performance on shareholder wealth. The value of the key management personnel remuneration component which is composed of options is directly linked to the performance of the Company's share price, and as a consequence is directly aligned with shareholder wealth. This relationship is demonstrable by comparison of the cumulative total shareholder return of a $100 invested in the Company's ordinary shares, with the cumulative total shareholder return of the S&P/ASX200 over a similar period to the shares.



3.1.5 Service contracts

The Company has entered into service contracts with the Managing Director, Chief Financial Officer, Operations Manager, Country Manager and Project Director.

Nick Poll, Managing Director, entered into an executive services agreement with the Company on 1 July 2006. The contract is unlimited in term but capable of termination upon 6 months notice by either party. The Consolidated Entity retains the right to terminate the contract immediately, by making payment equal to six months' pay in lieu of notice.

Stephen Hills, Company Secretary, entered into an executive services agreement on 23 March 2007 with the Company. The contract is unlimited by term but capable of termination upon 3 months notice by either party.

Dave Chapman, Operations Manager, entered into an executive services agreement on 1 March 2007 with the Company. The contract is unlimited by term but capable of termination upon 3 months notice by either party.

Raphael Bloise, Project Director, entered into an executive services agreement on 3 September 2007 with Mirabela Mineracao do Brasil Ltda. The contract has been renewed for the commissioning phase of the project. Either party is able to terminate the contract with 30 days notice. As part of his contract Mr Bloise has a potential to earn bonuses for the delivery of the Santa Rita project on time and under budget.

Paulo Oliva, Country Manager, entered into a services contract with the Company on 1 January 2004. The contract is unlimited by term, but capable of termination upon 30 days notice by either party.

3.1.6 Non-Executive Directors

Total aggregate remuneration payable to non-executive Directors may not exceed $300,000 per annum. Non–executive Directors' base fees are currently $60,000 per annum each and cover all Board activities.

3.2 Directors and Executive Officers' Remuneration

The following were key management personnel of the Consolidated Entity at any time during the financial year and unless otherwise indicated were key management personnel for the entire year:

Non-executive directors	Executive directors	Executives
Bill Clough	Nick Poll	Stephen Hills (Company Secretary)
Joe Hamilton	Craig Burton	David Chapman (Operations Manager)
Nick Sheard		Raphael Bloise (Project Director, Mirabela Mineração Brasil Ltda)
		Paulo Oliva (Country Manager, Mirabela Mineração Brasil Ltda)

The following tables set out remuneration paid to Directors and key executive personnel of the Company and the Consolidated Entity during the current and prior financial years:

2009	Short-term Salaries and fees	Short-term Cash Bonus	Post-employment Super contributions	Equity Share based payments	Total	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Executive directors							
Nick Poll	450,000	225,000	-	1,438,200	2,113,200	11%	68%
Craig Burton	400,000	250,000	-	719,100	1,369,100	18%	53%
Non-executive directors							
Bill Clough	60,000	-	-	-	60,000	-%	-%
Nick Sheard	60,000	-	-	210,000	270,000	-%	78%
Joe Hamilton	60,000	-	-	210,000	270,000	-%	78%
Executives							
Stephen Hills	272,307	90,000	21,600	-	383,907	23%	-%
David Chapman	260,000	100,000	23,400	176,722	560,122	18%	32%
Raphael Bloise	510,965	-	-	208,036	719,001	-%	29%
Paulo Oliva	157,220	-	-	156,027	313,247	-%	50%
	2,230,492	**665,000**	**45,000**	**3,118,085**	**6,058,577**		

2008							
	AUD	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Executive directors							
Nick Poll	350,000	-	31,500	1,198,500	1,580,000	-%	76%
Craig Burton	180,000	-	-	599,250	779,250	-%	77%
Non-executive directors							
Bill Clough	60,000	-	-	-	60,000	-%	-%
Nick Sheard	60,000	-	-	122,500	182,500	-%	67%
Joe Hamilton	60,000	-	-	122,500	182,500	-%	67%
Executives							
Stephen Hills	240,000	-	21,600	31,043	292,643	-%	11%
David Chapman	260,000	-	23,400	150,718	434,118	-%	35%
Raphael Bloise	492,710	-	-	173,364	666,074	-%	26%
Paulo Oliva	264,329	-	-	130,023	394,352	-%	33%
	1,967,039	**-**	**76,500**	**2,527,898**	**4,571,437**		

Remuneration payments to Mr Burton were made to a related entity, Verona Capital Pty Ltd.

Remuneration payments to Mr Clough were made to a related entity, WM Clough Pty Ltd.

Remuneration payments to Mr Bloise were made to a related entity, Gerenciamento de Empreendimentos Projetos, Suprimentos e Obras Ltda.

Remuneration payments to Mr Oliva were made to a related entity, Proliva Geologica & Mineracao Ltda.

3.2.1 Notes in relation to the directors' and officers' remuneration

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binomial option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

3.3 Equity Instruments

All options refer to options over ordinary shares of Mirabela Nickel Limited, which are exercisable on one-for-one basis under the Company's share option plan.

3.3.1 Options granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to directors and key management personnel during the reporting year are as follows:

2009						
Directors	**Number of options granted during 2009**	**Grant Date**	**Fair value of options at grant date**	**Exercise price per option**	**Expiry date**	**Number of options vested during 2009**
Nick Poll	-	-	2.3970	5.60	23 Feb 2011	600,000
Craig Burton	-	-	2.3970	5.60	23 Feb 2011	300,000
Nick Sheard	-	-	2.8000	6.20	7 Sept 2011	75,000
Joe Hamilton	-	-	2.8000	6.20	7 Sept 2011	75,000
Executives						
Dave Chapman			0.4139	0.95	30 Apr 2010	50,000
Dave Chapman	-	-	1.9070	6.20	30 Jun 2011	81,818
Raphael Bloise	-	-	1.9070	6.20	30 Jun 2011	109,090
Paulo Oliva	-	-	1.9070	6.20	30 Jun 2011	81,818

No options have been granted since the end of the financial year.

2008						
Directors	**Number of options granted during 2008**	**Grant Date**	**Fair value of options at grant date**	**Exercise price per option**	**Expiry date**	**Number of options vested during 2008**
Nick Poll	1,200,000	9 Aug 2007	2.3970	5.60	23 Feb 2011	500,000
Craig Burton	600,000	9 Aug 2007	2.3970	5.60	23 Feb 2011	250,000
Nick Sheard	150,000	30 Nov 2007	2.8000	6.20	7 Sept 2011	43,750
Joe Hamilton	150,000	30 Nov 2007	2.8000	6.20	7 Sept 2011	43,750
Executives						
Dave Chapman	-	-	0.4139	0.95	30 Apr 2010	50,000
Dave Chapman	150,000	9 Aug 2007	1.9070	6.20	30 Jun 2011	68,182
Raphael Bloise	200,000	9 Aug 2007	1.9070	6.20	30 Jun 2011	90,909
Paulo Oliva	150,000	9 Aug 2007	1.9070	6.20	30 Jun 2011	68,182

The options were provided at no cost to the recipients.

No terms of equity-settled share-based payment transactions have been altered or modified during the financial year.

All options expire on the earlier of their expiry date or on termination of the individual's employment. The options are exercisable on an annual basis four years from grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Consolidated Entity achieving certain performance hurdles.

3.3.2 Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each director of the Company and each named Company executive and relevant Consolidated Entity executives is detailed below:

Directors	Number	Date	% Vested in year	% Forfeited in year	Financial years in which grant vests
Nick Poll	1,200,000	9 Aug 2007	50%	-%	30 Jun 2010
Craig Burton	600,000	9 Aug 2007	50%	-%	30 Jun 2010
Nick Sheard	150,000	30 Nov 2007	50%	-%	30 Jun 2010
Joe Hamilton	150,000	30 Nov 2007	50%	-%	30 Jun 2010
Executives					
David Chapman	150,000	9 Aug 2007	33%	-%	30 Jun 2010
David Chapman	200,000	24 Apr 2006	41%	-%	30 Jun 2010
Stephen Hills	300,000	24 Apr 2006	-%	-%	30 Jun 2010
Raphael Bloise	200,000	9 Aug 2007	55%	-%	30 Jun 2010
Paulo Oliva	150,000	9 Aug 2007	55%	-%	30 Jun 2010

3.3.3 Exercise of options granted as compensation

Details of shares issued during the financial year to key management personnel on the exercise of options previously granted as compensation to directors and named executives are as follows:

Date	Key Personnel	Number of shares	Amount paid $/ share	Amount paid for options exercised (AUD)
14 May 2009	Dave Chapman	100,000	$0.60	60,000
30 Jun 2009	Nick Poll	400,000	$0.60	240,000
		500,000		**300,000**

There are no amounts unpaid on the shares issued as a result of the exercise of options in the 2009 financial year.

3.3.4 Analysis of movements in options

The movement during the financial year, by value, of options over ordinary shares in the Company held by each key management personnel is detailed below.

	Granted in the year (AUD) (A)	Value of options exercised in year (AUD) (B)	Lapsed in year (AUD) (C)
Bill Clough	-	-	-
Nick Poll	-	776,000	-
Craig Burton	-	-	-
Nick Sheard	-	-	-
Joe Hamilton	-	-	-
Stephen Hills	-	-	-
David Chapman	-	163,000	-
Raphael Bloise	-	-	-
Paulo Oliva	-	-	-
	-	**939,000**	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid per option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binomial option-pricing model assuming the performance criteria had been achieved. No options lapsed in the year.

4. DIRECTORS' INTERESTS

As at the date of this report, the interests of the Directors in the shares and options of Mirabela Nickel Ltd (the Company) were:

Directors and executives	Ordinary Shares	Options over ordinary shares
Bill Clough	6,000,000	-
Nick Poll	3,400,000	1,200,000
Craig Burton	6,000,000	600,000
Nick Sheard	-	150,000
Joe Hamilton	55,000	150,000

5. SHARE OPTIONS

5.1 Unissued shares under options

As at the date of the report unissued shares of the company under option are:

Exercise Price	Expiry Date	Number of Options
$0.95	30/04/2010	808,900
$5.60	23/02/2011	1,800,000
$6.20	30/06/2011	1,400,000
$6.20	7/09/2011	300,000
$6.20	31/12/2011	350,000
$6.20	11/09/2012	300,000
US$8.00	31/12/2012	5,000,000
$3.00	7/07/2013	3,000,000
Balance		**12,958,900**

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

5.2 Shares issued on exercise of options

During or since the end of financial year, the Company issued ordinary shares as a result of the exercise of options as follows:

Number of shares	Date of exercise	Amount paid on each share
3,000	12/08/2008	$0.95
7,000	25/09/2008	$0.95
100,000	15/05/2009	$0.60
150,000	12/06/2009	$0.60
400,000	30/06/2009	$0.60

6. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

6.1 Indemnification

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

6.2 Insurance

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses for current directors and officers.

The insurance premiums relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Premiums totalling $40,615 were paid in respect of the following officers of the Company and its controlled entities Craig Burton, Bill Clough, Nick Poll, Nick Sheard, Joe Hamilton, Stephen Hills and Dave Chapman.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

7 PRINCIPAL ACTIVITIES

The principal activities during the year consisted of the construction and development of the Santa Rita Nickel Project and exploration and evaluation of other projects located in the state of Bahia, Brazil. There were no significant changes in the nature of the activities during the year.

8. AUDIT COMMITTEE

The audit committee has a documented charter, approved by the board. All members are non executive directors. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Consolidated Entity.

The members of the audit committee during the year were:

- Joe Hamilton, BSc (Hons), MSc – (Chairperson) Independent Non Executive
- Bill Clough, BSc Geol, BCom (Hons) – Independent Non Executive
- Nick Sheard, MAIG, R, P.Geo – Independent Non Executive

The audit committee met four times during the year and committee member's attendance record is disclosed in the table of directors meetings on page 7.

9. RESULTS AND DIVIDENDS

The loss after tax attributable to members of the Consolidated Entity for the financial year ended 30 June 2009 was $37,648,911 (2008: $19,735,105 profit).

No dividends have been paid or declared by the Company during the year ended 30 June 2009 (2008: Nil).

10. EARNINGS PER SHARE

The basic loss per share for the Consolidated Entity for the year was 22.86 cents per share (2008: 15.46 cents earnings per share). The diluted loss per share for the year was 22.86 cents per share (2008: 14.92 cents earnings per share).

11. EVENTS SUBSEQUENT TO REPORTING DATE

11.1 Capital raising

Subsequent to the financial year end the Consolidated Entity has undertaken a capital raising programme for the placement of a total of 50,000,000 ordinary shares at the Australian equivalent of A$2.35 per share for gross proceeds of a $117.5 million. During August 2009 a total of 43 million ordinary shares were issued pursuant to placements in Canada and Australia, for gross proceeds of $101.050 million. On 24 September 2009, the Company in general meeting approved the issue of 7 million ordinary shares to institutional investors, for gross proceeds of $16.450 million, expected to settle on 29 September 2009.

11.2 Foreign exchange hedges

Subsequent to 30 June 2009, foreign exchange hedging comprising of additional US$40 million of US$/BRL cover has been put in place at an average rate of BRL 2.12 for the period from January 2010 to December 2011, thereby increasing total current foreign exchange hedging to US$159 million at an average rate of BRL 2.13 for the period from January 2010 to March 2014.

11.3 Termination of farm-in agreement

In July 2009, Vale subsidiary Inco Brasil Limitada agreed to formally terminate the Farm-in Agreement covering potential underground nickel sulphides at the Consolidated Entity's Santa Rita and Palestina projects, removing any uncertainty as to its status. The termination agreement involves no consideration other than mutual releases.

12. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Consolidated Entity expects to complete construction and development of the Santa Rita Project and achieve commissioning in the 2009 calendar year.

13. CORPORATE STRUCTURE

Mirabela Nickel Ltd is a company limited by shares that is incorporated and domiciled in Australia.

14. NON-AUDIT SERVICES

The board has considered the non-audit services provided in the financial year by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

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

	Note	2009 AUD	2008 AUD
Auditors of the Company			
KPMG Australia:			
Audit fees	7	(350,952)	(135,934)
Taxation services	7	(26,080)	-
Other assurance services	7	(434,868)	(29,210)
KPMG Brazil:			
Audit fees	7	(201,969)	(20,823)
Taxation services	7	(56,215)	-
		(1,070,084)	**(185,967)**

15. LEAD AUDITORS' INDEPENDENCE DECLARATION

The lead auditors' Independence Declaration is set out on page 26 and forms part of the Directors' report for the financial year ended 30 June 2009.

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.

Craig Burton

Director

Perth, 28 September 2009

DIRECTORS' DECLARATION

1 In the opinion of the directors of Mirabela Nickel Limited ("the Company"):

a. The financial statements and notes and the Remuneration disclosures that are contained in the Remuneration report in section 3.0 of the Directors report, are in accordance with the Corporations Act 2001, including:

i. Giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2009 and of their performance, for the financial year ended on that date; and

ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2009.

Dated at Perth this 28th day of September 2009.

Signed in accordance with a resolution of the directors.

Craig Burton

Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Mirabela Nickel Ltd (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Consolidated Entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and of their performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Mirabela Nickel Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a)

Report on the remuneration report

We have audited the Remuneration Report included in Section 3 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Mirabela Nickel Ltd for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

T R Hart
Partner

Perth
28 September 2009

LEAD AUDITORS' INDEPENDENCE DECLARATION

KPMG

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

To: the directors of Mirabela Nickel Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

T R Hart
Partner

Perth
28 September 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Professional fees		(799)	(1,401)	(799)	(1,316)
Employee benefits	8	(7,896)	(5,737)	(7,896)	(5,549)
Depreciation expense	16	(3,654)	(120)	(123)	(72)
Exploration expense		(4,306)	(72)	(21)	(394)
Development expense		(1,957)	-	(15,079)	(12,134)
Property lease and overheads		(648)	(729)	(648)	(729)
Corporate costs		(512)	(417)	(512)	(417)
Other expenses from ordinary activities		(226)	(424)	(389)	(367)
Results from operating activities		(19,998)	(8,900)	(25,467)	(20,978)
Financial income	6	21,509	56,913	10,192	56,748
Financial expense	6	(51,009)	(13,626)	(38,232)	(13,626)
Net financial income/(expense)		(29,500)	43,287	(28,040)	43,122
Profit/ (loss) before tax		(49,498)	34,387	(53,507)	22,144
Income tax (expense)/ benefit	9	11,849	(14,652)	8,176	(10,979)
Profit/ (loss) for the year		**(37,649)**	**19,735**	**(45,331)**	**11,165**
Earnings per share					
Basic (loss)/ earnings per share (cents per share)	10	(22.86)	15.46		
Diluted (loss)/ earnings per share (cents per share)	10	(22.86)	14.92		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 34 to 71.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated

	Issued capital AUD (000)	Accumulated profit AUD (000)	Foreign currency translation reserve AUD (000)	Share based payments reserve AUD (000)	Hedging reserve AUD (000)	Total equity AUD (000)
Balance at 1 July 2008	268,971	15,096	5,220	3,952	-	293,239
Transactions charged direct to equity						
Equity settled share based payment transactions	-	-	-	8,562	-	8,562
Share issue net of issue costs	183,043	-	-	-	-	183,043
Hedge reserve	-	-	-	-	47,009	47,009
Effect of translation of foreign operations to Consolidated Entity presentation currency	-	-	(14,371)	-	-	(14,371)
Deferred tax benefit on items charged direct to equity	293	-	-	-	-	293
Deferred tax liability on hedge reserve	-	-	-	-	(15,983)	(15,983)
Total transactions charged direct to equity	183,336	-	(14,371)	8,562	31,026	208,553
Net loss for the year	-	(37,649)	-	-	-	(37,649)
Balance at 30 June 2009	**452,307**	**(22,553)**	**(9,151)**	**12,514**	**31,026**	**464,143**
Balance at 1 July 2007	265,981	(4,639)	(173)	396	-	261,565
Transactions charged direct to equity						
Equity settled share based payment transactions	-	-	-	3,556	-	3,556
Share issue net of issue costs	802	-	-	-	-	802
Effect of translation of foreign operations to Consolidated Entity presentation currency	-	-	5,393	-	-	5,393
Deferred tax liability on hedge reserve	2,188	-	-	-	-	2,188
Total transactions charged direct to equity	2,990	-	5,393	3,556	-	11,939
Net profit for the year	-	19,735	-	-	-	19,735
Balance at 30 June 2008	**268,971**	**15,096**	**5,220**	**3,952**	**-**	**293,239**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

Company	Issued capital AUD (000)	Accumulated profit AUD (000)	Foreign currency translation reserve AUD (000)	Share based payments reserve AUD (000)	Hedging reserve AUD (000)	Total equity AUD (000)
Balance at 1 July 2008	268,971	(5,740)	-	3,952	-	267,183
Transactions charged direct to equity						
Equity settled share based payment transactions	-	-	-	8,562	-	8,562
Share issue net of issue costs	183,043	-	-	-	-	183,043
Deferred tax benefit on items charged direct to equity	293	-	-	-	-	293
Total transactions charged direct to equity	183,336	-	-	8,562	-	191,898
Net loss for the year	-	(45,331)	-	-	-	(45,331)
Balance at 30 June 2009	**452,307**	**(51,071)**	**-**	**12,514**	**-**	**413,750**
Balance at 1 July 2007	265,981	(16,905)	-	396	-	249,472
Transactions charged direct to equity						
Equity settled share based payment transactions	-	-	-	3,556	-	3,556
Share issue net of issue costs	802	-	-	-	-	802
Deferred tax benefit on items charged direct to equity	2,188	-	-	-	-	2,188
Total transactions charged direct to equity	2,990	-	-	3,556	-	6,546
Net profit for the year	-	11,165	-	-	-	11,165
Balance at 30 June 2008	**268,971**	**(5,740)**	**-**	**3,952**	**-**	**267,183**

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 34 to 71.

BALANCE SHEETS

AS AT 30 JUNE 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Assets					
Cash and cash equivalents	11	42,094	45,955	2,561	27,373
Other receivables and prepayments	12	2,173	1,274	825	610
Other financial assets	13	-	34,585	-	34,585
Total current assets		**44,267**	**81,814**	**3,386**	**62,568**
Property, plant and equipment	16	813,023	268,765	573	6,630
Exploration and evaluation expenditure	15	164	5,664	-	-
Other financial assets	13	-	-	415,026	209,740
Non current hedge asset	14	50,777	-	-	-
Total non-current assets		**863,964**	**274,429**	**415,599**	**216,370**
Total assets		**908,231**	**356,243**	**418,985**	**278,938**
Liabilities					
Trade and other payables	17	57,697	50,391	2,916	2,838
Provisions	18	285	150	134	127
Current tax liability		-	8,819	-	5,146
Current borrowings	19	24,660	-	-	-
Current hedge liability	14	993	-	-	-
Other financial liabilities	20	21,858	-	-	-
Total current liabilities		**105,493**	**59,360**	**3,050**	**8,111**
Deferred tax liability	9	15,983	3,644	-	3,644
Borrowings	19	296,720	-	-	-
Derivative liability	21	2,185	-	2,185	-
Provisions	18	20,932	-	-	-
Non-current hedge liability	14	2,775	-	-	-
Total non-current liabilities		**338,595**	**3,644**	**2,185**	**3,644**
Total liabilities		**444,088**	**63,004**	**5,235**	**11,755**
Net assets		**464,143**	**293,239**	**413,750**	**267,183**
Equity					
Contributed equity	23	452,307	268,971	452,307	268,971
Reserves	24	34,389	9,172	12,514	3,952
Accumulated losses		(22,553)	15,096	(51,071)	(5,740)
Total equity		**464,143**	**293,239**	**413,750**	**267,183**

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 34 to 71.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Cash flows from operating activities					
Cash paid to suppliers and employees	*28*	(4,642)	(3,944)	(4,828)	(4,238)
Net cash used in operating activities		**(4,642)**	**(3,944)**	**(4,828)**	**(4,238)**
Cash flows from investing activities					
Proceeds from the settlement of forward contracts		14,050	17,202	14,050	17,202
Acquisition of property, plant and equipment		(500,531)	(172,096)	(9,449)	(13,742)
Payment for exploration and evaluation expenditure		(13,343)	(5,736)	-	(394)
Payments for investments in subsidiaries		-	-	-	(163,252)
Loan to subsidiaries		-	-	(211,083)	(15,699)
Net cash used in investing activities		**(499,824)**	**(160,630)**	**(206,482)**	**(175,885)**
Cash flows from financing activities					
Proceeds from the issue of share capital		194,084	1,052	194,084	1,052
Share issue cost		(11,041)	(250)	(11,041)	(250)
Interest received		1,180	6,837	423	6,672
Proceeds from borrowings		416,874	-	-	-
Repayment of borrowings		(102,477)	-	-	-
Net cash from financing activities		**498,620**	**7,639**	**183,466**	**7,474**
Net decrease in cash and cash equivalents		(5,846)	(156,935)	(27,844)	(172,649)
Cash and cash equivalents at 1 July		45,955	216,307	27,373	213,439
Effect of exchange rate fluctuations on cash held		1,985	(13,417)	3,032	(13,417)
Cash and cash equivalents at 30 June	***11***	**42,094**	**45,955**	**2,561**	**27,373**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 34 to 71.

1. REPORTING ENTITY

Mirabela Nickel Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiary (together referred to as the 'Consolidated Entity'). The Consolidated Entity is primarily involved in development and exploration of mineral properties in Brazil.

2. BASIS OF PREPARATION

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The Company's and the consolidated financial report of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 25 September 2009.

(b) Basis of measurement

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

- Derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- share-based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency of the Company's foreign subsidiary is Brazilian Real.

The functional currency of each of the Consolidated Entity's entities is measured using the currency of the primary economic environment in which that entity operates.

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

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Note 25 – valuation of financial instruments

Note 9 – accounting for income tax

Note 8 – measurement of share-based payments

Note 18 - provision for mine closure and restoration

Note 19 – lease classification

(e) Financial Position

The directors consider the going concern basis of preparation to be appropriate as the cash flow forecast for the Consolidated Entity anticipates sufficient cash and debt facility to settle debts and obligations in the ordinary course of business. The cash flow forecast is dependent upon the Consolidated Entity completing construction and commissioning of the Santa Rita Project during the remainder of the 2009 calendar year followed by the successful operation of mining and production activities to enable cash flow forecasts to be achieved. Should the completion of construction, commissioning and commencement of operations not successfully achieve forecasts, the Consolidate Entity may be required to source additional funds through further debt, equity or a combination of the two.

At 30 June 2009 the Company had a net working capital deficit of $61.226 million. In addition, long term Interest bearing liabilities relating to the Votorantim Offtake loan, the Norilsk Offtake loan, & the Senior Loan amount to $296.720 million.

Subsequent to the year end the Company completed a capital raising program for gross proceeds of $117.5 million.

As at 24 September 2009, the Consolidated Entity had cash and cash equivalents of $75.3 million, including proceeds from 7 million shares due to settle on 29 September 2009, and a balance on US$25 million remains to be drawn under the senior loan facility.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve and released to the income statement upon disposal.

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

Accounting for finance income and expense is discussed in note 3(m).

(ii) Derivative financial instruments

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

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

Cash flow hedges

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

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

Separable embedded derivatives

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

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iii) Share capital

Ordinary shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (note 3(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets and acquired assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Mining development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to the production phase. Mine development assets are accounted for in terms of note 3(f) below.

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

(ii) Subsequent costs

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

(iii) Depreciation

The carrying amounts of property, plant and equipment (including initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned or the estimated life to the associated mine, if shorter. Depreciation is calculated using a straight line method over the estimated useful lives of each part of an item of property, plant and equipment or are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment 2.5 to 25 years

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

(iv) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(e) Exploration and evaluation expenditure

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

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

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (note 3(i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

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

(f) Mine development

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

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

(i) Overburden removal costs

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

(g) Leased assets

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

Other leases are operating leases and are not recognised on the Consolidated Entity's balance sheet.

(i) Lease payments

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

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

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

(h) Other receivables

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

(i) Impairment

(i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

(j) Employee benefits

(i) Share-based payment transactions

The directors may, at their discretion, issue options to employees or consultants of the Company or Consolidated Entity as part of their compensation arrangement. The fair value of options granted is recognised as an employee or consultant's expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(ii) Wages, salaries and annual leave

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

(k) Provisions

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

(i) Mine closure and site restoration

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

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

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

(l) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and with a settlement period of less than 12 months.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available for sale assets, change in value of financial assets at fair value through profit or loss, foreign currency gains, revenue from sale of call options, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise unwinding of discount on provisions, foreign currency losses, premiums paid on hedges, changes in value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

(n) Borrowings

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

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

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

(o) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

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

(p) Earnings per share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, specifically share options over ordinary shares.

(q) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the year of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Consolidated Entity's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
- Revised AASB 3, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior years in the Consolidated Entity's 2010 consolidated financial statement.
- Revised AASB 101 *Presentation of Financial Statement*s (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Consolidated entity plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the Consolidated Entity. In accordance with the transitional provisions the Consolidated Entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior years in the Consolidated Entity's 30 June 2010 financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Consolidated Entity's 30 June 2010 financial statements, with retrospective application. The Consolidated Entity has not yet determined the potential effect of the amendment.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the amendments.
- AASB 2008-8 *Amendments to Australian Accounting Standard* - Eligible Hedged Items clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Consolidated Entity's 30 June 2010 financial statements, with retrospective application. The Consolidated Entity has not yet determined the potential effect of the amendment.
- AI 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognised in the entity's consolidated financial statements. AI 16 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the Interpretation.

4. DETERMINATION OF FAIR VALUES

A number of the Consolidated Entity'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. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivative financial instruments

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

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

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Share-based payment transactions

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

5. SEGMENT INFORMATION

During the year Mirabela Nickel Limited operated in one business segment – mineral exploration and development, and in one primary geographical area – Brazil.

6. NET FINANCIAL INCOME

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Interest received	1,180	6,837	423	6,672
Interest on intercompany loan	-	-	5,173	-
Derivative income/ (expense)	533	-	533	-
Call option revenue	9,474	-	-	-
Unrealised foreign exchange gain	9,291	-	3,032	-
Realised foreign exchange gain	1,031	-	1,031	-
Gain on settlement of foreign exchange forward contracts	-	17,202	-	17,202
Unrealised gain on forward contracts	-	32,874	-	32,874
Financial income	**21,509**	**56,913**	**10,192**	**56,748**
Call option fair value adjustment	(21,104)	-	-	-
Unrealised foreign exchange loss	-	(13,417)	-	(13,417)
Unrealised foreign exchange on intercompany loan	-	-	(17,696)	-
Gain/ (loss) on settlement on forward contracts	(20,535)	-	(20,535)	-
Interest rate swap expense	(845)	-	-	-
Interest expense	(1)	-	(1)	-
Realised foreign exchange loss	(8,524)	(209)	-	(209)
Financial expense	**(51,009)**	**(13,626)**	**(38,232)**	**(13,626)**
Net financial income/ (expense)	**(29,500)**	**43,287**	**(28,040)**	**43,122**

7. AUDITOR REMUNERATION

	Consolidated		Company	
	2009	2008	2009	2008
	AUD	AUD	AUD	AUD
Auditor remuneration				
Audit services				
KPMG Australia:				
Audit & review of financial reports	(350,952)	(135,934)	(306,093)	(135,934)
KPMG Brazil:				
Audit & review of financial reports	(201,969)	(20,823)	-	-
	(552,921)	(156,757)	(306,093)	(135,934)
Other services				
KPMG Australia:				
Other assurance services associated with capital raisings	(434,868)	(29,210)	(434,868)	(29,210)
Taxation services	(26,080)	-	-	-
KPMG Brazil:				
Taxation services	(56,215)	-	-	-
	(517,163)	(29,210)	(434,868)	(29,210)

8. EMPLOYEE BENEFITS

		Consolidated		Company	
		2009	2008	2009	2008
	Note	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Salaries and fees		(2,967)	(2,073)	(2,967)	(1,885)
Superannuation		(92)	(108)	(92)	(108)
Share based payments expense	(b)	(4,837)	(3,556)	(4,837)	(3,556)
		(7,896)	-(5,737)	(7,896)	-(5,549)

SHARE-BASED PAYMENTS

a) Option Plans

On 28 April 2005, the consolidated entity established a share option program that entitles senior employees and consultants to purchase shares in the entity. In accordance with this program options are exercisable at the market price of the shares at the date of grant.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant Date	Grantees	Number of instruments	Vesting conditions	Contractual life of options
24 Apr 2006	Consultants Options	158,900	Probable reserve and mine design	4 years
24 Apr 2006	Consultants Options	250,000	Project financing (debt and equity)	4 years
24 Apr 2006	Consultants Options	200,000	Completion of EPCM contract	4 years
24 Apr 2006	Consultants Options	50,000	Flow sheet design	4 years
24 Apr 2006	Consultants Options	100,000	Six months remaining on the project	4 years
24 Apr2006	Consultants Options	50,000	Twelve months remaining on the project	4 years
09 Aug 2007	Directors' Options	1,200,000	Two years of service	4 years
09 Aug 2007	Directors' Options	600,000	Two years of service	4 years
09 Aug 2007	Employees & Consultant Options	1 ,400,000	Commissioning of plant	4 years
30 Nov 2007	Directors' Options	150,000	Two years of service	4 years
30 Nov 2007	Directors' Options	150,000	Two years of service	4 years
17 Apr 2008	Consultant Options	350,000	Two years of service	4 years
8 Jul 2008	Bank options	1,500,000	No vesting conditions	4 years
9 Sept 2008	Offtaker options	5,000,000	No vesting conditions	4 years
11 Sept 2008	Consultant Options	300,000	Two years of service	4 years
9 Dec 2008	Bank options	3,000,000	No vesting conditions	5 years
11 Jun 2009	Bank options	(1,500,000)	Options cancelled	
	Total share options	**12,958,900**		

A total of 1.5 million options were cancelled. The options were issued in connection with the Bridge Loan facility and, the Bridge Loan having been repaid it was agreed to cancel the options.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the binomial option-pricing model with the following inputs:

	Bank options Granted on 8 July 2008	Offtaker options granted on 9 Sept 2008	Consultant Options Granted on 11 Sept 2008	Bank options granted on 9 Dec 2008
Fair value at measurement date	$1.93	$2.80	$1.63	$0.27
Share price	$5.30	$5.92	$4.08	$1.15
Exercise price	$7.22	$6.20	$6.20	$3.00
Expected volatility	60	55	60	55
(expressed as weighted average volatility used in the modelling under binominal option-pricing model)				
Option life	3 years	4.3 years	4 years	4 .6 years
(expressed as weighted average life used in the modelling under binominal option-pricing model)				
Expected dividends	-	-	-	-
Risk-free interest rate *(based on national government bonds)*	6.71%	5.58%	5.58%	3.93%

Set out below are the summaries of options granted under the plan:

Consolidated and parent entity – 2009

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
25/05/2005	30/06/2009	$0.60	250,000	-	(250,000)	-	-	-
16/06/2005	30/06/2009	$0.60	400,000	-	(400,000)	-	-	-
24/04/2006	30/09/2009	$0.95	818,900	-	(10,000)	-	808,900	808,900
9/08/2007	23/02/2011	$5.60	1,800,000	-	-	-	1,800,000	-
9/08/2007	30/06/2011	$6.20	1,400,000	-	-	-	1,400,000	-
30/11/2007	7/09/2011	$6.20	300,000	-	-	-	300,000	-
17/04/2008	31/12/2011	$6.20	350,000	-	-	-	350,000	-
8/07/2008	7/07/2011	$7.22	-	1,500,000	-	(1,500,000)	-	-
9/09/2008	31/12/2012	$9.92[1]	-	5,000,000	-	-	5,000,000	5,000,000
11/09/2008	30/09/2012	$6.20	-	300,000	-	-	300,000	-
24/11/2008	7/07/2013	$3.00	-	3,000,000	-	-	3,000,000	3,000,000
			5,318,900	9,800,000	(660,000)	(1,500,000)	12,958,900	8,808,900
Weighted average exercise price			**$4.50**	**$7.27**	**$0.61**	**$7.22**	**$6.48**	**$6.74**

[1] Options were issued at US$8 per share converted to Australian dollars using 30 June 2009 closing rate.

Consolidated and parent entity – 2008

			Number	Number	Number	Number	Number	Number
25/05/2005	30/06/2009	$0.60	1,050,000	-	(800,000)	-	250,000	250,000
16/06/2005	30/06/2009	$0.60	400,000	-	-	-	400,000	-
24/04/2006	30/09/2009	$0.95	1,000,000	-	(181,100)	-	818,900	250,000
9/08/2007	23/02/2011	$5.60	-	1,800,000	-	-	1,800,000	-
9/08/2007	30/06/2011	$6.20	-	1,400,000	-	-	1,400,000	-
30/11/2007	7/09/2011	$6.20	-	300,000	-	-	300,000	-
17/04/2008	31/12/2011	$6.20	-	350,000	-	-	350,000	-
			2,450,000	3,850,000	(981,100)	-	5,318,900	500,000
Weighted average exercise price			**$0.74**	**$5.92**	**$0.66**		**$4.50**	**$0.78**

The options outstanding at 30 June 2009 have an exercise price in the range of $0.95 to $9.92 and a weighted average contractual life of 4 years.

During the financial year 660,000 options issued under the plan were exercised for $399,500 (2008: $652,045).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binomial option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

b) Expenses arising from share-based transactions (employee costs)

	Consolidated		Company	
	2009	2008	2009	2008
	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Share options granted in 2006 - equity settled	-	-	-	-
Share options granted in 2007 - equity settled	47	132	47	132
Share options granted in 2008 - equity settled	4,628	3,424	4,628	3,424
Share options granted in 2009 - equity settled	162	-	162	-
Total expense recognised as employee costs	**4,837**	**3,556**	**4,837**	**3,556**

9. INCOME TAX EXPENSE

Major components of income tax expense for the Years ended 30 June 2009 and 30 June 2008 are:

	Consolidated		Company	
	2009	2008	2009	2008
	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Income statement				
Current income				
Current income tax charge	-	8,819	-	5,146
Adjustments in respect of previous current income tax	(8,497)	-	(4,824)	-
Deferred income tax	-	-	-	-
Relating to origination and reversal of temporary differences	(3,352)	5,833	(3,352)	5,833
Income tax expense (benefit) reported in income statement	**(11,849)**	**14,652**	**(8,176)**	**10,979**
Statement of changes in equity				
Deferred income tax				
Capital raising costs	(293)	(2,188)	(293)	(2,188)
Income tax expense reported in equity	**(293)**	**(2,188)**	**(293)**	**(2,188)**

The reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the Years ended 30 June 2009 and 30 June 2008 is as follows:

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Accounting profit (loss) before tax from continuing operations	(49,498)	34,387	(53,507)	22,144
Loss before tax from discontinued operations	-	-	-	-
Accounting profit (loss) before income tax	**(49,498)**	**34,387**	**(53,507)**	**22,144**
At the statutory income tax rate of 30% for Australia and 34% for Brazil (2008: 30% & 34% respectively)	(15,568)	10,316	(16,052)	6,645
Add:				
Non-deductible expenses	11,474	5,492	16,772	5,492
Temporary differences not recognised	(5,369)	-	(428)	-
Tax loss not brought to account as a deferred tax asset	9,755	-	-	-
Adjustments in respect of previous current income tax	(8,497)	-	(4,824)	-
Less:				
Adjustments in respect of previous deferred income tax	(3,644)	(749)	(3,644)	(749)
Realisation of prior tax losses not previously recognised	-	(409)	-	(409)
Income tax expense/ (benefit) reported in income statement	**(11,849)**	**14,652**	**(8,176)**	**10,979**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Other financial assets	-	-	1,552	9,862	1,552	9,862
Investments - financial instruments	-	-	17,264	-	17,264	-
Trade and other payables	(60)	(1)	-	-	(60)	(1)
Provisions	(40)	(3)	-	-	(40)	(3)
Hedging account	(1,281)	-	-	-	(1,281)	-
Un-realised foreign exchange losses (gains)	-	(4,025)	-	-	-	(4,025)
Capital raising costs	(293)	(2,188)	-	-	(293)	(2,188)
Tax losses	(1,159)	-	-	-	(1,159)	-
Tax (assets) liabilities	(2,833)	(6,218)	18,816	9,862	15,983	3,644
Set off of tax	2,833	6,218	(2,833)	(6,218)	-	-
Net tax (assets) liabilities	**-**	**-**	**15,983**	**3,644**	**15,983**	**3,644**

Movement in temporary differences during the year

AUD(000)	Balance 1 July 2008	Recognised in Income	Recognised in Equity	Balance 30 June 2009
Other financial assets	9,862	(8,310)	-	1,552
Investments - financial instruments	-	-	17,264	17,264
Trade and other payables	(1)	(59)	-	(60)
Provisions	(3)	(37)	-	(40)
Hedging account	-	-	(1,281)	(1,281)
Un-realised foreign exchange losses (gains)	(4,025)	4,025	-	-
Capital raising costs	(2,188)	2,188	(293)	(293)
Tax losses	-	(1,159)	-	(1,159)
	3,644	**(3,352)**	**15,690**	**15,983**

Movement in temporary differences during the year

AUD(000)	Balance 1 July 2007	Recognised in Income	Recognised in Equity	Balance 30 June 2008
Other financial assets	513	9,349	-	9,862
Trade and other payables	(1)	-	-	(1)
Provisions	(1)	(2)	-	(3)
Un-realised foreign exchange losses (gains)	(511)	(3,514)	-	(4,025)
Capital raising costs	-	-	(2,188)	(2,188)
	-	**5,833**	**(2,188)**	**3,644**

Company	Assets		Liabilities		Net	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Other Financial Assets	-	-	1,552	9,862	1,552	9,862
Trade and other payables	(60)	(1)	-	-	(60)	(1)
Provisions	(40)	(3)	-	-	(40)	(3)
Un-realised foreign exchange losses (gains)	-	(4,025)	-	-	-	(4,025)
Capital raising costs	(293)	(2,188)	-	-	(293)	(2,188)
Tax Losses	(1,159)	-	-	-	(1,159)	-
Tax (assets) liabilities	(1,552)	(6,218)	1,552	9,862	-	3,644
Set off of tax	1,552	6,218	(1,552)	(6,218)	-	-
Net tax (assets) liabilities	-	-	-	**3,644**	**-**	**3,644**

Movement in temporary differences during the year

AUD (000)	Balance 1 July 2008	Recognised in income	Recognised in equity	Transfers out (in)	Balance 30 June 2009
Other financial assets	9,862	(8,310)	-	-	1,552
Trade and other payables	(1)	(59)	-	-	(60)
Provisions	(3)	(37)	-	-	(40)
Un-realised foreign exchange losses (gains)	(4,025)	4,025	-	-	-
Capital raising costs	(2,188)	2,188	(293)	-	(293)
Tax losses	-	(1,159)	-	-	(1,159)
	3,644	**(3,352)**	**(293)**	**-**	**-**

AUD (000)	Balance 1 July 2007	Recognised in income	Recognised in equity	Transfers out (in)	Balance 30 June 2008
Other financial assets	513	9,349	-	-	9,862
Trade and other payables	(1)	-	-	-	(1)
Provisions	(1)	(2)	-	-	(3)
Un-realised foreign exchange losses (gains)	(511)	(3,514)	-	-	(4,025)
Capital raising costs	-	-	(2,188)	-	(2,188)
	-	**5,833**	**(2,188)**	**-**	**3,644**

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

	Consolidated		Parent	
	2009 AUD (000)	**2008 AUD (000)**	**2009 AUD (000)**	**2008 AUD (000)**
Unrecognised deferred balances				
Capital Raising Costs	2,656	-	2,656	-
Tax losses	(9,751)	-	-	-
Unrealised Foreign Exchange Loss	(4,971)	-	-	-
- Overseas Capitalised Exploration*	-	1,699	-	-
- Overseas Mine Development*	218,663	67,746	-	-
- Overseas Tax Losses**	(218,663)	(69,455)	-	-
	(12,066)	**-**	**2,656**	**-**

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

* Overseas Capitalised Exploration and Mine Development has not yet been verified if it is able to be claimed as a tax deduction.

** Overseas tax losses have not yet been verified if they can be carried forward to offset against future taxable profits in the overseas subsidiary.

Taxation of financial arrangements

The Taxation of Financial Instruments (TOFA) Legislation has been enacted. The TOFA provisions are in the Income Tax Assessment Act 1997 and are a dedicated set of provisions that deal with the income tax treatment of financial arrangements. The effect of these provisions could result in many of the company's financial arrangements having a changed tax treatment. The new rules apply for all qualifying financial arrangements entered into from 1 July 2010. However, taxpayers have the option of electing for the TOFA provisions to apply to financial arrangements entered into from 1 July 2009. Taxpayers also have the option to elect for existing open financial arrangements to become subject to TOFA from the start date (1 July 2010 or if election made 1 July 2009). However, at the date of signature of the financial report the directors have not made any firm decision to elect or not to elect for either early adoption of TOFA or to bring in open financial arrangements.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic loss per share of 22.86 cents at 30 June 2009 (2008: 15.46 cents earnings per share) was based on the loss attributable to ordinary shareholders of $37.6 million (2008: $19.7 million profit) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 164,696,801 (2008: 127,657,807), calculated as follows:

	Basic earnings/ (loss) per share		Diluted earnings/ (loss) per share*	
	2009	2008	2009	2008
Profit attributable to ordinary shareholders	**AUD**	**AUD**	**AUD**	**AUD**
(Loss)/ profit attributable to ordinary shareholders	(37,648,911)	19,735,105	(37,648,911)	19,735,105
Issued ordinary shares at 1 July	129,781,000	126,800,000	129,781,000	126,800,000
Effect of issue of shares	34,886,015	-	34,886,015	-
Effect of share options exercised	29,786	857,807	29,786	857,807
Effect of share options on issue	-	-	-	4,573,010
	164,696,801	127,657,807	164,696,801	132,230,817
(Loss)/ earnings per share	**(22.86)**	**15.46**	**(22.86)**	**14.92**

*808,900 potential ordinary shares are anti-dilutive and have been excluded.

11. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2009	2008	2009	2008
	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Cash at bank and on hand	42,044	35,905	2,511	17,323
Call deposits	50	10,050	50	10,050
	42,094	**45,955**	**2,561**	**27,373**

The Consolidated Entity's exposure to currency risk, interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 25.

Cash at bank and on fund includes a balance of US$25 million held in a contingency account in accordance with the undertakings given by the Company as guarantor of the Senior Loan facility. The undertakings include a prescribed minimum account balance to be held at certain dates until the Santa Rita Project achieves completion under the facility arrangement.

This account may only be drawn down with the consent of the Senior Lenders.

12. OTHER RECEIVABLES AND PREPAYMENTS

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Other receivables	895	546	678	442
Prepayments	1,278	728	147	168
	2,173	**1,274**	**825**	**610**

Other receivables and prepayments are non-interest bearing and are settled within 12 months.

13. OTHER FINANCIAL ASSETS

	Note	Consolidated		Company	
		2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Current					
Financial assets designated at fair value through profit or loss		-	34,585	-	34,585
		-	**34,585**	**-**	**34,585**
Non-current					
Investment in Mirabela Mineracao Brasil Ltda (100%)		-	-	178,343	178,343
Loan to Mirabela Mineracao Brasil Ltda (100%)		-	-	236,604	31,397
Loan to EGF Nickel Pty Ltd		-	-	79	-
		-	**-**	**415,026**	**209,740**

In the current year, no further investments were made by the Company to the wholly owned subsidiary, Mirabela Mineracao do Brasil. However loans of $205,206,515 were provided to the subsidiary for the continued development of the Santa Rita mine. During the financial year ended 30 June 2009, the investment in the subsidiary totalled $178,342,734 (2008: $178,342,734), loans to the subsidiary totalled $236,603,690 (refer to note 22).

The Consolidated Entity's exposure to credit, currency and interest rate risks related to other financial assets is disclosed in note 25.

14. HEDGE ASSET/LIABILITY

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Non-current asset				
Nickel hedges	40,889	-	-	-
Copper hedges	9,888	-	-	-
	50,777	-	-	-
Current liability				
Foreign exchange hedges	993	-	-	-
	993	-	-	-
Non-current liability				
Foreign exchange hedges	2,775	-	-	-
	2,775	-	-	-

As at 30 June 2009, the Consolidated Entity had a positive net hedge position of A$47.009 million (2008: nil) reflecting the positive mark-to-market value of commodity (nickel and copper) and negative mark-to market foreign exchange hedge trades.

Foreign exchange hedges comprise of forward contracts to sell US Dollars and receive Brazilian Real (at an average effective exchange rate of US$1=BRL 2.14) maturing from January 2010 to July 2013.

Metal hedges comprise of forward contracts for 19,402 tonnes of nickel at an average price of US$7.83/lb for the period July 2010 to March 2014 and 9,000 tonnes of copper at an average price of US$2.73/lb for the period April 2011 to March 2015.

15. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Balance at the beginning of the year	5,664	37,146	-	-
Expenditure incurred during the year	12,875	5,612	-	-
Transfer to development expenditure	(14,538)	(37,050)	-	-
Expenditure written off during the year*	(4,306)	(72)	-	-
Effect of movements in foreign exchange	469	28	-	-
Balance at the end of the year	**164**	**5,664**	**-**	**-**

* The exploration costs written off were for greenfield exploration projects that are not connected with the Santa Rita Project. As all efforts of the Consolidated Entity are currently on bringing the Santa Rita Project to production the Company does not plan on spending any further amounts on these projects in the foreseeable future.

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

16. PROPERTY, PLANT & EQUIPMENT

	Consolidated					Company		
Cost	**Plant & Equipment (2)**	**Capital works in progress**	**Land**	**Construction and Development Expenditure**	**Total**	**Plant & Equipment**	**Capital works in progress**	**Total**
Balance as at 1 July 2008	5,884	6,365	14,818	241,918	268,985	412	6,365	6,777
Additions	109,006	-	-	447,761	556,767	431	-	431
Transfers in/(out) construction and development expenditure	(3,141)	-	(1,192)	4,333	-	-	-	-
Transfer from exploration expenditure	-	-	-	14,538	14,538	-	-	-
Refund of deposits on acquisition of plant and equipment	-	(6,365)	-	-	(6,365)	-	(6,365)	(6,365)
Expenditure written off during the year	-	-	-	(1,957)	(1,957)	-	-	-
Effects of movement in exchange rates	(1,271)	-	(12)	(14,354)	(15,637)	-	-	-
Balance at 30 June 2009	**110,478**	**-**	**13,614**	**692,239**	**816,331**	**843**	**-**	**843**
Balance as at 1 July 2007	664	3,868	2,321	-	6,853	280	3,868	4,148
Additions	5,314	-	11,859	202,852	220,025	161	-	161
Deposits on acquisition of plant and equipment	-	2,497	-	-	2,497	-	2,497	2,497
Transfer from exploration expenditure	-	-	-	37,050	37,050	-	-	-
Transfers in/(out) of property	(184)	-	184	-	-	-	-	-
Disposals	(29)	-	-	-	(29)	(29)	-	(29)
Effects of movement in exchange rates	119	-	454	2,016	2,589	-	-	-
Balance at 30 June 2008	**5,884**	**6,365**	**14,818**	**241,918**	**268,985**	**412**	**6,365**	**6,777**

	Consolidated					Company		
Depreciation and impairment losses	**Plant & Equipment**	**Capital works in progress**	**Land**	**Construction & Development Expenditure**	**Total**	**Plant & Equipment**	**Capital works in progress**	**Total**
Balance as at 1 July 2008	(220)	-	-	-	(220)	(147)	-	(147)
Depreciation charge for the year	(3,654)	-	-	-	(3,654)	(123)	-	(123)
Disposals	-	-	-	-	-	-	-	-
Effect of movements in foreign exchange	566	-	-	-	566	-	-	-
Balance at 30 June 2009	**(3,308)**	**-**	**-**	**-**	**(3,308)**	**(270)**	**-**	**(270)**
Balance as at 1 July 2007	(100)	-	-	-	(100)	(75)	-	(75)
Depreciation charge for the year	(120)	-	-	-	(120)	(72)	-	(72)
Balance at 30 June 2008	**(220)**	**-**	**-**	**-**	**(220)**	**(147)**	**-**	**(147)**
Carrying amounts								
Balance at 1 July 2008	5,664	6,365	14,818	241,918	268,765	265	6,365	6,630
Balance at 30 June 2009(1)	**107,170**	**-**	**13,614**	**692,239**	**813,023**	**573**	**-**	**573**
Balance at 1 July 2007	563	3,868	2,321	-	6,753	205	3,868	4,072
Balance at 30 June 2008	**5,664**	**6,365**	**14,818**	**241,918**	**268,765**	**265**	**6,365**	**6,630**

(1) At 30 June 2009 the Consolidated Entity construction of the Santa Rita Project continued with commissioning expected in the second half of the 2009 calendar year. The carrying amount of property, plant and equipment attributable to the Santa Rita Project is $798.836 million (2008: $268.500 million).

(2) Property, plant and equipment includes leased mining equipment of $8.189 million. The items of mining are subject to individual finance lease agreements entered into under a US$55 million master lease facility with Caterpillar Financial.

17. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	AUD (000)	**AUD (000)**	**AUD (000)**	**AUD (000)**
Trade creditors	49,903	25,710	1,287	2,030
Other payables and accrued expenses	7,794	24,681	1,629	808
	57,697	**50,391**	**2,916**	**2,838**

Trade and other payables are non-interest bearing liabilities stated at cost and settled and with a settlement period of less than 12 months. The Consolidated Entity's exposure to currency and liquidity risk related to trade and other payables are disclosed in note 25.

18. PROVISIONS

	Consolidated		Company	
	2009	2008	2009	2008
	AUD (000)	AUD (000)	AUD (000)	AUD (000)
Current liability				
Provision for annual leave	285	150	134	127
Non-current liability				
Provision for rehabilitation	20,932	-	-	-
Reconciliation of movement in provisions				
Annual leave provision - reconciliation of movement				
Balance at the beginning of the year	150	67	127	67
Provision made during the financial year	135	83	7	60
Balance at 30 June	**285**	**150**	**134**	**127**
Rehabilitation provision - reconciliation of movement				
Balance at the beginning of the year	-	-	-	-
Provision made during the financial year	20,932	-	-	-
Balance at 30 June	**20,932**	**-**	**-**	**-**

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 Project site. The Consolidated Entity relies on third parties to estimate these costs. The estimate is subject to change over the life of the mine as more data becomes available and more certainty can be had in regard to the final cost. The Consolidated Entity has recognised a liability of $20.932 million for rehabilitation costs at the Santa Rita Project and will accrete costs through periodic charges to the income statement. In addition, the rehabilitation obligation has been recognised and will be amortised over the life of the mine.

19. LOANS AND BORROWINGS

The following loans and borrowings (non-current and current) were acquired during the year.

AUD (000)	Bridge Loan (i)	Norilsk Loan (ii)	Votorantim Loan (iii)	Senior Loan (iv)	Caterpillar finance lease facility (v)	Total
Nominal Interest Rate	LIBOR + 3.50% to 8.00%	LIBOR + 3.50%	CDI rate	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Year of maturity	2009	2010 to 2012	2009 to 2013	2011 to 2015	2009 to 2014	
Face Value	-	64,730	55,999	204,512	7,546	332,787
Carrying Value	-	60,579	55,999	198,457	6,345	321,380
Current borrowings	-	-	21,503	1,493	1,664	24,660
Non-current borrowings	-	60,579	34,496	196,964	4,681	296,720
	-	**60,579**	**55,999**	**198,457**	**6,345**	**321,380**

(i) In July 2008, Mirabela Mineração do Brasil Ltda ("Mirabela Brazil") as borrower, and Mirabela Nickel Limited "Mirabela" as guarantor, entered into a bridge financing agreement with Barclays Capital and Credit Suisse International as lenders. The facility was made available to fund the development and construction of the Santa Rita Project, interest, expenses and other sums due and owing by Mirabela Brazil. Under the agreement the lenders provided a term loan of US$80 million, available to the final maturity date of 30 June 2009, with interest payable at LIBOR plus a margin of 3.5% to 8%, variable according to the duration of the loan period. The loan was fully drawn with effect 29 October 2008 and fully repaid on drawdown of the Senior Loan in 26 May 2009.

(ii) In connection with the Norilsk Offtake Agreement, Mirabela Brazil as seller, Mirabela as guarantor and Norilsk Nickel Harjavalta Oy "Norilsk" as buyer, entered into an offtake loan agreement, under which Norilsk agreed to provide Mirabela Brazil with a loan facility of US$50 million for the development of the Santa Rita Project. The entire US$50 million loan was drawn down on 3 October 2008. The facility is subordinated to the Senior Credit Facility with Barclays Capital and Credit Suisse. Interest is payable at LIBOR plus a 3.50% margin. The loan amount is repayable in monthly instalments from 30 September 2010 to 31 December 2012. Overdue amounts incur a 1% per annum higher interest rate during the period of non-payment.

(iii) In connection with the Votorantim Offtake Agreement, Mirabela Brazil as seller, Mirabela as guarantor and Votorantim Metais Niquel S.A. "Votorantim" as buyer, entered into an offtake prepayment agreement (under which Votorantim agreed to provide Mirabela Brazil with a prepayment term facility of the equivalent of US$50 million in Brazilian Real for the development of the Santa Rita Project. The entire US$50 million loan was drawn down on 7 August 2008, and converted to the Brazilian real ("BRL") amount of BRL 78.7 million. The facility is subordinated to the Senior Credit Facility with Barclays Capital and Credit Suisse. Interest is payable at the CDI rate (calculated by the Brazilian Custody and Settlement Chamber "CETIP"). The BRL loan amount is repayable in monthly instalments from 30 September 2009 to 30 November 2013.

(iv) In April 2009, Mirabela Mineração do Brasil Ltda ("Mirabela Brazil") as borrower, and Mirabela Nickel Limited "Mirabela" as guarantor, entered into the Amended Senior Loan Agreement in respect of the Senior Loan with Barclays Bank Plc, Credit Suisse International, West LB AG, Caterpillar Financial Services Corporation and Bayerische Hypo-und Vereinsbank AG, and in May 2009 made its first drawdown under the loan of US$165 million. In accordance with the terms of the loan, the loan proceeds were used to: (i) repay the US$80 million Bridge Loan; (ii) fund a US$25 million reserve contingency account; and (iii) fund the Santa Rita Project construction and development costs. Interest is payable on a Cost of Funds ("COF") basis (determined as the weighted average cost of funds of each lender), plus a margin of 5.75% per annum prior to the completion of the Santa Rita project and thereafter 5.25% per annum. The loan is repayable in half yearly instalments from 31 March 2011 to 30 September 2015.

(v) In March 2009, Mirabela Mineração do Brasil Ltda ("Mirabela Brazil") as borrower, and Mirabela Nickel Limited "Mirabela" as guarantor, entered into a master funding and leasing agreement with Caterpillar Financial Services Corporation, in which Caterpillar agreed to extend a lease facility to Mirabela of up to US$55 million for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn as to US5.946 million as at 30 June 2009. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum.

Finance lease liabilities

	Consolidated					
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
AUD (000)	**2009**	**2009**	**2009**	**2008**	**2008**	**2008**
Less than one year	1,842	558	1,842	-	-	-
Between one and five years	5,528	757	5,528	-	-	-
	7,370	**1,315**	**7,370**	**-**	**-**	**-**

20. OTHER FINANCIAL LIABILITIES

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Metal call options	21,015	-	-	-
	21,015	**-**	**-**	**-**

On March 20, 2009 the Consolidated Entity sold nickel and copper call options for premium income of US$6.740 million. The 2,400 tonne nickel call option has a strike price of US$14,330.05/tonne (US$6.50/lb) for metal deliveries of 100 tonnes per month over the 24 month period 1 July 2010 to 29 June 2012. The 6,300 tonne copper call option has a strike price of US$3,968.32/tonne (US$1.80/lb) for metal deliveries of 300 tonnes per month over the 21 month period 1 July 2010 to 30 March 2012. The call option liability of A$21.015 million represents the fair value of the options as at 30 June 2009.

	Consolidate		Compan	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Interest rate swap liability	843	-	-	-
	843	**-**	**-**	**-**

On 25 May 2009, The Consolidated Entity entered into an interest rate swap of US$100 million to mitigate the risk of interest rate fluctuations.

21. DERIVATIVE LIABILITY

	Consolidated		Company	
	2009 AUD	2008 AUD	2009 AUD	2008 AUD
Norilsk option derivative liability	2,185	-	2,185	-
	2,185	**-**	**2,185**	**-**

Under the Norilsk Loan Agreement, Norilsk has an option to convert up to US$40 million of the US$50 million loan into ordinary shares of Mirabela Nickel Ltd at a price of US$8.00 per share. This option is a derivative liability to The Company. At the date of the Norilsk Offtake Loan the derivative was valued at A$6.725 million, which is value is amortised over the life of the loan. As at 30 June 2009 the fair value of the liability was A$2.185 million. The change in fair value for the year is recognised as income of A$4.541 million.

22. RELATED PARTIES

The key management personnel compensation are as follows:

	Consolidated		Company	
	2009 AUD	2008 AUD	2009 AUD	2008 AUD
Short-term employee benefits	2,895,492	1,967,039	2,227,307	1,210,000
Post-employment benefits	45,000	76,500	45,000	76,500
Equity compensation benefits	3,118,085	2,527,897	2,754,022	2,224,511
	6,058,577	**4,571,436**	**5,026,329**	**3,511,011**

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report on pages 16 to 21.

Apart from the details disclosed in this note, no director has entered into a material contract with the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel transactions

Key management persons, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of such entities transacted with the Company or its subsidiaries in the financial year. The terms and conditions of the transactions with management persons and related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

	Consolidated		Company	
	2009 AUD	2008 AUD	2009 AUD	2008 AUD
Craig Burton	197,611	802,626	197,611	802,626
	197,611	**802,626**	**197,611**	**802,626**

During the year the Company was invoiced by Mitchell River Consolidated Entity Pty Ltd $282,360 (2008: $851,032) for provision of technical services including database administration, GIS services, geophysical services, geological and resource monitoring. The services were provided on commercial arms length terms. Mitchell River Consolidated Entity Pty Ltd is a director related entity associated with Mr Craig Burton. No income was received from Mitchell River Group Pty Ltd for office rent and shared overheads in 2009 (2008: $5,673).

The Company charged Verona Capital Pty Ltd the total of $66,143 (2008: $23,434) for office rent and shared overheads. The company was invoiced by Verona Capital Pty Ltd $6,228 (2008: nil) for travel and expense reimbursements. Verona Capital Pty Ltd is a director related entity associated with Mr Craig Burton.

The Company charged $2,425 (2008: $19,299) to Exco Resources Ltd for the shared overheads and premises rent costs. Exco Resources Ltd is a director related entity associated with Mr Craig Burton.

The Company charged $22,409 (2008: nil) to Wildhorse Energy Ltd for the shared overheads and premises rent costs. Wildhorse Energy Ltd is a director related entity associated with Mr Craig Burton.

All amounts for services were billed based on normal market rates for the services provided.

Assets and liabilities arising from the above transactions

	Consolidated		Company	
	2009 AUD	2008 AUD	2009 AUD	2008 AUD
Current receivables				
Trade debtors	79,558	5,896	79,558	5,896
	79,558	**5,896**	**79,558**	**5,896**
Current payables				
Trade creditors	136,605	16,500	136,605	16,500
	136,605	**16,500**	**136,605**	**16,500**

Movement in ordinary shares held by key management personnel

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

2009	Held at 1 July 2008	Purchases	Exercise of options	Sales	Held at 30 June 2009
Directors					
Bill Clough	8,000,000	-	-	-	8,000,000
Craig Burton	6,000,000	-	-	-	6,000,000
Nick Poll	3,000,000	-	400,000	-	3,400,000
Joe Hamilton	55,000	-	-	-	55,000
Executives					
Dave Chapman	-	-	100,000	-	100,000
Stephen Hills	-	-	-	-	-
Raphael Bloise	-	-	-	-	-
Paulo Oliva	400,000	-	-	-	400,000
	17,455,000	**-**	**500,000**	**-**	**17,955,000**

2008	Held at 1 July 2007	Purchases	Exercise of options	Sales	Held at 30 June 2008
Directors					
Bill Clough	8,000,000	-	-	-	8,000,000
Craig Burton	6,000,000	-	-	-	6,000,000
Nick Poll	2,000,000	-	2,000,000	(1,000,000)	3,000,000
Joe Hamilton	-	55,000			55,000
Executives					
Dave Chapman	-	-	300,000	(300,000)	-
Stephen Hills	-	-	-	-	-
Raphael Bloise	-	-	-	-	-
Paulo Oliva	-	-	400,000	-	400,000
	16,000,000	**55,000**	**2,700,000**	**(1,300,000)**	**17,455,000**

Movement in options over ordinary shares held by key management personnel

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

2009	Held at 1 July 2008	Granted as compensation	Exercised	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors						
Bill Clough	-	-	-	-	-	-
Craig Burton	600,000	-	-	600,000	719,100	-
Nick Poll	1,600,000	-	(400,000)	1,200,000	1,438,200	-
Nick Sheard	150,000	-	-	150,000	210,000	-
Joe Hamilton	150,000	-	-	150,000	210,000	-
Executives						
Dave Chapman	450,000	-	(100,000)	350,000	176,722	-
Stephen Hills	300,000	-	-	300,000	-	300,000
Raphael Bloise	200,000	-	-	200,000	208,036	-
Paulo Oliva	150,000	-	-	150,000	156,027	-
	3,600,000	**-**	**(500,000)**	**3,100,000**	**3,118,085**	**300,000**

2008	Held at 1 July 2007	Granted as compensation	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors						
Bill Clough	-	-	-	-	-	-
Craig Burton	-	600,000	-	600,000	599,250	-
Nick Poll	2,400,000	1,200,000	(2,000,000)	1,600,000	1,198,500	-
Nick Sheard	-	150,000	-	150,000	122,500	-
Joe Hamilton	-	150,000	-	150,000	122,500	-
Executives						
Dave Chapman	600,000	150,000	(300,000)	450,000	150,718	100,000
Stephen Hills	300,000	-	-	300,000	31,043	300,000
Raphael Bloise	-	200,000	-	200,000	173,364	-
Paulo Oliva	400,000	150,000	(400,000)	150,000	130,023	-
	3,700,000	**2,600,000**	**(2,700,000)**	**3,600,000**	**2,527,898**	**400,000**

Other related party transactions

	Consolidated		Company	
	2009 AUD	2008 AUD	2009 AUD	2008 AUD
Investment in Mirabela Mineracao Brasil Ltda (100%)	-	-	178,342,734	178,342,732
Loan to Mirabela Mineracao Brasil Ltda (100%)	-	-	236,603,690	31,397,174
Loan to EGF Nickel Pty Ltd	-	-	78,877	-
	-	**-**	**415,025,301**	**209,739,906**

During the year, loans totalling $205,206,516 were provided to Mirabela Mineracao Brasil Ltda. These loans are provided for the continuing construction of the Santa Rita Project. The loan has no fixed date of repayment and interest is accrued at 12 month LIBOR plus 2% per annum. The loan to EGF Pty Ltd is for continuing exploration, the loan has no fixed date of repayment and is non-interest bearing. It is not expected that these loans will be repaid in the next 12 months.

23. CONTRIBUTED EQUITY

	Number of securities		Value in AUD (000)	
	2009	2008	2009	2008
Ordinary shares	287,886,375	129,781,100	460,866	267,033
Share issue cost	-	-	(11,040)	(250)
Deferred tax benefit on deductible share issue costs	-	-	2,481	2,188
	287,886,375	**129,781,100**	**452,307**	**268,971**

Movement in share capital for the year ended 30 June 2009

	Ordinary shares	Number of shares	Issue price	AUD
01-Jul-08	Opening balance	129,781,100		266,782,374
12-Aug-08	Options converted	3,000	$0.95	2,850
25-Sep-08	Options converted	7,000	$0.95	6,650
08-Apr-09	Issue of ordinary shares fully paid (Canada)	120,000,000	$1.20	144,000,000
17-Apr-09	Issue of ordinary shares fully paid	32,445,275	$1.20	38,934,330
18-May-09	Issue of ordinary shares fully paid	5,000,000	$2.15	10,750,000
14-May-09	Options converted	100,000	$0.60	60,000
12-Jun-09	Options converted	150,000	$0.60	90,000
30-Jun-09	Options converted	400,000	$0.60	240,000
	Closing balance	**287,886,375**		**460,866,204**
Less:	Share issue costs			(11,040,031)
Add:	Deferred tax benefit on deductible share issue costs			2,481,011
				452,307,184

Movement in share capital for the year ended 30 June 2008

Date	Ordinary shares	Number of shares	Issue price	AUD
01-Jul-07	Opening balance	126,800,000		265,980,509
12-Jul-07	Options converted	50,000	$0.60	30,000
12-Jul-07	Options converted	21,100	$0.95	20,045
15-Oct-07	Options converted	100,000	$0.60	60,000
08-Nov-07	Options converted	300,000	$0.60	180,000
08-Nov-07	Options converted	100,000	$0.60	60,000
15-Nov-07	Options converted	100,000	$0.95	95,000
30-Nov-07	Options converted	100,000	$0.60	60,000
04-Dec-07	Options converted	50,000	$0.95	47,500
10-Dec-07	Options converted	100,000	$0.60	60,000
10-Dec-07	Options converted	50,000	$0.60	30,000
25-Jan-08	Options converted	5,000	$0.95	4,750
12-May-08	Options converted	5,000	$0.95	4,750
20-May-08	Options converted	2,000,000	$0.20	400,000
	Closing balance	**129,781,100**		**267,032,554**
Less:	Share issue costs			(250,179)
Add:	Deferred tax benefit on deductible share issue costs			2,188,413
				268,970,788

Options on issue at 30 June 2009

Exercise Price	Expiry Date	Number of Options
$0.95	30/04/2010	808,900
$5.60	23/02/2011	1,800,000
$6.20	30/06/2011	1,400,000
$6.20	7/09/2011	300,000
$6.20	31/12/2011	350,000
$6.20	11/09/2012	300,000
US$8.00	31/12/2012	5,000,000
$3.00	7/07/2013	3,000,000
	Balance	**12,958,900**

24. RESERVES

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Share based payments reserve	12,514	3,952	12,514	3,952
Translation reserve	(9,151)	5,220	-	-
Hedge reserve	31,026	-	-	-
	34,389	9,172	12,514	3,952
Reconciliation of movement in reserves				
Share based payments reserve				
Balance at the beginning of the year	3,952	396	3,952	396
Equity settled share based payment transactions	8,562	3,556	8,562	3,556
Balance at 30 June	12,514	3,952	12,514	3,952
Translation reserve				
Balance at the beginning of the year	5,220	(173)	-	-
Effect of translation of foreign currency operations to Consolidated Entity presentation currency	(14,371)	5,393	-	-
Balance at 30 June	(9,151)	5,220	-	-
Hedge reserve				
Balance at the beginning of the year	-	-	-	-
Fair value of hedges	47,009			
Deferred tax on hedge reserve balance	(15,983)	-	-	-
Balance at 30 June	31,026	-	-	-
	34,389	**9,172**	**12,514**	**3,952**

Share based payments reserve

The share based payments reserve represents the value of options issued under the compensation arrangement that the Consolidated Entity is required to include in the consolidated financial statements. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

25. FINANCIAL INSTRUMENTS

Financial Risk Management

The Company and Consolidated Entity have exposure to credit risk, liquidity risk and market risk arising from their use of financial instruments.

The Consolidated Entity's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the Santa Rita Project and ancillary exploration activities. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

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

The principal financial instruments as at the balance date includes derivative metals forward sale contracts and sold call options, forward foreign exchange contracts and an interest rate swap, as well as receivables, payables, loan finance agreements and cash.

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

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's hedge counterparties and banks. For the Company it arises from receivables from its subsidiaries.

In determining fair value for disclosure purposes, the mark-to-market value of hedged instruments is first determined using the flat market curve for the instrument. Where a financial instrument value is positive, the instrument is then revalued using the counterparty's credit spread. If the instrument value is negative then the instrument is revalued using the Consolidated Entity's own credit spread.

Exposure to credit risk

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

Carrying Amount

		Consolidated		Company	
AUD (000)	***Note***	**2009**	**2008**	**2009**	**2008**
Non-current hedge assets	*14*	50,777	-	-	-
Other financial assets (foreign exchange contracts at fair value)	*13*	-	34,585	-	34,585
Other receivables	*12*	895	546	678	442
Cash and cash equivalents	*11*	42,094	45,955	2,561	27,373

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

As the Consolidated Entity is engaged in the construction and development of the Santa Rita project, it currently does not have a source of operating income to replenish its cash reserves. Liquidity is therefore derived from equity reserves and the debt financing arrangements in place until such time as the operations become cash generating.

The Consolidated Entity prepares detailed models as part of its system of budget planning, which are used to predict liquidity needs and to support the Company's funding activities. The progress of construction and development is measured on a regular basis so as to determine the cash spent to date on the project and the forecast of cost to completion. Liquidity risk is managed by monitoring the actual and forecast cash flows for the Consolidated Entity, including project development costs, debt service obligations and working capital requirements, and engaging in additional capital raising to ensure that adequate reserves are maintained to meet financial liabilities as they fall due.

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

Consolidated

30 June 2009							
AUD (000)	**Carrying amount**	**Contractual cash (out)/ in flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured bank loans	198,457	(275,976)	-	(17,121)	(35,966)	(155,326)	(67,564)
Secured offtaker loans	116,578	(137,371)	(11,361)	(15,238)	(46,662)	(67,045)	-
Finance lease liabilities	6,345	(8,899)	(1,071)	(957)	(1,864)	(5,007)	-
Trade and other payables	57,697	(57,697)	(57,697)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	842	(590)	-	(632)	(1,371)	1,413	-
Forward foreign exchange contracts used for hedging	3,768	9,060	-	(66)	4,455	4,671	-
Metal Call options	21,015	24,397	-	-	11,144	13,253	-
Options derivative	2,185	-	-	-	-	-	-
	406,887	**(447,076)**	**(70,129)**	**(34,104)**	**(70,264)**	**(208,041)**	**(67,564)**

30 June 2008							
Trade and other payables	50,391	(50,391)	(50,391)	-	-	-	-
	50,391	**(50,391)**	**(50,391)**	**-**	**-**	**-**	**-**

Company

30 June 2009							
AUD (000)	**Carrying amount**	**Contractual cash (out)/ in flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Trade and other payables	2,916	(2,916)	(2,916)	-	-	-	-
Options derivative	2,185	-	-	-	-	-	-
	5,101	**(2,916)**	**(2,916)**	**-**	**-**	**-**	**-**

30 June 2008							
Non-derivative financial liabilities							
Trade and other payables	2,838	(2,838)	(2,838)	-	-	-	-
	2,838	**(2,838)**	**(2,838)**	**-**	**-**	**-**	**-**

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

Consolidated

30 June 2009							
AUD (000)	**Carrying amount**	**Expected cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Forward commodity contracts	50,777	55,756	-	-	15,201	40,555	-
Forward exchange contracts	(3,768)	9,060	-	(66)	4,455	4,671	-
	47,009	**64,816**	**-**	**(66)**	**19,656**	**45,226**	**-**
30 June 2008							
Forward commodity contracts	-	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss.

Consolidated

30 June 2009							
AUD (000)	**Carrying amount**	**Expected cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Forward commodity contracts	50,777	55,756	-	-	15,201	40,555	-
Forward exchange contracts	(3,768)	9,060	-	(66)	4,455	4,671	-
	47,009	64,816	-	(66)	19,656	45,226	-
30 June 2008							
Forward commodity contracts	-	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

Market Risk

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

The Consolidated Entity's is exposed to fluctuations in metal prices (principally nickel and copper), fluctuations in foreign currency and interest rates, in each case in relation to its future operational cashflows and its ability to service existing and planned borrowings for the Santa Rita Project. The Consolidated Entity's strategy is to mitigate the resulting risks by entering into metals hedging and foreign exchange hedges that underwrite the full value of expected operating costs during the debt service period.

During the year, the Company and the Consolidated Entity entered into the foreign exchange forward contracts to mitigate the impact of movement of the BRL against the USD on its investment in the Santa Rita Project; BRL being the denomination currency for most of the Consolidated Entity's trade payables.

The future production costs for the Santa Rita Project will be largely denominated in Brazilian Real (BRL). As metal prices are fixed under the nickel and copper hedging arrangements, the Company has undertaken currency hedging to improve the certainty of operating costs in USD (by protecting against an adverse strengthening of the BRL) over the period of the Senior Loan. As at 30 June 2009 the Consolidated Entity had therefore entered into forward contracts to sell USD $119 million/buy BRL at an average BRL/USD exchange rate of 2.14 over the period January 2010 to July 2013 (see note 14).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Consolidated Entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To mitigate the interest rate risk in respect of the US$190 million senior loan, the Consolidated Entity has entered into a US$100 million interest rate swap arrangement. The interest rate swap amortises proportionally as the outstanding loan principal is repaid.

Exposure to currency risk

The Consolidated Entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

30 June 2009					
AUD (000)	**AUD**	**BRL**	**USD**	**CAD**	**Total**
Cash	1,495	8,545	31,734	320	42,094
Other receivables	678	217	-	-	895
Loans and finance leases	-	(55,999)	(265,381)	-	(321,380)
Trade payables	(1,288)	(56,409)	-	-	(57,697)
Gross balance sheet exposure	885	(103,646)	(233,647)	320	(336,088)
Forward exchange contracts	-	147,906	-	-	147,906
Net exposure	**885**	**44,261**	**(233,647)**	**320**	**(188,182)**

30 June 2008					
AUD (000)	**AUD**	**BRL**	**USD**	**CAD**	**Total**
Cash	10,542	2,883	32,027	503	45,955
Other receivables	442	104	-	-	546
Loans and finance leases	-	-	-	-	-
Trade payables	(2,838)	(47,553)	-	-	(50,391)
Gross balance sheet exposure	8,146	(44,566)	32,027	503	(3,890)
Forward exchange contracts	-	34,585	-	-	34,585
Net exposure	**8,146**	**(9,980)**	**32,027**	**503**	**30,695**

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

30 June 2009				
AUD (000)	**AUD**	**USD**	**CAD**	**Total**
Cash	1,495	746	320	2,561
Other receivables	678	-	-	678
Loans to subsidiaries	279	236,325	-	236,604
Trade payables	(2,916)	-	-	(2,916)
Gross balance sheet exposure	(464)	237,071	320	236,927
Forward exchange contracts	-	-	-	-
Net exposure	**(464)**	**237,071**	**320**	**236,927**

30 June 2008					
AUD (000)	**AUD**	**BRL**	**USD**	**CAD**	**Total**
Cash	10,542	-	16,328	503	27,373
Other receivables	442	-	-	-	442
Trade payables	(2,838)	-	-	-	(2,838)
Loans to subsidiaries	-	-	31,397	-	31,397
Gross balance sheet exposure	8,146	-	47,725	503	56,374
Forward exchange contracts	-	34,585	-	-	34,585
Net exposure	**8,146**	**34,585**	**47,725**	**503**	**90,959**

The following significant exchange rates (AUD) applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
BRL	0.6543	0.6317	0.6351	0.6503
USD	1.3400	1.1183	1.2395	1.0411
CAD	1.1568	1.1073	1.0667	1.0555

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
AUD (000)	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
30 June 2009				
BRL	(21,171)	14,836	-	
USD	-	26,327	-	(25,139)
CAD	-	(31)	-	(31)
30 June 2008				
BRL	-	1,395	-	(4,835)
USD	-	(3,031)	-	(3,031)
CAD	-	(48)	-	(48)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

INTEREST RATE RISK

At the reporting date the interest rate profile of the Company's and the Consolidated Entity's interest-bearing financial instruments was:

	Consolidated		Company	
	Carrying amount		Carrying amount	
AUD (000)	**2009**	**2008**	**2009**	**2008**
Variable rate instruments				
Financial assets	42,094	45,955	225,115	27,373
Financial liabilities	(330,129)	-	-	-
	(288,035)	**45,955**	**225,115**	**27,373**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
AUD (000)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
30 June 2009				
Variable rate instruments	(2,793)	2,793	-	-
Cash flow sensitivity (net)	(2,793)	2,793	-	-
30 June 2008				
Variable rate instruments	979	(979)	-	-
Cash flow sensitivity (net)	979	(979)	-	-

FAIR VALUES

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2009		30 June 2008	
AUD (000)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets/ (liabilities) designated at fair value through profit or loss	(21,858)	(21,858)	34,585	34,585
Loans and receivables	895	895	546	546
Cash and cash equivalents	42,094	42,094	45,955	45,955
Commodity hedges	50,777	50,777	-	-
Foreign exchange hedges	(3,768)	(3,768)	-	-
Secured bank loans	(198,457)	(204,512)	-	-
Secured offtaker loans	(116,578)	(120,729)	-	-
Finance lease liabilities	(6,345)	(7,546)	-	-
Trade and other payables	(57,697)	(57,697)	(50,391)	(50,391)
	(310,937)	**(322,344)**	**30,695**	**30,695**

Company	30 June 2009		30 June 2008	
AUD (000)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets designated at fair value through profit or loss	-	-	34,585	34,585
Cash and cash equivalents	2,561	2,561	27,373	27,373
Investments in subsidiaries	178,343	178,343	194,041	194,041
Loans to subsidiaries	228,593	228,593	15,699	15,699
Other receivables	368	368	442	442
Trade and other payables	(2,916)	(2,916)	(2,838)	(2,838)
	406,949	**406,949**	**269,302**	**269,302**

The basis for determining fair values is disclosed in note 4.

CAPITAL MANAGEMENT

The Board's policy in managing capital is to ensure that the Consolidated Entity continues as a going concern, and that its capital base is sufficiently strong so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective is to maintain a level of debt finance, determined according to prevailing commercial conditions, that provides a balance between this policy and optimising shareholder returns through the effect of gearing.

The capital base is considered to include the total equity plus borrowings of the Consolidated Entity, which as at 30 June 2009 stood at $773.687 million. In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of the gearing ratio on the ability of the Consolidated Entity to service loan interest and repayment schedules, lending facility compliance ratios and also to generate adequate free cash available for corporate and exploration activities. The debt/equity ratio was 71% as at 30 June 2009 (2008: nil).

During the year a total of $321.380 million of loan funds and total $193.834 million of equity was raised in support of the construction and development of the Santa Rita Project.

As the Consolidated Entity had not yet commenced production at the Santa Rita Project performance measures of return on equity are not considered relevant to the reported results.

There were no changes in the Consolidated Entity's approach to capital management during the year.

The payment of dividends from the subsidiary Mirabela Mineração Brasil Ltda which owns the Santa Rita Project assets) is subject to conditions under the terms of the Senior Loan agreement (refer note 19), and consequently the ability of the Company to pay dividends is subject to restriction. In addition, for the duration of a defined completion period for the Santa Rita Project, the Company is subject to certain covenants, restrictions and other obligations which include limitations on (i) encumbering assets, (ii) disposals of assets, (iii) incurring additional indebtedness, (iv) material change of business, merger, acquisition or similar corporate reorganisation, (v) maintaining a required contingency cash balance of US$25 million, and (vi) maintaining a tangible net worth of A$200 million.

26. CAPITAL AND OTHER COMMITMENTS

	Consolidated		Company	
	AUD (000) 2009	AUD (000) 2008	AUD (000) 2009	AUD (000) 2008
Operating lease commitments				
Non- cancellable operating lease rentals are payable as follows:				
Within one year	654	345	654	345
One year or later and no later than five years	2,958	1,503	2,958	1,503
Greater than five years	795	859	795	859
	4,407	**2,707**	**4,407**	**2,707**
Exploration expenditure commitments				
Commitments for rental fees under exploration license agreements:				
Within one year	103	102		-
	103	**102**	-	-
Capital Expenditure commitments				
Contracted but not provided for and payable:				
Within one year	53,938	92,296	-	-
	53,938	**92,296**	**-**	**-**

27. CONTINGENT LIABILITIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

		Consolidated		Company	
		2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
	Contingent liabilities considered remote:				
(i)	Compensation payable to CBPM* if the Company's acts or omissions result in the loss of mineral rights.	318	323	-	-
(ii)	Transfer premium payable to CBPM* and/or Rio Salitre upon entering into a mining lease in favour of the Company. If not paid the Company's rights to the respective tenement will be relinquished.	324	330	-	-
(iii)	Penalty payable upon termination of the mining lease.	318	323	-	-
		960	**976**	**-**	**-**

*CBPM (Companhia Bahiana de Pesquisa Mineral) is one of the parties to the Exploration and Mining Lease Agreement for Mirabela Project in Brazil.

28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Company	
	2009 AUD (000)	2008 AUD (000)	2009 AUD (000)	2008 AUD (000)
Cash flows from operating activities				
Profit/(loss) for the year	(37,649)	19,735	(45,331)	11,165
Adjustments for:				
Depreciation and amortisation expense	3,654	120	123	72
Exploration expenditure written off	4,306	72	21	394
Development expenditure written off	1,957	-	15,079	12,134
Financial income/ (expense)	29,500	(43,288)	28,040	(43,122)
Equity-settled share-based payment expenses	4,837	3,556	4,837	3,556
Income tax expense	(11,849)	14,652	(8,176)	10,979
Operating loss before changes in working capital and provisions	**(5,244)**	**(5,153)**	**(5,407)**	**(4,822)**
Increase/ (decrease) in trade and other receivables	(327)	(299)	(214)	162
Increase in trade and other payables	1,136	1,424	1,107	362
Increase in provisions	135	84	7	60
Income taxes paid	(342)	-	(321)	-
Net cash used in operating activities	**(4,642)**	**(3,944)**	**(4,828)**	**(4,238)**

29. CONSOLIDATED ENTITIES

Name of entity	Country of incorporation	Class of shares	Ownership interest 2009 %	2008 %
Parent entity				
Mirabela Nickel Ltd	Australia	Ordinary		
Subsidiaries				
Mirabela Mineração Brasil Ltda	Brazil	Ordinary	100	100
Mirabela Investments Pty Ltd	Australia	Ordinary	100	100
EGF Nickel Pty Ltd	Australia	Ordinary	100	-

30. SUBSEQUENT EVENTS

Capital raising

Subsequent to the financial year end the Consolidated Entity has undertaken a capital raising programme for the placement of a total of 50,000,000 ordinary shares at the Australian equivalent of A$2.35 per share for gross proceeds of a $117.5 million. During August 2009 a total of 43 million ordinary shares were issued pursuant to placements in Canada and Australia, for gross proceeds of $101.050 million. On 24 September 2009, the Company in general meeting approved the issue of 7 million ordinary shares to institutional investors, for gross proceeds of $16.450 million, expected to settle on 29 September 2009.

Foreign exchange hedges

Subsequent to 30 June 2009, foreign exchange hedging comprising of additional US$40 million of US$/BRL cover has been put in place at an average rate of BRL 2.12 for the period from January 2010 to December 2011, thereby increasing total current foreign exchange hedging to US$159 million at an average rate of BRL 2.13 for the period from January 2010 to March 2014.

Termination of farm-in agreement

In July 2009, Vale subsidiary Inco Brasil Limitada agreed to formally terminate the Farm-in Agreement covering potential underground nickel sulphides at the Consolidated Entity's Santa Rita and Palestina projects, removing any uncertainty as to its status. The termination agreement involves no consideration other than mutual releases.

CORPORATE GOVERNANCE STATEMENT

The Board of Mirabela believes that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Accordingly the Board has established a range of policies and processes to ensure that these intentions are met and shareholders are fully informed about the affairs of the Company.

The Australian Securities Exchange ("ASX") Corporate Governance Council has published Corporate Governance Principles and Recommendations (2nd Edition) ("ASX Recommendations"). ASX members are required to disclose the extent to which they have followed the recommendations and to identify any recommendations that have not followed, and the reasons for not following them. The section below includes details on the company's corporate governance arrangements and the Company's compliance with the recommendations.

The corporate governance section contained on the website at www.mirabela.com.au includes details on the Company's corporate governance practices, copies of relevant policies and charters and a compliance checklist.

ASX Corporate Governance Principles and Recommendations

This statement addresses the main corporate governance practices in place throughout the financial year, which comply with the ASX Recommendations unless otherwise stated.

The Board has reviewed the ASX Recommendations, and considers that the Company has followed those recommendations which are relevant to an organisation of the Company's size and complexity. Where the Company has not complied with a recommendation this is identified, with the reasons for not following the recommendation, in accordance with ASX listing rule 4.10.3.

The statement is structured with reference to the ASX Recommendations.

Principle 1 - Lay solid foundations for management and oversight

Role of the Board

The primary role of the Board of Directors is the protection and enhancement of long-term shareholder value.

The roles and responsibilities of the Board are formalised in the Board Charter, which defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management.

Responsibility for the day-to-day management of the Company is delegated by the Board to the managing director, who is accountable to the Board. The managing director manages the Company in accordance with the strategy, plans and policies approved by the Board. The Board has determined that the managing director is appropriately qualified and experienced to discharge the required responsibilities.

The Board Charter is posted to the corporate governance section of the Company's website.

Formal letters are provided to directors, setting out the key terms and conditions of their appointment.

The Managing Director, Chief Financial Officer and other key management personnel also have formal contracts of appointment setting out key terms of their role, duties, rights and responsibilities and including entitlements on termination.

Performance

The performance criteria against which Directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire. No formal performance evaluation was undertaken of the Board, its committees and directors during the current reporting period.

Performance evaluation of senior executives

The Board evaluates the performance of senior executives by reviewing the achievement of key strategic outcomes set by the Board against measurable and qualitative indicators and fulfilment of the senior executives' responsibilities and duties. A performance review was undertaken for the Managing Director and senior executives during the reporting period.

Principles of Compensation

Principles of compensation are set out in the Remuneration Report in section 3.1 in the Director's Report at pages 16 to 17

Principle 2 - Structure the board to add value

The Board has an established framework for the management of the Company including a system of internal control, a business risk management process and has adopted appropriate ethical standards.

The Company is currently engaged in the exploration, evaluation and development of mining interests, in particular development of the Santa Rita project. The critical skills required by the Board in pursuing the Company's business plan at this stage of its development include expert geological exploration and evaluation skills, project management skills, financial management skills and experience in financial markets. In addition, each Director is charged with having a thorough understanding of, and responsibility for, the protection of the rights of the Company and its shareholders.

The Board has these skills (refer to the biographies in the Director's Report). The Board consists of members with financial expertise and detailed knowledge and experience of mineral exploration and mining.

Board Composition

The Board currently comprises of five Directors.

Chairman

The Chairman is appointed by the Directors and is responsible for chairing Board meetings and Company meetings, providing leadership to the Board and the Company, ensuring there are procedures and processes in place to evaluate the Board and its committees and individual Directors and that such evaluations are conducted, and facilitating effective discussion at Board Meetings.

Mr Clough is a founding Director and shareholder of the Company and was appointed as Non-executive Chairman at the formation of the Company. He is non-executive and is not a member of management.

In accordance with the ASX Recommendation 2.2, the Chairman should be independent. Mr Clough is a substantial shareholder for the purposes of Section 9 of the Corporations Act. This is considered under the ASX Recommendations to be a factor affecting a Director's independent status.

The Board accepts that, due to his substantial shareholding, the Chairman is not independent in terms of the ASX Corporate Governance Council's definition of independent director. The Company is accordingly not in compliance with ASX Recommendation 2.2, in that the Chairman is not independent. However, the Board believes the Chairman is able and does bring quality and independent judgement to relevant issues falling within the scope of the role of a Chairman.

Director independence

ASX Recommendation 2.1 requires that a majority of the Board should be independent directors. As noted above, in determining the independent status of directors, the Chairman may not be considered to be independent as he is a substantial shareholder for the purposes of Section 9 of the Corporations Act.

The Directors had previously assessed that the Company had three independent directors, having regard for the Corporate Governance Council's definition of independence; that is, a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board has re-assessed the independence of non–executive Directors and concluded that the Chairman is not independent within the meaning of the ASX Recommendations. The Company therefore has two independent non-executive Directors being Nick Sheard and Joe Hamilton, which does not constitute a majority of the Board of five Directors. Accordingly, the company is not in compliance with ASX Recommendations 2.1 and 2.2.

The Board is structured on the basis that all members should be independent within the meaning of the Canadian Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"), which provides that a member shall not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. The Chairman is independent within the meaning of MI 52-110.

Retirement & re-election

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

Performance evaluation of directors

The Board determines the manner and form of the annual review of the performance and effectiveness of itself, its committees and individual directors. No review process was undertaken in the reporting period.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee. The committee is responsible for all matters related to director remuneration, recruitment, orientation, retention, termination and continuing education and evaluations of the Board, its committees and its members, including periodically assessing the skills present on the Board, making recommendation as to whether and how those skills ought to, or could be, enhanced, and implementing a process for the identification of suitable candidates for appointment to the Board.

The Remuneration and Nomination Committee comprises of three non-executive directors, Messrs Sheard, (Committee Chairman), Hamilton and Clough.

The charter of the Remuneration and Nomination Committee is posted to the Corporate Governance section of the Company's website.

Given its current size, the Board has not formalised the process for the selection and appointment of Directors. The Committee is scheduled to meet at least annually.

Professional advice

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

Terms, induction and director education

The Company provides new Directors with an information pack consisting of an appointment letter, corporate governance policies and other information about the Company. Directors are encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Remuneration

Details of directors' remuneration are set out in Section 3.2 on pages 17 to 19 of the Director's Report.

Board meetings

Board meetings are scheduled to be held at least 6 times a year. The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary and is circulated in advance.

Principle 3 - Promote ethical and responsible decision making

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Code of Conduct

The company has established adopted a Code of Conduct that sets out the standards of ethical behaviour required of the Board, senior executives and all employees. The Code of Conduct is posted to the corporate governance section of the Company's website.

Share trading policy

The Company has established a policy that imposes certain restrictions on Directors, senior management and other employees trading in the Company's securities. The policy has been adopted to prevent trading in contravention of the insider trading provisions of the Corporations Act 2001, in particular when Company personnel are in possession of price-sensitive information.

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

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a Director or employee is applying for securities pursuant to that disclosure document.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, Directors advise the ASX of any transaction conducted by them in shares or options in the Company.

A Summary of the Share Trading Policy is posted to the corporate governance section of the Company's website.

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned is not present at the meeting whilst the item is considered.

Health, safety, community, environment and heritage protection policy

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

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

Principle 4 - Safeguard integrity in financial reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The audit committee has been formed to assist the Board to meet the oversight responsibilities in relation to the Company's financial reporting and external audit function, internal control structure and risk management procedures.

Audit Committee

The Company has established an audit committee which operates under a charter approved by the Board. A copy of the Audit Committee Charter is posted on the Company website.

The audit committee reviews the effectiveness of the Company's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks. The committee oversees and appraises the quality of the external audit and the internal control procedures including financial reporting and practices, business ethics, policies and practices, accounting policies, and management and internal controls. The audit committee reports to the Board on all matters relevant to the committee's role and responsibilities.

The Audit Committee meets with the Company's external auditors before finalisation of any audit or review, and makes recommendations to the Board. The audit committee keeps under review the Company's relationship with the external auditors, including review of the auditors' independence, planning and results of the external audit and assessment of the auditor's performance, and ensures that the audit engagement partner is rotated in accordance with board policy. The audit committee approves all non-audit services to be provided to the Company by its external auditors.

The audit committee comprises of three non-executive directors, Messrs Hamilton, (Committee Chairman), Sheard and Clough, the audit committee meets at least quarterly.

Mr. Hamilton has over 22 years experience in the international mining industry and is currently the President of Pickax International Corporation, a private Company providing services to the mineral industry. In addition, Mr. Hamilton is currently the Chief Financial Officer of Malbex Resources Inc., a private mineral development company. As a precious metals research analyst with Dundee Securities Corporation, and with RBC Capital Markets, Global Mining Division, Mr. Hamilton gained extensive experience reviewing and analysing financial statements. Mr. Hamilton holds a B.Sc. (Hons) degree from the University of Toronto and a Masters of Science (Applied) from Queens' University. Mr. Hamilton is currently a member of the CFA Institute and is a Chartered Financial Analyst.

Mr. Sheard MAIG, R, P.Geo has a long history of involvement in the mineral exploration and development industry. In particular, in Mr. Sheard's previous role as a director, as a VP Exploration of Inco and as a senior management executive Mr. Sheard had responsibility for, and oversight of, the financial management and reporting of estimates, accruals and reserves and with the internal control environments. In addition, as a result of Mr. Sheard's role as a non-executive director of various issuers Mr. Sheard gained extensive experience dealing with the complexities of corporate merger and acquisition transactions.

Mr. Clough has been involved in a variety of mining, engineering, logistics and publishing businesses, operating in a number of continents. As a founder and director of companies in these areas, Mr. Clough had an active role in their financial development and direction. Mr. Clough has been actively involved in the debt and equity markets, raising funds for these businesses. From Mr. Clough's role as a chief executive of an operating gold mine in the Tapajos region of Brazil, Mr. Clough brings a wealth of knowledge of both Brazilian and international financial reporting obligations. In addition to his B.Sc. (Geol), Mr Clough holds a B.Com (Hons) business degree from the University of Western Australia.

The charter of the audit committee requires that all members be independent within the meaning of the Canadian Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"), which provides that a member shall not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. The members of the audit committee are each independent and financially literate within the meaning of MI 52-110. Messrs Hamilton and Sheard are independent under the guidelines of the ASX Recommendations.

There is currently no formal procedure in place for the selection and appointment of the external auditor. The Board is responsible for the selection, evaluation and where appropriate replacement of the auditor, subject to the approval of the shareholders.

The Board has approved the Company's financial reports for the year ended 30 June 2008 and authorised a statement that they present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Principle 5 - Make timely and balanced disclosure

Continuous disclosure policy

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

The Continuous Disclosure Policy is posted to the corporate governance section of the Company's website.

Principle 6 - Respect the rights of shareholders

Communication with shareholders

It is Company's policy to provide shareholders and prospective investors by providing them with access to balanced and understandable information about the Company and its operations, and to make it easier for them to participate in general meetings.

A copy of the shareholder communication policy with shareholders is posted to the corporate governance section of the Company's website.

Information is communicated to shareholders as follows:

- the Annual Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments.
- all ASX announcements (including financial reports and quarterly reports) are posted to the Company's website as soon as practicable following release
- all TSX reports including quarterly Management's Discussion and Analysis reports and the Annual Information Form are lodged in accordance with TSX listing rules

Website

All of the above information is made available on the Company's website. Copies of all presentations made by the Company in a public forum are posted on the website. Information is emailed to shareholders who lodge their email contact details with the Company.

Meetings

The external auditor is requested to attend the Annual General Meeting to answer any questions concerning the audit and the auditor's report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability, identification with the Company's strategy and goals and shareholder participating in decision making. Important issues are presented to the shareholders as single resolutions.

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

Principle 7 - Recognise and manage risk

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

The Company believes that it is critical for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. However in discharging its oversight responsibility in relation to risk management it may delegate certain activities to the audit committee.

The Company has adopted a Risk Management Policy which is posted to the corporate governance section of the Company's website.

Internal control framework

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

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

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

Audit and compliance

Where considered appropriate, the Board may invite the Company's external auditors, professional advisors and management to advise the Board on relevant issues to ensure compliance with all corporate financial and accounting standards. The Board meets quarterly to consider audit matters prior to statutory reporting.

Principle 8 – Remunerate fairly and responsibly

Remuneration committee

As noted in Principle 2, on page 72, the Company has established a Remuneration and Nomination Committee.

Remuneration policy and review

The remuneration and nomination committee is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and senior executives.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of executive Directors' and officers' remuneration is linked to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration report at section 3 on pages 16 to 21.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Non–executive directors' remuneration

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

Recommendation 8.2 contains guidelines that non-executive directors should not receive options or bonus payments. The Company awards options to non-executive Directors if it considers this to be a reasonable and appropriate method of assisting in attracting and retaining suitably skilled Board members. Accordingly the company is not in compliance with ASX Recommendation 8.2.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

SHAREHOLDER INFORMATION

EXCHANGE LISTING

Mirabela Nickel Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is MBN. The Company is also listed on the Toronto Stock Exchange. The TSX code is MNB.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 30 September 2009

Name of Shareholder	Total Number of Voting Shares in Mirabela Nickel Ltd in which the Substantial Shareholder and Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Dundee Corporation and Associates	49,467,208	14.8%
Lancaster Park SA	21,200,000	6.3%

CLASS OF SHARES AND VOTING RIGHTS

At 30 September 2009 there were 2,503 holders of 334,786,375 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and

c) on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Holders	Units	Percentage
1 – 1,000	712	434,905	0.13%
1,001 – 5,000	1,045	2,921,244	0.87%
5,001 – 10,000	333	2,736,346	0.82%
10,001 – 100,000	340	9,628,386	2.88%
100,001 and over	73	319,065,494	95.30%
Total	2,503	334,786,375	100.00%

The number of shareholders holding less than a marketable parcel is 5.

SHAREHOLDER INFORMATION

UNLISTED OPTIONS

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Options exercisable at 95 cents on or before 30 April 2010	408,900	3	Ms Michelle Diane Pinker Parati Pty Ltd	158,900 200,000
Options exercisable at $5.60 on or before 23 February 2011	1,800,000	2	Mr Craig Ian Burton Mr Nicholas John Poll	600,000 1,200,000
Options exercisable at $6.20 on or before 30 June 2011	1,400,000	13	-	-
Options exercisable at $6.20 on or before 07 September 2011	300,000	2	Mr Stuart Nicholas Sheard Mr Joseph Hamilton	150,000 150,000
Options exercisable at $6.20 on or before 31 December 2011	350,000	3	Mr Edward John Anthony Knoblauch Mr Mark Richard Harris Arundell	200,000 100,000
Options exercisable at $6.20 on or before 11 September 2012	300,000	2	Mr Adriano Viana Espeschit Mr Trevor Campbell Mulroney	200,000 100,000
Options exercisable at US$8.00 on or before 31 December 2012	5,000,000	1	Norilsk Nickel Harjavalta	5,000,000
Options exercisable at $3.00 on or before 7 July 2013	3,000,000	2	Credit Suisse International Barclays Bank PLC	1,500,000 1,500,000

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2009

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1.	Canadian Control Account	155,216,484	46.363%
2.	National Nominees Limited	32,633,109	9.747%
3.	HSBC Custody Nominees (Australia) Limited	20,938,730	6.254%
4.	J P Morgan Nominees Australia Limited	19,957,176	5.877%
5.	Citicorp Nominees Pty Limited	11,525,631	3.443%
6.	ANZ Nominees Limited	8,552,428	2.555%
7.	RBC Dexia Investor Services Australia Nominees Pty Limited	7,313,901	2.185%
8.	Bond Street Custodians Limited	7,259,734	2.168%
9.	Inco Limited	7,000,000	2.091%
10.	WM Clough Pty Ltd	6,000,000	1.792%
11.	Craig Ian Burton	4,000,000	1.195%
12.	Mrs Claire Louise Poll & Mr Nicholas John Poll	3,400,000	1.016%
13	Queensland Investment Corporation	2,795,765	0.835%
14.	Bond Street Custodians Limited	2,506,933	0.749%
15.	UBS Nominees Pty Ltd	2,416,568	0.722%
16.	Dundee Resources Limited	2,200,000	0.657%
17.	Katrina Lee Burton	2,000,000	0.657%
18.	Citicorp Nominees Pty Limited	1,732,751	0.518%
19.	McNeil Nominees Pty Limited	1,681,504	0.502%
20.	AMP Life Limited	1,548,928	0.463%
		300,679,642	**89.85%**

TENEMENT SCHEDULE - BRAZIL

As at 30 September 2009

Current/Applied tenement number	Ownership	Status
SANTA RITA		
871368/89	100%	Granted
871369/89	100%	Granted
871291/03	100%	Granted
871363/04	100%	Granted
872523/05	100%	Granted
872524/05	100%	Granted
872525/05	100%	Granted
872526/05	100%	Granted
872527/05	100%	Granted
873049/05	100%	Granted
873257/06	100%	Granted
873567/06	100%	Granted
873568/06	100%	Granted
872603/07	100%	Granted
872604/07	100%	Granted
871843/03	100%	Granted
871853/03	100%	Granted
870255/07	100%	Granted
872148/04	100%	Granted
870712/06	100%	Granted
870713/06	100%	Granted
870714/06	100%	Granted
870715/06	100%	Granted
870716/06	100%	Granted
870717/06	100%	Granted
870718/06	100%	Granted
870719/06	100%	Granted
870720/06	100%	Granted
870721/06	100%	Granted
871244/06	100%	Granted
871245/06	100%	Granted
873179/06	100%	Granted

TENEMENT SCHEDULE - BRAZIL

As at 30 September 2009

Current/Applied tenement number	Ownership	Status
SÃO FRANCISCO		
878000/05	100%	Granted
878001/05	100%	Granted
878002/05	100%	Granted
878003/05	100%	Granted
878004/05	100%	Granted
878005/05	100%	Granted
878006/05	100%	Granted
878048/05	100%	Granted
878049/05	100%	Granted
878050/05	100%	Granted
878051/05	100%	Granted
878052/05	100%	Granted
878053/05	100%	Granted
878054/05	100%	Granted
878055/05	100%	Granted
878056/05	100%	Granted
87805705	100%	Granted
878058/05	100%	Granted
PONTO NOVO		
870042/07	100%	Granted
870043/07	100%	Granted
CORREGO NOVO		
831812/08	100%	Granted
831814/08	100%	Granted
831955/08	100%	Granted
831956/08	100%	Granted
831957/08	100%	Granted
831958/08	100%	Granted
831959/08	100%	Granted

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