MIRABELA NICKEL LTD

ABN 23 108 161 593

Interim Financial Report

31 December 2008

Expressed in AUD unless otherwise stated

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Mirabela Nickel Limited during the interim reporting period in accordance with the continuous disclosure requirements of *The Corporations Act 2001.*

This half year financial information has been lodged with the ASX as required under listing rule 4.2A of the ASX.

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Directors' report

The directors present their report for the Company, Mirabela Nickel Limited ('the Company') for the half year ended 31 December 2008.

Directors

The directors of the Company at any time during, or since the end of, the half-year are:

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

REVIEW AND RESULTS OF OPERATIONS

Principal Activities

The Company's principal activities during the half year under review were the ongoing development and exploration of the Santa Rita nickel sulphide project in the state of Bahia, Brazil.

Results from Operations

A net loss of $48.417 million after tax is attributable to the members for the six months ended 31 December 2008 (31 December 2007: net profit of $9.744 million). The basic and diluted loss per share for the Company was 37.30 cents per share (31 December 2007: basic earnings of 7.67 cents per share). The total of interest bearing debt in relation to the Santa Rita project was $237.878 million, including the current liability of $116.914 million (30 June 2008: nil). Total assets of the Company at 31 December 2008 was $715.887 million (30 June 2008: $356.244 million).

Financial Position

For the purpose of this note, balance sheet items have been converted to Australian dollars at the 31 December 2008 balance date spot exchange rates of Australian dollars ($A) 1.00/US dollars (US$) 0.6859 and $A 1.00/Brazilian real (BRL) 1.6029.

The Interim Financial Statements have been prepared on a going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

At 31 December 2008 the Company had a net working capital deficit of A$55.434 million consisting of cash of A$13.049 million and trade receivables of A$1.422 million, less trade and other payables of A$69.905 million. In addition, the Company has current obligations under hedge arrangements, tax and employee provisions and a bridge financing loan of A$180.815 million.

In addition, the Company has interest bearing liabilities relating to the Votorantim Offtake Prepayment and the Norilsk Offtake loan, in each case for the construction of the Santa Rita Project, amounting to A$120.964 million (BRL 78.7 million and US$50.0 million respectively). These liabilities are subordinated in security to the lenders of the bridge financing loan. (refer Note 18)

It is estimated by the Directors that US$290 million (A$422.8 million) is required to satisfy repayment of the bridge financing loan, fund completion and commissioning of the Santa Rita Project and meet working capital obligations.

Whilst the funding requirement is intended to take into account the potential for completion and commissioning risk of the Santa Rita Project, usual mining project risks including commissioning risks remain.

In March 2009 the Company received commitments from each of the lenders, Barclays, Credit Suisse, WestLB AG and Caterpillar Financial SARL (the "lenders") for a non revolving loan of US$150 million ("Commitment Agreement"). The Commitment Agreement provides the possibility of an additional loan by Bayerische Hypo-und Vereinsbank AG ("HVB") for US$40 million under the same facility. The Commitment Agreement is the precursor to a revised senior secured loan between the lenders and the Company. The conditions precedent to the execution of a revised senior secured loan include standard items together with the ability of the lenders to cancel the Commitment Agreement should an adverse material event impact the Company and the requirement that the Company raise not less than US$133 million (or US$95 million if HVB becomes a party to the Commitment Agreement) from an issue of equity securities with funds to be available to the Company by no later than 31 March 2009.

In February 2009 the Company entered into an agreement with a Toronto based broking firm whereby that firm will endeavour to arrange purchasers of subscription receipts to be offered by the Company by way of a short form prospectus in Canada. On 3 March 2009 the Company filed a preliminary short form prospectus with various Canadian Securities Commissions pursuant to a proposed equity raising. The proposed offering is not underwritten and there exists material uncertainty as to whether the Company will raise sufficient equity funds to meet the condition precedent to the successful completion of the senior secured loan facility and therefore the Company's ability to settle existing obligations and complete the construction and commissioning of the Santa Rita Project.

The release of proceeds from the proposed equity issue to the Company and conversion of subscription receipts to ordinary shares will occur upon among other conditions, the Company obtaining shareholder approval of the issue and the Company entering into the revised senior loan agreement for a senior loan facility (described above) that in combination the gross proceeds from the equity offering and the senior loan will not be less than US$290 million.

On 16 February 2009 the Company issued a notice to convene a meeting of shareholders on 19 March 2009 to approve the issue of up to 120 million shares pursuant to the proposed equity issue at a price of not less than 80% of a volume weighted average market price, together with the approval of past equity issues enabling the Company to issue further securities if required.

The Directors have a reasonable expectation that the combined US$290 million senior loan and equity financing will be successful and thereby allow the Company to fund settlement of current obligations and complete the Santa Rita Project. However as a result of the material uncertainty surrounding the successful raising of sufficient equity, together with the material uncertainties as to satisfaction of the conditions attached to the entering of a revised senior secured loan facility, there is significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Santa Rita Nickel Sulphide Project, Bahia State, Brazil

The following summary highlights the current status of the Santa Rita project. Further details of activities are available on the Company's website at www.mirabela.com.au.

Santa Rita Open-Pit Reserves and Resources

An updated Proven and Probable Reserve for Santa Rita was announced in November 2008, which represented a 44% increase from the previous reserve estimate of 88mt @ 0.61% Ni.

Santa Rita Proven and Probable Reserves November 2008

JORC Reserve	Mt	Ni	Recovered Ni	Recovered Ni (ktonnes)
Proven	15.1	0.65%	0.43%	64.9
Probable	105.9	0.59%	0.42%	445.4
Total	**121.0**	**0.60%**	**0.42%**	**510.3**

Contained nickel – 726,000t (1.6 billion lbs)

Strip ratio – 7.2 to 1

Weighted average recovery – 70.2% Ni

The Reserve estimate is based upon the following resource estimate (pit optimised resource) announced in September 2008:

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 – 7.2 to 1

The Reserve estimate cannot include the 20mt of Inferred Resource (located at the base of the resource pit shell) and therefore uses a smaller pit design based only upon the Measured and Indicated Resource.

The final pit design was based on a pit optimisation shell run at a nickel price of US$7.00 lb (discounted). The final pit is 2,300 metres long in the north-south direction and 1,250 metres wide in the east-west direction. The base of the pit is 555 metres vertical depth (from the eastern surface), and the total surface area is approximately 173 hectares.

Santa Rita Underground Resource

On February 16, 2009, the Company announced an upgrade to the maiden December 2008 underground resource for the Santa Rita Project:

Santa Rita underground resource February 2009

JORC/NI 43.101 status	Million Tonnes	Ni	Cu
Inferred Resource	87.5	0.79%	0.23%

Contained nickel – 690,000t (1.5 billion lbs)

This represents a 53% increase in contained nickel compared to the previous inferred resource estimate of 55mt at 0.82% Ni. The resource upgrade is based upon the results of three additional holes recently announced for the underground drilling program. Approximately 97% of the underground resource is contained within one continuous zone of mineralization, with the remaining 3% of the resource located within two footwall horizons. The main resource has an average true width of approximately 80 metres, a strike length of 600 metres, and an average dip of 45^{o}. The resource remains open at depth and along strike both to the north and the south.

The resource has a vertical extent of about 550 metres, representing 1,260t of contained Ni per vertical meter. This is considered to be high tonnes per vertical metre compared to industry averages for underground nickel mines, which means capitalized underground development can be reduced on a produced unit of nickel basis. The upper limit of the resource is located about 650 metres deep (at -450mRL), as defined by the base of the indicated and inferred resource within open-pit limits. Further drilling is planned, but is awaiting additional financing.

Scoping study results

A positive scoping study has provided the following estimates for the underground mining project based on a 5mtpa production rate using an inclined conveyor system and sublevel open stoping with paste backfill:

- Capital cost to full production - US$235 million (excluding concentrator expansion)
- Post production capital - US$70 million
- Sustaining capital - US$8 million per annum from year 6
- Mining cost (including development) - US$32 pt
- All costs have an accuracy of +/- 30%.

In addition, the estimated Ni recovery is 76% and the estimated ore dilution is 6%.

The foregoing preliminary assessment is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the preliminary assessment will be realised.

Work is continuing on the underground study and is comprised of detailed mine and scenario planning; geotechnical studies and paste fill characterisation based on tailings.

A 5mtpa underground production capacity would require an expansion of the existing mill facilities to approximately 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 capital cost estimate for such a plant expansion. Such expansion would not require any substantial improvement in infrastructure. The Company intends to study the optimal economic and operational balance between the open-pit, underground and possible mill expansions.

Santa Rita Construction Update

Project construction at the end of January 2009 is now approximately 85% complete, with completion on schedule for commissioning in mid-2009. The status of significant elements of the development of the Santa Rita Project is set out below:

- Approximately 7mt of the expected 9.5mt of required stripping has been removed and delivery of ore to the ROM pad has commenced;
- Installation of the primary crusher has been completed and all equipment has been delivered;
- Delivery of the conveyor equipment and installation thereof is 80% complete;
- Installation of crushed ore stockpile apron feeders has been completed;
- Construction of grinding circuit foundations and steel infrastructure is 95% complete;
- Delivery of the SAG and ball mills is underway;
- Installation of flotation cells with surrounding infrastructure is 90% complete;
- Construction and installation of thickeners is 80% complete;
- Construction of the filter housing is 90% complete and the filter is currently in transit;
- Establishment of the tailings dam is complete; and
- Construction of laboratory offices is 80% complete, with equipment expected to arrive by April 2009.

Share capital

As at 31 December 2008 the Company had a balance 129,791,100 ordinary shares on issue, and a balance of 15,108,900 unlisted options. During the review period 10,000 ordinary shares were issued following the exercise of employee options. A total of 300,000 employee options were issued with an expiry date of 11 September 2012. In addition 1,500,000 options with an expiry date of 7 July 2011 and 3,000,000 options with an expiry date of 7 July 2013 were issued in connection with bridge financing arrangements with Barclays Capital and Credit Suisse International.

In terms of a loan option agreement entered into by the company with Norilsk Nickel Harjavalta Oy ('Norilsk'), the Company granted an option to Norilsk to convert up to US$40 million of its loan to Mirabela Mineracao Brasil Ltda into ordinary shares of the Company at a price of US$8.00 per share, for a total of 5,000,000 ordinary shares, with an expiry of 31 December 2012.

Subsequent Events

Subsequent to the 31 December 2008 balance date, forward foreign exchange contracts to convert US$128.5 million to Brazilian reals have matured, resulting in a BRL58.57 million (US$25.31 million) settlement liability to Barclays Capital and Credit Suisse as counterparties to the trades, now due and payable.

Comparative Information

Comparative information is presented for the 6 month period ended 31 December 2007.

Lead Auditor's Independence Declaration under section 308C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half-year ended 31 December 2008.

Directors' report

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.

Dated at Perth this 4 March 2009.

Signed in accordance with a resolution of the directors:

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Craig Burton

Director

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 review for the half-year ended 31 December 2008 there have been:

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

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

KPMG

KPMG

T Hart
Partner

Perth

4 March 2009

KPMG

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

Report on the financial report

We have reviewed the accompanying half-year financial report of Mirabela Nickel Ltd, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 19 and the directors' declaration set out on page 25 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mirabela Nickel Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

KPMG

Conclusion

Notwithstanding the matter set out in the paragraph below, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mirabela Nickel Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion we draw attention to Note 2 in the financial report setting out matters which indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

T Hart
Partner

Perth

4 March 2009

Consolidated interim income statement

For the six months ended 31 December

In thousands of AUD

	Note	31-Dec-08	31-Dec-07
Professional fees		(365)	(367)
Employee benefits		(3,473)	(2,293)
Depreciation expense		(150)	(42)
Exploration expense		(4,306)	(40)
Development expense		(1,976)	-
Printing, stationery and postage		(143)	(63)
Property lease and overheads		(468)	(257)
Listing and corporate costs		(209)	(99)
Other expenses from ordinary activities		(244)	(461)
Losses from operating activities		(11,334)	(3,622)
Net financial (expense)/ income	7	(51,677)	17,549
(Loss)/ profit before tax		(63,011)	13,927
Income tax benefit/ (expense)	8	14,594	(4,183)
(Loss)/ profit for the period		(48,417)	9,744
Basic (loss)/ earnings per share (cents per share)		(37.30)	7.67
Diluted (loss)/ earnings per share (cents per share)		(37.30)	7.27

The condensed notes on pages 14 to 24 are an integral part

of these consolidated interim financial statements.

Consolidated interim statement of changes in equity

For the six months ended 31 December

In thousands of AUD

Half- year ended 31 December 2008	Issued capital	Accumulated profit/(losses)	Reserves	Total equity
Balance at 1 July 2008	268,971	15,096	9,172	293,239
Transactions charged direct to equity				
Equity settled share based payment transactions	-	-	6,205	6,205
Share issue net of issue costs	10	-	-	10
Hedge reserve	-	-	52,585	52,585
Effect of translation of foreign operations to group presentation currency	-	-	(10,111)	(10,111)
Deferred tax benefit on share issue costs	(745)	-	-	(745)
Deferred tax liability on net hedge position	-	-	(17,793)	(17,793)
Total transactions charged direct to equity	268,236	15,096	40,058	323,390
Net loss for the period	-	(48,417)	-	(48,417)
Balance at 31 December 2008	268,236	(33,321)	40,058	274,973

Half-year ended 31 December 2007	Issued capital	Accumulated profit/(losses)	Reserves	Total equity
Balance at 1 July 2007	265,981	(4,639)	223	261,565
Transactions charged direct to equity	-	-	-	-
Equity settled share based payment transactions	-	-	1,338	1,338
Share issue net of issue costs	447	-	-	447
Effect of translation of foreign operations to group presentation currency	-	-	2,221	2,221
Deferred tax benefit on share issue costs	2,857	-	-	2,857
Total transactions charged direct to equity	269,285	(4,639)	3,782	268,428
Net profit for the period	-	9,744	-	9,744
Balance at 31 December 2007	269,285	5,105	3,782	278,172

The condensed notes on pages 14 to 24 are an integral part

of these consolidated interim financial statements.

Consolidated interim balance sheet

As at 31 December 2008

In thousands of AUD

	Note	31-Dec-08	30-Jun-08
Assets			
Cash and cash equivalents	9	13,049	45,955
Trade and other receivables		1,422	1,275
Other financial assets	10	-	34,585
Total current assets		14,471	81,815
Property, plant and equipment	11	552,895	268,765
Exploration and evaluation expenditure	12	-	5,664
Non-current hedge asset	13	148,521	-
Total non-current assets		701,416	274,429
Total assets		715,887	356,244
Liabilities			
Trade and other payables		69,905	50,391
Provisions		139	150
Provision for income tax		7,322	8,819
Loans and borrowings	18	116,914	-
Current hedge liability	13	56,440	-
Total current liabilities		250,720	59,360
Deferred Tax Liability		9,220	3,645
Loans and borrowings	18	120,964	-
Derivative liability		85	-
Rehabilitation provision		20,558	-
Non-current hedge liability	13	39,367	-
Total non-current liabilities		190,194	3,645
Total liabilities		440,914	63,005
Net assets		274,973	293,239
Equity			
Contributed equity	15	268,236	268,971
Reserves	16	40,058	9,172
Accumulated profit/(losses)		(33,321)	15,096
Total equity		274,973	293,239

The condensed notes on pages 14 to 24 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of cash flows

For the six months ended 31 December

In thousands of AUD

	31-Dec-08	31-Dec-07
Cash flows from operating activities		
Cash paid to suppliers and employees	(2,568)	(2,254)
Net cash used in operating activities	(2,568)	(2,254)
Cash flows from investing activities		
Proceeds from the settlement of forward contracts	14,050	3,942
Acquisition of property, plant and equipment	(235,755)	(40,452)
Payment for exploration expenditure	(13,215)	-
Payment of hedge premium	(4,008)	(1,172)
Net cash used in investing activities	(238,928)	(37,682)
Cash flows from financing activities		
Proceeds from the issue of share capital	10	643
Share issue cost	-	(196)
Proceeds from loans and borrowings	208,108	4,958
Interest received	1,134	-
Net cash from financing activities	209,252	5,405
Net decrease in cash and cash equivalents	(32,244)	(34,531)
Cash and cash equivalents at 1 July	45,955	216,307
Effect of exchange rate fluctuations on cash held	(662)	(4,113)
Cash and cash equivalents at 31 December	13,049	177,663

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Notes to the consolidated interim financial report

1. REPORTING ENTITY

Mirabela Nickel Limited is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the (the 'Company').

The consolidated annual financial report of the Company as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000, or at www.mirabelanickel.com.au.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, IAS 34: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Company as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 4 March 2009.

Financial Position

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in this consolidated interim financial report are the same as those applied by the Company in its consolidated financial report as at and for the year ended 30 June 2008. In addition to the accounting policies listed in the consolidated financial report for 30 June 2008 Mirabela has adopted the following accounting policies:

Derivative financial instruments

The Company holds derivative financial instruments to hedge its risks associated with commodity prices and foreign currency fluctuations. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, derivatives are re-measured at fair value. The unrealised gain or loss on re-measurement is immediately recognised in the income statement, except where a derivative is designated a hedge for accounting purposes.

Hedge accounting

Derivatives designated as hedges are accounted for using hedge accounting. For those derivatives the Company documents the relationship between the derivative and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

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 transaction costs 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.

4. ESTIMATES

The preparation of a financial report in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Significant estimates and assumptions include those related to the carrying value of the Santa Rita Project, financial instruments, stock based compensation and the determination as to whether certain costs are expensed or deferred.

While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. A summary of the critical accounting estimates is below.

Santa Rita Mine Development Costs

The recoverability of mine development costs through exploitation of the ore reserve (or sale of the mining asset) is dependent on a series of assumptions. The assessment of fair value involves geological and economic estimates and assumptions. The estimates may change based on additional knowledge gained subsequent to the assessment. This may include additional data available from continued development activities, the impact of economic factors such as changes in the price of nickel, the cost of construction and development or the cost of future components of production.

As required under accounting standards AASB 136, the carrying value of the Santa Rita Project has been tested for impairment. The value of the project assets was calculated by determining the ungeared net present value of cashflows contained in the Santa Rita life-of-mine financial model. Sensitivity scenarios were run using a discount rate between 14.1% and 14.6%, nickel prices between US$5.70/lb and US$6.10 from 2009 to 2012 and US$6.30/lb for the period after 2012 and a US dollar/ Brazilian real exchange rate of 2.20. On the basis of the outcome of that impairment test it was determined that no adjustment is required to the carrying value of the project assets.

Derivative Financial Instruments

The Company uses metal and foreign-exchange forward contracts to manage financial risks associated with its underlying business activities and the financing of those activities. All of the Company's forward contracts as at 31 December 2008 are recorded using hedge accounting, under which the effective portion of the forward contracts is recognised in equity and the ineffective portion is recognised in the income statement. The financial statements entries have been prepared on the assumption that hedges existing as at 31 December 2008 will continue to be highly effective (80% - 125%) on a prospective and retrospective basis.

Rehabilitation Provision

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 Company relies on estimates from 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 Company has recognised a liability of A$20.56 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. Future changes to the rehabilitation obligation will be prospectively reflected in the year the estimates change.

Share Based Payments
The Company utilises the binomial model for valuing options issued. The value derived from the option pricing model is highly subjective and dependent on the input assumptions made. These input assumptions include the price of an underlying share, valuation date, life of the option, expected volatility of the share price, risk-free rate of interest, dividends expected and vesting conditions. The fair value of the option on recognition is either expensed or capitalised depending on the nature of the service received.

5. FINANCIAL RISK MANAGEMENT
The Consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

6. SEGMENT REPORTING
The Company operates in one business and geographical segment, namely mineral exploration and development in Brazil.

7. NET FINANCIAL INCOME

	Six months ended	
	31-Dec-08 AUD (000)	**31-Dec-07 AUD (000)**
Interest received	1,134	4,958
Derivative income (i)	6,641	-
Realised foreign exchange gain/ (loss)	64	(4,114)
Financial income	7,839	844
(Loss)/ gain on settlement on forward contracts	(20,535)	3,942
Hedge premium	(4,008)	-
Unrealised loss on forward contracts	-	(1,850)
Unrealised foreign exchange (loss)/ gain	(34,973)	14,613
Financial (expense)/ income	(59,516)	16,705
Net financial (expense)/ income	(51,677)	17,549

(i) Derivative income relates to the Norilsk Loan Agreement pursuant to which Norilsk has an option to convert up to US$40 million of that loan into ordinary shares of Mirabela at a price of US$8.00 per share up to maximum of 5 million shares. This option is a derivative liability to Mirabela. At the date of the Norilsk Offtake Loan the derivative was valued at A$6.725 million which will be amortised over the life of the loan. As at 31 December 2008 the fair value of the liability was reduced to A$0.085 resulting in derivative income of A$6.641 million.

8. INCOME TAX EXPENSE

	31-Dec-08 AUD (000)	**31-Dec-07 AUD (000)**
Current income	1,497	(669)
Deferred tax benefit/ (expense)	13,097	(3,514)
Income tax benefit/ (expense) reported in income statement	14,594	(4,183)

9. CASH AND CASH EQUIVALENTS

	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Cash at bank	10,357	35,905
Term deposits	2,692	10,050
	13,049	45,955

10. OTHER FINANCIAL ASSETS

	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Current		
Financial assets designated at fair value through profit or loss	-	34,585
	-	34,585

During the six months Mirabela closed out all non deliverable forward foreign exchange contracts held at 30 June 2008. As these contracts were accounted for as derivatives the loss on the close out of these contracts is accounted for through profit and loss (refer to note 7).

11. PROPERTY, PLANT AND EQUIPMENT

	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Plant and equipment		
Plant and equipment at cost	3,501	5,884
Less: accumulated depreciation	(371)	(220)
Carrying value of plant and equipment	3,130	5,664
Capital work in progress		
Deposits for acquisition of plant and equipment	-	6,365
Carrying value of capital work in progress	-	6,365
Land		
Acquisition of land at cost	13,373	14,818
Carrying value of land	13,373	14,818
Mine development asset		
Mine development asset at cost	536,392	241,918
Carrying value of mine development asset	536,392	241,918
	552,895	268,765

Reconciliation of carrying amounts of each class of property, plant & equipment	31-Dec-08	30-Jun-08
Plant and equipment at cost	AUD (000)	AUD (000)
Balance at the beginning of the year	5,884	664
Transfer to mine development asset	(3,141)	(184)
Acquisitions	758	5,314
Disposals	-	(29)
Effect of movements in foreign exchange	-	119
Balance at the end of the year	3,501	5,884
Plant and equipment - depreciation and impairment losses		
Balance at the beginning of the year	(220)	(100)
Depreciation charge for the year	(151)	(120)
Disposals	-	-
Balance at the end of the year	(371)	(220)
Carrying amounts of plant and equipment		
Balance at the beginning of the year	5,664	564
Balance at the end of the year	3,130	5,664
Capital work in progress		
Balance at the beginning of the year	6,365	3,868
Deposits on acquisition of plant and equipment	-	2,497
Refund of deposits on acquisition of plant and equipment	(6,365)	-
Balance at the end of the year	-	6,365
Carrying amounts of capital work in progress		
Balance at the beginning of the year	6,365	3,868
Balance at the end of the year	-	6,365
Land		
Balance at the beginning of the year	14,818	2,321
Transfer to mine development asset	(1,192)	
Acquisition of land	-	12,043
Effect of movements in foreign exchange	(253)	454
Balance at the end of the year	13,373	14,818
Carrying amounts of land		
Balance at the beginning of the year	14,818	2,321
Balance at the end of the year	13,373	14,818
Mine development asset		
Balance at the beginning of the year	241,918	-
Transfer from exploration expenditure	14,009	37,050
Transfer from land	1,192	-
Transfer from plant & equipment	3,141	
Expenditure incurred during the period	267,808	202,852
Restoration & rehabilitation provided for	20,558	-
Expenditure written off during the period	(1,976)	-
Effect of movements in foreign exchange	(10,258)	2,016
Balance at the end of the year	536,392	241,918
Carrying amounts of mine development asset		
Balance at the beginning of the year	241,918	-
Balance at the end of the year	536,392	241,918
Carrying amount of property, plant and equipment	552,895	268,765

12. EXPLORATION AND EVALUATION

	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Balance at the beginning of the year	5,664	37,146
Expenditure incurred during the period	13,215	(37,050)
Transfer to mine development asset	(14,009)	5,612
Expenditure written off during the period	(4,306)	(72)
Effect of movements in foreign exchange	(564)	28
Balance at the end of the year	-	5,664

13. HEDGE ASSET/ LIABILITY

	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Non-current asset		
Nickel hedges	116,921	-
Copper hedges	31,600	-
	148,521	-
Current liability		
Foreign exchange hedges	56,440	-
	56,440	-
Non-current liability		
Foreign exchange hedges	39,367	-
	39,367	-

All of the Company's unexpired forward contracts are recorded using hedge accounting. The Company has foreign exchange forward contracts to sell US$304,330,692 and receive BRL601,239,964 (1.98 effective exchange rate) entered between December 2008 and July 2013.

Metal forward contracts comprise 17,002 tonnes of nickel at an average price of US$8 per pound and 8,952 tonnes of copper at an average price of US$2.73 per pound. The metal forward contracts will settle between July 2010 and March 2015.

14. CAPITAL COMMITMENTS

	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Operating lease commitments		
Non- cancellable operating lease rentals are payable as follows:		
Within one year	353	345
One year or later and no later than five years	1,532	1,503
Greater than five years	650	859
	2,535	2,707
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	100	102
	100	102
Capital Expenditure commitments		
Contracted but not provided for and payable:		
Within one year	45,677	92,296
	45,677	92,296

15. CAPITAL

The Company recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares:

For the six months ended 31 December 2008

	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
	Closing balance	129,791,100		266,791,874
	Less:			
	Share issue costs			
	Add:			
	Deferred tax benefit on deductible share issue costs			1,444,458
				268,236,332

For the six months ended 31 December 2007

	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
07-Nov-07	Options converted	300,000	$0.60	180,000
07-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
	Closing balance	127,771,100		266,623,054
	Less:			
	Share issue costs			(195,866)
	Add:			
	Deferred tax benefit on deductible share issue costs			2,857,314
				269,284,502

No dividends were paid by the Company.

Unlisted options on issue as at 31 December 2008.

Expiry Date	**Exercise Price**	**Number of Options**
30/06/2009	A$0.60	650,000
30/04/2010	A$0.95	808,900
23/02/2011	A$5.60	1,800,000
30/06/2011	A$6.20	1,400,000
7/09/2011	A$6.20	300,000
31/12/2011	A$6.20	350,000
11/09/2012	A$6.20	300,000
7/07/2011	A$7.22	1,500,000
31/12/2012	US$8.00	5,000,000
7/07/2013	A$3.00	3,000,000
		15,108,900

16. RESERVES

	Consolidated	
	31-Dec-08 AUD (000)	30-Jun-08 AUD (000)
Share based payments reserve	10,158	3,953
Foreign currency translation reserve	(4,892)	5,219
Hedge reserve	34,792	-
	40,058	9,172

17. SHARE BASED PAYMENTS

Employee share based payments

In 2005 Mirabela Nickel Ltd established a share option plan that entitles key management personnel and consultants to purchase shares in the entity. Terms and conditions of the share option plan are as disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted, and expensed over the vesting period of the options. A share based payment expense of $2,500,196 (included in employee benefit expense) was recognised during the review period in respect of employee options outstanding as at 31 December 2008 (31 December 2007: $1,337,820 share based payments expense).

Options granted to key management personnel and consultants during the period under review were:

Grant Date	Number of Instruments	Exercise Price	Vesting Conditions	Contractual life of options
11/09/2008	200,000	$6.20	2 years of service	4 years
11/09/2008	100,000	$6.20	2 years of service	4 years

The estimate of the fair value of the services received is measured based on the binomial option pricing method. The contractual life of the option is used as an input into the model. Expectations of early exercise are incorporated into the binomial option-pricing method.

	Consultant & Employee Options issued on 11 September 2008
Fair value at measurement date	$1.63
Share price on grant date	$4.08
Exercise price	$6.20
Expected volatility *(expressed as weighted average volatility used in the modeling under binominal option-pricing model)*	60
Option life *(expressed as weighted average life used in the modeling under binominal option-pricing model)*	4 years
Expected dividends	-
Risk-free interest rate *(based on national government bonds)*	5.58%

Other share based payments
Options granted under financing arrangements to Barclays Capital and Credit Suisse were:

Grant Date	Number of Instruments	Exercise Price	Vesting Conditions	Contractual life of options
8/7/08	400,000	$7.22	Signing agreement	3 years
8/7/08	600,000	$7.22	Signing agreement	3 years
8/7/08	500,000	$7.22	Drawdown of greater than US$50m	3 years
24/11/08	3,000,000	$3.00	Signing agreement	4.6 years

The fair value of the options granted is measured using the binomial method. 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 fair value of the options under the financing arrangements is capitalised as borrowing costs of $3,529,664 to be amortised to the mine development asset over the life of the loan.

	Financing options issued on 8 July 2008	Financing options issued on 24 November 2008
Fair value at measurement date	$1.93	$0.27
Share price on grant date	$5.30	$1.15
Exercise price	$7.22	$3.00
Expected volatility *(expressed as weighted average volatility used in the modeling under binominal option-pricing model)*	60	55
Option life *(expressed as weighted average life used in the modeling under binominal option-pricing model)*	3 years	4.6 years
Expected dividends	-	-
Risk-free interest rate *(based on national government bonds)*	6.71%	3.93%

18. LOANS AND BORROWINGS

The following loans and borrowings (non-current and current) were acquired during the six months ended 31 December 2008:

In thousands of AUD		Currency	Interest rate nominal	Interest rate effective	Face value	Carrying amount	Year of maturity
New issues							
Loan acquired	(i)	USD	LIBOR + 3.50% to 8.00%	LIBOR + 3.60% to 8.39%	116,914	116,914	2009
	(ii)	USD	LIBOR + 3.50%	LIBOR + 3.61%	69,021	69,021	2010 to 2012
	(iii)	BRL	14.69% var	10.92% var	51,943	51,943	2009 to 2013
Balance at 31 December 2008					237,878	237,878	

(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 have provided a term loan of US$80 million (A$116.914 million), available to the final maturity date of 30 June 2009. Interest is payable at LIBOR plus a margin of 5% to 8%, variable according to the duration of the loan period. The loan was fully drawn to US$50 million with effect 29 October 2008. In connection with the facility, the Company has issued 750,000 options to each of the lenders to purchase ordinary shares in the capital of Mirabela at an exercise price of A$7.22 per share, with expiry on 7

July 2011. Under an amendment to the bridge financing agreement 1,500,000 options were issued to each of Barclays and Credit Suisse exercisable at $3.00 per share, with an expiry of 7 July 2013 (refer to note 17).

(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 (A$69.021 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 bridge facility with Barclays Capital and Credit Suisse and senior secured loan with the lenders. Interest is payable at LIBOR plus a 3.50% margin once the bridge facility has been repaid and 4.5% prior to then. The loan amount is repayable in monthly instalments from 30 September 2010 to 31 December 2012. Overdue amounts incur a 1% p.a. higher interest rate during the period of non-payment. In addition, under an offtake loan option agreement, Norilsk has an option to convert up to US$40 million of the US$50 million loan into ordinary shares of Mirabela at a price of US$8.00 per share for a maximum of 5 million shares. The value of the option is a derivative liability of Mirabela. At the date of the Norilsk Offtake Loan the derivative was valued at A$6.725 million which will be amortised over the life of the loan. As at 31 December 2008 the fair value of the liability was reduced to A$0.085 million resulting in derivative income of A$6.641 million.

(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 (A$51.943 million). The facility is subordinated to the bridge facility with Barclays Capital and Credit Suisse and senior secured loan with the lenders. Interest is payable at 110% of the referential average for interbank deposits 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.

19. SUBSEQUENT EVENTS

Subsequent to the 31 December 2008 balance date, forward foreign exchange contracts to convert US$128.5 million to Brazilian reals have matured, resulting in a BRL58.57 million (US$25.31 million) settlement liability to Barclays Capital and Credit Suisse as counterparties to the trades, now due and payable.

Director's declaration

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

1. the financial statements and notes set out on pages 10 to 24, are in accordance with the Corporations Act 2001 including:

    (a) giving a true and fair view of the financial position of the Company as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

    (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2004; and

2. notwithstanding the disclosure contained at note 2 in relation to the Company's financial position there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated in Perth this 4th day of March 2009.

Signed in accordance with a resolution of directors:

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Craig Burton
Director