

ASX Code: MBN  
TSX Code: MNB

Number of shares:  
367,162,725

---

## Quarterly Activity Report For The Period Ended 30 June 2010

---

Perth, Australia – 27 July 2010: Mirabela Nickel Limited (“Mirabela” or the “Company”) is pleased to announce its unaudited second quarter results for the period ended 30 June 2010.

### HIGHLIGHTS

- Production increases to 2,304 tonnes of nickel in concentrate for the quarter (Q1: 1,991)
- Sales of 2,505 tonnes of nickel in concentrate for the quarter (Q1: 1,987)
- Proven processing plant and installed mining fleet capacity of 4.6Mtpa of ore
- Unit cash cost of US\$7.62/lb; expected to decrease during second half of the year with increased production levels (Q1: US\$8.12/lb)
- Strengthening of operations management team with appointment of new mining and maintenance professionals
- Cash balance at 30 June 2010: US\$30 million and cash flow targets met
- 2010 production guidance: tracking towards 10,500 tonnes of nickel in concentrate

### SANTA RITA PROJECT

Ramp up of the Santa Rita operations continued during the second quarter of 2010. All key production parameters continued to improve quarter on quarter, despite a slower than targeted ramp up in mining rates.

Significant progress has been made in the mining operations with improved mine operating procedures and mobile fleet maintenance performance resulting in increasing productivity. Mobile fleet availability remains a short term challenge, particularly on the shovels, as maintenance and spare part arrangements are finalised with local service providers.

The processing plant continues to perform well with a monthly recovery record of 56% achieved for June, despite the processing of a proportion of low grade ore during that month. Production levels were restricted by mine ore deliveries and non-recurring, unplanned plant maintenance issues.

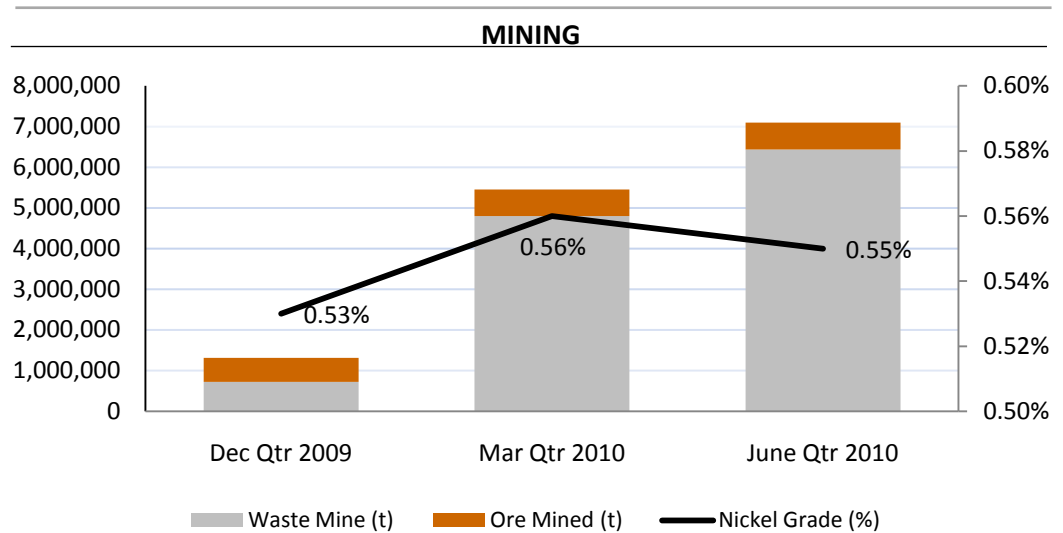
Since commencing operations the project’s good safety performance has continued and remains ahead of the Brazilian mining average. The Lost Time Injury Frequency Rate for the first half of the year was 1.5, with one lost time injury occurring in each quarter. The implementation of safety training and safety improvement programmes is continuing.

**Production Statistics**

		Q2 2010	Q1 2010
<b>Mining</b>			
Total Material Mined	Tonnes	7,099,000	5,456,000
Ore Mined	Tonnes	663,000	653,000
Nickel Grade	%	0.55*	0.56*
<b>Processing</b>			
Total Ore Processed	Tonnes	840,000	778,000
Nickel Grade	%	0.52*	0.51*
Copper Grade	%	0.13	0.15
Cobalt Grade	%	0.02	0.02
Nickel Recovery	%	52	48
Copper Recovery	%	67	62
Cobalt Recovery	%	30	28
Nickel in Concentrate Produced	DMT	2,304	1,991
Copper in Concentrate Produced	DMT	764	721
Cobalt in Concentrate Produced	DMT	40	35
<b>Sales</b>			
Nickel in Concentrate Sold	DMT	2,505	1,987
Copper in Concentrate Sold	DMT	824	721
Cobalt in Concentrate Sold	DMT	43	36

*\* The primary difference between the grade mined and the grade processed is due to the additional processing of lower grade material (not classified as ore) whilst the ramp up of the mining operation is catching up to the processing plant.*

**Mining**



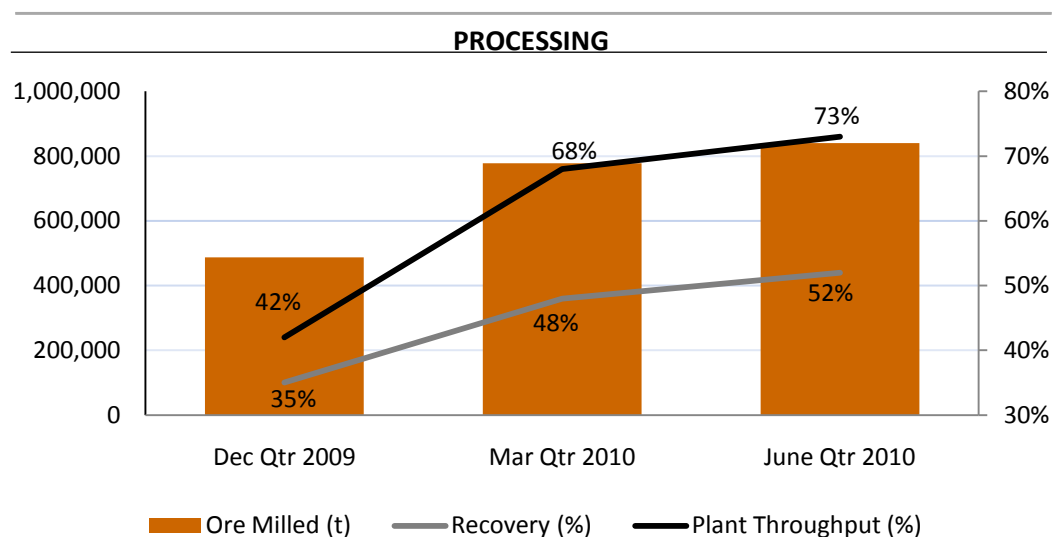
During the second quarter all ore production came from the northern end of the ore body. Pre-stripping at the southern end and initial pre-stripping of the central part of the ore body has now been completed and the contractor fleet was demobilised during June. First ore production from the southern end of the ore body is expected during the third quarter, with removal of supergene ore currently being completed.

During the June quarter a total of 663,000 tonnes of ore was mined at an average nickel grade of 0.55%. As planned, waste removal increased substantially in order to open up the strike length of the open pit, which will provide more mining flexibility and continue the progress towards full production levels. Encouragingly, during the quarter, mined ore grades in excess of 0.60% were achieved for periods of time as higher grade ore benches were uncovered and mining operating procedures improved.

The mining operations continue to ramp up as management improve equipment availability levels and operator productivity. During the quarter the productivity and quality of the drill and blast operations were increased to target levels and general mine housekeeping and procedures also improved. The truck fleet availability is on target and maintenance supplier arrangements are working well. Whilst target material movement levels were achieved at times during the quarter, the current restricting factor to sustainable mining production levels is shovel availability. Significant improvement is expected during the third quarter as critical spare parts are made available by the supplier, the CAT 994 front end loader is commissioned and a hire shovel is added to the fleet.

The chloritic altered material continues to be present in the north pit ore. As evidenced by the quarter on quarter improvement in recovery, Mirabela now has an effective two pronged strategy in place to deal with this material, firstly, the use of dispersants and a secondary collector in the processing plant reagent regime and, secondly, improved blasting and stockpile control. The full benefits of the improved blasting and stockpile control will be realised once the mining operations deliver ore volumes ahead of the processing plant requirements enabling better blending. Investigations continue to determine the prevalence and depth profile of the chloritic altered material.

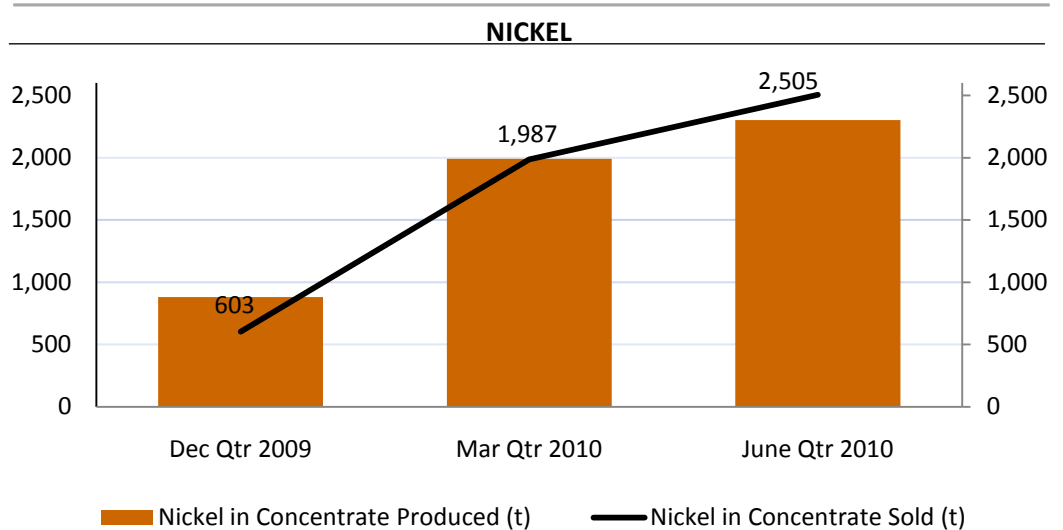
### **Processing**



The processing plant continues to perform well as recovery performance and production levels continue to improve quarter on quarter. Furthermore, the plant has run for extended periods of time at the nameplate capacity of 4.6Mtpa. During the quarter a total of 840,000 tonnes of ore was milled at an average recovery of 52% for the quarter, with June's recovery rate at 56% despite the blending of low grade ore into the mill feed. Plant throughput improved to 73% for the quarter but was restricted by the mining rate and maintenance issues with the SAG mill grates and ball mill liners.

During the quarter a total of 2,304 tonnes of contained nickel in concentrate, 764 tonnes of contained copper in concentrate, and 40 tonnes of contained cobalt in concentrate were produced. All production continued to be within contract specifications and 2,505 tonnes of nickel in concentrate was sold to Mirabela's domestic customer, Votorantim Metais Niquel S.A.

Total nickel production for the first half of the year is 4,295 tonnes of nickel in concentrate. Full year production guidance is currently tracking at 10,500 tonnes nickel in concentrate.



**Unit Cash Costs**

Unit Cash Costs		Q2 2010	Q1 2010
Payable Nickel Production*	Lbs	<b>4,520,728</b>	3,906,565
Mining Cost	US\$/lb	<b>3.36</b>	3.46
Processing Costs	US\$/lb	<b>2.64</b>	2.84
Administration Cost	US\$/lb	<b>1.11</b>	1.06
Transport/Shipping Cost	US\$/lb	<b>0.08</b>	0.12
By-Product Credit**	US\$/lb	<b>(1.14)</b>	(0.95)
Operating Unit Cash Cost	US\$/lb	<b>6.06</b>	6.52
Smelter Charges	US\$/lb	<b>1.57</b>	1.60
C1 Unit Cash Cost***	US\$/lb	<b>7.62</b>	8.12
Realised Nickel Price**	US\$/lb	<b>11.61</b>	9.70

\* Average Payability of 89%

\*\* Including prior period QP adjustments and excluding hedging

\*\*\* Excludes Royalty (5.5%)

\*\*\*\* Average exchange rates for Q2: US\$/Real 1.79 (Q1: 1.80)

The unit cash cost of production for the second quarter was US\$7.62 per pound of nickel. Whilst the unit costs have reduced from the first quarter of 2010, the unit cash cost is not reflective of the expected project cash cost as the operation is still in ramp up mode.

Unit cash costs are expected to fall during the third and fourth quarters of 2010 as operations settle and production levels increase. Mining, processing and administration unit costs will all fall with increased production levels whilst transport unit costs are expected to rise when shipping concentrate to Norilsk Nickel commences.

## **CORPORATE**

### ***Cash Position & Hedging***

As at 30 June 2010, Mirabela held balances of cash on hand and on deposit of AU\$35 million (US\$30 million), plus US\$10 million held in the Santa Rita project contingency reserve account. The cash burn for the period (AU\$9 million) was in line with management expectations.

Nickel quotation period hedging was secured for March and April sales at an average price of US\$12.09 per pound. These hedges were settled during June and July.

### ***Share Capital***

As at 30 June 2010 the Company's issued share capital consisted of 367,162,725 ordinary shares, and a balance of 13,300,000 unlisted options were outstanding.

The sum of 326,900 ordinary shares was issued upon exercise of options.

### **Contact Details**

Bill Bent  
Vice President, Business Development  
Mirabela Nickel Limited  
Telephone: +61 433 790 070  
billb@mirabela.com.au

Alex Buck  
Director  
Buckbias  
Telephone: +44 7932 740 452  
alex@buckbias.com