MIRABELA NICKEL
LTD

ABN 23 108 161 593

Unaudited Condensed Consolidated Interim Financial Report

For the six months ended June 30, 2010

Expressed in thousands of Australian dollars (A$000) unless otherwise stated

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Unaudited condensed consolidated interim statement of income and comprehensive income
For the three and six months ended June 30, 2010 and 2009

	Note	Three months ended		Six months ended	
		30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
		A$000	A$000	A$000	A$000
Sales revenue		60,152	-	106,022	-
Treatment, refining and transport charges		(8,461)	-	(15,869)	-
Net sales revenue		**51,691**	**-**	**90,153**	**-**
Direct costs		(44,395)	-	(68,078)	-
Royalties		(2,390)	-	(4,253)	-
Depreciation, amortisation and depletion		(9,710)	-	(17,371)	-
Cost of sales		**(56,495)**	**-**	**(89,702)**	**-**
Gross (loss)/ profit		**(4,804)**	**-**	**451**	**-**
Expenses					
General and administration		(1,762)	(2,784)	(4,062)	(5,178)
Financial (expenses)/ income	*7*	(5,773)	(19)	(11,452)	45
Derivative gain/ (loss)	*8*	19,330	(10,207)	2,034	(14,575)
Foreign exchange (loss)/ gain		(1,011)	36,397	(6,042)	36,707
Other expenses		(91)	(2,241)	(206)	(3,486)
		10,693	21,146	(19,728)	13,513
Profit/ (loss) before income tax		5,889	21,146	(19,277)	13,513
Income tax benefit/ (expense)		-	3,637	-	(2,745)
Profit/ (loss) for the period		**5,889**	**24,783**	**(19,277)**	**10,768**
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
Foreign currency translation differences		37,819	(7,383)	17,173	(4,259)
Net change in fair value of cash flow hedges		109,207	(40,993)	(16,127)	(3,766)
Other comprehensive income/ (expense) for the period		**147,026**	**(48,376)**	**1,046**	**(8,025)**
Total comprehensive income/ (expense) for the period		**152,915**	**(23,593)**	**(18,231)**	**2,743**
EARNINGS PER SHARE					
Basic earnings/ (loss) per share (cents per share)		1.60	9.19	(5.29)	5.38
Diluted earnings/ (loss) per share (cents per share)		1.60	9.15	(5.29)	5.35
Weighted basic average number of shares outstanding (000’s)		367,102	269,807	364,250	200,186
Weighted diluted average number of shares outstanding (000’s)		367,163	270,838	364,463	201,188

The accompanying condensed notes form part

of these condensed consolidated interim financial statements.

Unaudited condensed consolidated interim statement of changes in equity
For the six months ended June 30, 2010 and 2009

	Attributable to equity holders of the Company					
	Issued capital A$000	Translation reserve A$000	Share based payments reserve A$000	Hedging reserve A$000	Accumulated profit/ (losses) A$000	Total equity A$000
Balance at January 1, 2010	600,500	(7,261)	14,600	(13,493)	(21,343)	573,003
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD						
Loss for the period	-	-	-	-	(19,277)	(19,277)
Other comprehensive income/ (expense)						
Foreign currency translation differences	-	17,173	-	-	-	17,173
Net change in fair value of hedges	-	-	-	(16,127)	-	(16,127)
Total other comprehensive income/ (expense)	-	17,173	-	(16,127)	-	1,046
Total comprehensive income/ (expense) for the period	-	17,173	-	(16,127)	(19,277)	(18,231)
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	27,367	-	-	-	-	27,367
Share based payment transactions	-	-	511	-	-	511
Total transactions with equity holders	27,367	-	511	-	-	27,878
Balance at June 30, 2010	**627,867**	**9,912**	**15,111**	**(29,620)**	**(40,620)**	**582,650**
Balance at January 1, 2009	268,236	(4,892)	10,158	34,792	(33,321)	274,973
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD						
Profit for the period	-	-	-	-	10,768	10,768
Other comprehensive expense						
Foreign currency translation differences	-	(4,259)	-	-	-	(4,259)
Net change in fair value of hedges	-	-	-	(3,766)	-	(3,766)
Total other comprehensive expense	-	(4,259)	-	(3,766)	-	(8,025)
Total comprehensive (expense)/ income for the period	-	(4,259)	-	(3,766)	10,768	2,743
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	184,071	-	-	-	-	184,071
Share based payment transactions	-	-	2,356	-	-	2,356
Total transactions with equity holders	184,071	-	2,356	-	-	186,427
Balance at June 30, 2009	**452,307**	**(9,151)**	**12,514**	**31,026**	**(22,553)**	**464,143**

The accompanying condensed notes form part

of these condensed consolidated interim financial statements.

Unaudited condensed consolidated interim statement of financial position
As at June 30, 2010 and 2009

	Note	30-Jun-10 A$000	31-Dec-09 A$000
ASSETS			
Cash and cash equivalents	*9*	47,487	59,123
Trade and other receivables	*10*	60,987	11,691
Inventories	*11*	12,590	-
Derivative financial instruments	*12*	7,429	7,724
Total current assets		**128,493**	**78,538**
Deferred tax asset		-	6,951
Property, plant and equipment	*13*	990,221	979,618
Exploration and evaluation assets	*14*	549	179
Derivative financial instruments	*12*	7,470	10,140
Total non-current assets		**998,240**	**996,888**
Total assets		**1,126,733**	**1,075,426**
LIABILITIES			
Trade and other payables		64,767	39,559
Provisions		1,837	980
Borrowings	*15*	67,348	44,914
Derivative financial instruments	*12*	44,815	17,865
Total current liabilities		**178,767**	**103,318**
Borrowings	*15*	300,686	313,717
Derivative liability - option	*16*	1,250	2,660
Provision for rehabilitation		21,709	21,041
Derivative financial instruments	*12*	41,671	61,687
Total non-current liabilities		**365,316**	**399,105**
Total liabilities		**544,083**	**502,423**
Net assets		**582,650**	**573,003**
EQUITY			
Contributed equity	*17*	627,867	600,500
Reserves		(4,597)	(6,154)
Accumulated losses		(40,620)	(21,343)
Total equity		**582,650**	**573,003**

The accompanying condensed notes form part

of these condensed consolidated interim financial statements.

Unaudited condensed consolidated interim statement of cash flows
For the three and six months ended June 30, 2010 and 2009

		Three months ended		Six months ended	
		30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	Note	**A$000**	**A$000**	**A$000**	**A$000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		59,504	-	80,282	-
Cash paid to suppliers and employees		(54,781)	(1,370)	(97,160)	(2,074)
Interest received		162	-	320	46
Net cash from/ (used in) operating activities		**4,885**	**(1,370)**	**(16,558)**	**(2,028)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(7,079)	(249,194)	(12,056)	(260,767)
Payment for exploration and evaluation expenditure		(369)	221	(370)	(128)
Net cash used in investing activities		**(7,448)**	**(248,973)**	**(12,426)**	**(260,895)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital		311	194,074	28,136	194,074
Share issue cost		(95)	(10,387)	(769)	(11,041)
Interest paid		(5,263)	(19)	(7,851)	(1)
Proceeds from borrowings		-	208,766	-	208,766
Repayment of borrowings		(2,195)	(102,477)	(3,241)	(102,477)
Net cash (used in)/ from financing activities		**(7,242)**	**289,957**	**16,275**	**289,321**
Net (decrease)/ increase in cash and cash equivalents		**(9,805)**	**39,614**	**(12,709)**	**26,398**
Cash and cash equivalents at the beginning of the period		**55,198**	**3,600**	**59,123**	**13,049**
Effect of exchange rate fluctuations on cash held		**2,094**	**(1,120)**	**1,073**	**2,647**
Cash and cash equivalents at end of the period	*9*	**47,487**	**42,094**	**47,487**	**42,094**

The accompanying condensed notes form part

of these condensed consolidated interim financial statements.

Notes to unaudited condensed consolidated interim financial report
For the six months ended June 30, 2010

1. Reporting entity

Mirabela Nickel Limited is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the period ended June 30, 2010 comprises the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the mining, development and exploration of mineral properties in Brazil.

The consolidated annual financial report of the Company as at and for the period ended December 31, 2009 is available upon request from the Company's registered office at Level 21, Allendale Square, 77 St Georges Terrace, Perth 6000, or at www.mirabela.com.au.

2. Basis of preparation

Statement of compliance

The condensed 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 condensed 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 financial period ended December 31, 2009.

This condensed consolidated interim financial report was approved by the Board of Directors on August 12, 2010.

Basis of measurement

The condensed consolidated interim financial report has been prepared on the historical cost basis except for the following:

- derivative financial instruments 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 the consolidated annual financial report as at and for the financial period ended December 31, 2009.

Functional and presentation currency

The condensed consolidated interim financial report is 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 Group's entities is measured using the currency of the primary economic environment in which that entity operates.

Financial Position

For the half year ended 30 June 2010 the Company incurred a loss of A$19.277 million. The Company held cash on hand and on deposit as at 30 June 2010 of A$47.487 million (US$40.017 million), including US$10 million held in the Santa Rita Project contingency reserve account. As at 30 June 2010 the Company has a net working capital deficit of A$50.274 million, which includes A$22.731 million of net commodity derivative liabilities that will be settled by physical delivery of the underlying commodity. At 30 June 2010 the Group held net assets of A$582.650 million.

The Company has prepared a revised Life of Mine plan in accordance with the methodology contemplated in the Company's Senior Debt Facility. This plan reflects current production information and incorporates the delayed construction and operational ramp up timetable when compared to the definitive feasibility study on which the Senior Debt Facility was based. The revised plan indicates further cash outflows resulting in a requirement to raise additional funds. This, together with the delayed construction and ramp up, creates potential covenant issues under the Senior Debt Facility. The extent of these issues will depend on the amount of funds raised, actual operational performance and realised nickel prices. The Company is in full compliance with its facility covenants as at the date of this report.

The Company is working with the Senior Lenders to address these potential issues and is currently taking advice in relation to third party financing either by way of an equity raising or debt or a combination of the two for the purposes of debt servicing requirements, growth capital and general working capital. The timing, size and structure of the equity raising and/or debt financing are yet to be determined and will be affected by prevailing market conditions, however, it is currently planned to complete such financing during the third or fourth quarter of 2010.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. Should the Company not be successful in achieving forecast cash flows, not raise additional funds, and fail to comply with the Senior Debt Facility, it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

Financing

On 11 January 2010 the Company completed a private placement of 5.5 million special warrants at a price of C$2.23 (A$2.30) per special warrant primarily to Canadian investors, raising gross proceeds of C$12.265 million (A$12.650 million). On 9 February 2010 the Company issued 5,500,000 ordinary shares upon the conversion of said special warrants.

On 21 January 2010, the Company completed a share purchase plan pursuant to which shareholders resident in those jurisdictions where the Company was lawfully permitted to do so in reliance on exemptions from applicable prospectus and registration requirements, were granted the opportunity to subscribe for ordinary shares at a price of A$2.30 per share, raising gross proceeds of A$10.275 million.

In March 2010 the Company completed a private placement with (i) Mr Craig Burton (Chairman) consisting of the purchase and sale of 400,000 ordinary shares of the Company at a price of A$2.30 per share for gross proceeds to the Company of A$0.918 million; and (ii) with Lancaster Park S.A, an entity associated with Mr Colin Steyn (Director), consisting of the purchase and sale of 1.7 million ordinary shares of the Company for gross proceeds to the Company of A$3.912 million.

These placements formed part of a larger offering of 18.5 million ordinary shares, the balance of which was completed in December 2009 pursuant to a private placement of 16.4 million ordinary shares to purchasers primarily resident in Australia, and raised gross proceeds of A$37.720 million.

In addition, in the quarter ended March 31, 2010 US$15.0 million was released from the US$25 million contingency reserve account established under the senior credit agreement to fund historical construction cost overruns at the Santa Rita Project.

Transition from commissioning to operations

During the period to June 30, 2010 the Company achieved operating status. All mining revenues and associated costs are no longer capitalised, but treated as operational costs through profit or loss, from January 1, 2010 onwards.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Company in this condensed consolidated interim financial report are consistent with those applied by the Company in its consolidated annual financial report as at and for the financial period ended December 31, 2009.

Adoption of accounting policies

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when the title passes to the customer. This generally occurs when product is physically transferred onto a vessel, or other delivery mechanism.

Metals in concentrate

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of the sales revenue is based on the most recently determined estimate of product specifications.

The sales price for nickel is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market prices up to the date of final pricing. The period between

provisional invoicing and final pricing is typically between two to four months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Trade receivables

Trade receivables are initially recognised on a provisional basis at the time of sale and subsequently adjusted based on the movements in the quoted market prices and assay results up to the date of final pricing (refer Revenue note). The marking to market of trade receivables is recorded as an adjustment to the sales revenue.

Trade receivables settlement terms are as follows:

- 90% of the invoice value is settled within 15-70 days from the month of sale or date of Bill of Lading.
- 10% of the invoice value is settled within 15 days of presentation of the final invoice at the end of the quotation period (normally two to four months following the month of sale).

Collectability of trade receivables is reviewed on an ongoing basis. A provision for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables. Debts which are known to be uncollectible are written off.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Cost is determined on a weighted average basis and includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs, based on normal production capacity, incurred in bringing each product to its present location and condition.

Quantities of broken ore and concentrate stocks are assessed primarily through surveys and assays.

Inventories are categorised as follows:

- Broken ore: ore stored in an intermediate state that has not yet passed through all the stages of production;
- Concentrate: products and materials that have passed through all stages of the production process; and
- Stores, spares and consumables: materials, goods or supplies (including energy sources) to be either directly or indirectly consumed in the production process.

Mine properties

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 commercial production.

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 commercial levels of saleable material begins to be extracted from the mine. Depreciation is determined on a unit of production basis for each area of interest.

Deferred stripping costs

Stripping costs incurred subsequently during the production stage are deferred where this is the most appropriate basis for matching costs against the related economic benefits and the effect is material. This generally occurs where there are fluctuations in stripping costs over the life of the mine. The life-of-mine ratio is based on the economically recoverable reserves of the mine and is a function of the pit design. Therefore any amendments to the pit design will generally result in changes to the life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

The amount of stripping costs deferred is based on the strip ratio, which represents the ratio of the tonnage of waste mined to the quantity of ore mined. When the strip ratio is not expected to be constant, production stripping costs are accounted for as follows:

- When the current strip ratio is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to mine properties.
- In subsequent periods, when the strip ratio is less than the estimated life-of-mine ratio, the stripping costs are charged through profit or loss as operating costs.

When the strip ratio is expected to be constant throughout the estimated life of the mine, the stripping costs are charged through profit or loss as operating costs.

As deferred stripping costs are included in mine properties, within property, plant & equipment, these will form part of the relevant cash generating units which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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 the reported amounts of assets, liabilities, income and expense. Significant estimates and assumptions include those related to the life of mine assumptions, carrying value of the Santa Rita Project, valuation of financial instruments, share based compensation, determination of reserves to be used in depletion calculations, determination of useful lives of property, plant and equipment, determination of life-of-mine stripping ratio and 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. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated annual financial report as at and for the financial period ended December 31, 2009.

The Company has performed an assessment of the deferred tax previously recoverable on financial instruments and has decided not to recognise any deferred tax arising.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the financial period ended December 31, 2009.

6. Segment reporting

The Company operates in one reportable segment, mineral exploration, development and mining, and in one primary geographical area, Brazil.

For management purposes, the Group is organised into one operating segment, which involves the exploration, development and production of nickel and copper in Brazil. All of the Group's activities are interrelated, and discrete financial information is reported to the Chief Executive Officer (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Notes to unaudited condensed consolidated interim financial report
For the six months ended June 30, 2010

7. Net financial (expense)/ income

	Three months ended		Six months ended	
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	A$000	A$000	A$000	A$000
Interest received	162	-	320	46
Financial income	**162**	**-**	**320**	**46**
Interest expense	(5,935)	(19)	(11,772)	(1)
Financial expense	**(5,935)**	**(19)**	**(11,772)**	**(1)**
Net financial (expense)/ income	**(5,773)**	**(19)**	**(11,452)**	**45**

8. Net derivative fair value movement gain/ (loss)

	Three months ended		Six months ended	
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	A$000	A$000	A$000	A$000
Derivative gain	1,150	-	1,410	-
Realised foreign exchange contract gain	-	-	1,289	-
Call option gain	20,378	9,474	4,278	9,474
Derivative gain	**21,528**	**9,474**	**6,977**	**9,474**
Derivative loss	-	(1,439)	-	(2,100)
Call option loss	-	(17,397)	-	(21,104)
Interest swap loss	(2,198)	(845)	(4,943)	(845)
Derivative loss	**(2,198)**	**(19,681)**	**(4,943)**	**(24,049)**
Net derivative fair value movement gain/ (loss)	**19,330**	**(10,207)**	**2,034**	**(14,575)**

9. Cash and cash equivalents

	30-Jun-10	31-Dec-09
	A$000	A$000
Cash at bank	42,289	59,023
Term deposits	5,198	100
	47,487	**59,123**

Cash at bank and on hand includes a balance of US$10 million held in a contingency account in accordance with the undertakings given by the Company as guarantor of the Senior Loan facility. These 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. During the six months ended June 30, 2010, US$15 million (A$16.886m) was released from the contingency account. There was no further release in the three month period to June 30, 2010.

10. Trade and other receivables

	30-Jun-10	31-Dec-09
	A$000	A$000
Trade receivables	24,041	-
Other receivables	48	10,971
Prepayments	36,898	720
	60,987	**11,691**

11. Inventories

	30-Jun-10 A$000	31-Dec-09 A$000
Broken ore	1,155	-
Concentrate	180	-
Stores, spares and consumables	11,255	-
	12,590	**-**

12. Derivative financial instruments

	30-Jun-10 A$000	31-Dec-09 A$000
CURRENT ASSET		
Foreign exchange - forward contracts[(a)]	7,417	7,724
Copper - forward contracts[(a)]	12	-
	7,429	**7,724**
NON-CURRENT ASSET		
Foreign exchange - forward contracts[(a)]	7,470	10,140
	7,470	**10,140**
CURRENT LIABILITY		
Nickel - forward contracts[(a)]	22,743	5,571
Metal call option[(b)]	19,129	10,230
Interest rate swap[(c)]	2,943	2,064
	44,815	**17,865**
NON-CURRENT LIABILITY		
Nickel - forward contracts[(a)]	19,676	21,733
Copper - forward contracts[(a)]	2,100	11,004
Metal call option[(b)]	17,091	28,584
Interest rate swap[(c)]	2,804	366
	41,671	**61,687**

(a) ***Forward contracts designated as hedges***

As at June 30, 2010, the Group had a net hedge liability position of A$29.620 million (December 31, 2009: A$20.444 million negative) reflecting the positive mark-to-market value of foreign exchange forward contracts and the negative mark-to-market value of commodity (nickel and copper) contracts.

Foreign exchange forward contracts relate to the sale of US Dollars and receipt of Brazilian Real (at an average effective exchange rate of US$1=R$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$7.82/lb for the period July 2010 to March 2014 and 8,952 tonnes of copper at an average price of US$2.73/lb for the period April 2011 to March 2015.

(b) ***Call options***

On March 20, 2009 the Group 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 July 1, 2010 to June 29, 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 July 1, 2010 to March 30, 2012. As at June 30, 2010 the fair value of the call option liability was A$36.220 million resulting in a gain from changes in the fair value including foreign exchange movements for the six month period of A$2.594 million. As at March 31, 2010 the fair value of the liability was A$53.088 million, resulting in a

gain from changes in the fair value including foreign exchange movements for the three months to June 30, 2010 of A$16.868 million.

(c) ***Interest rate swap***

The Company has an interest rate swap of US$100 million, to mitigate the risk of interest rate fluctuations, whereby the Company pays the fixed rate of 3.24% and receives US$ 3-month LIBOR. The facility commenced on March 31, 2010 and the facility value will decrease proportionately with planned repayments of the Senior Loan, to be completely amortised by September 30, 2015. As at June 30, 2010 the fair value of the interest rate swap liability was A$5.747 million resulting in loss from changes in the fair value including foreign exchange movements for the six month period of A$3.317 million. As at March 31, 2010 the fair value of the liability was A$4.062 million, resulting in a loss from changes in the fair value including foreign exchange movements for the three months to June 30, 2010 of A$1.685 million.

13. Property, plant and equipment

June 30, 2010 A$000	Plant, equipment & mine properties[a]	Land	Construction & development expenditure	Total
COST				
Balance at January 1, 2010	207,360	13,720	764,140	**985,220**
Additions	21,092	334	-	**21,426**
Disposals	(5)	-	-	**(5)**
Reclassification [b]	(19,877)	-	-	**(19,877)**
Transfers	764,140	-	(764,140)	**-**
Effect of movement in exchange rates	24,761	436	-	**25,197**
Balance at June 30, 2010	**997,471**	**14,490**	**-**	**1,011,961**
DEPRECIATION				
Balance at January 1, 2010	(5,602)	-	-	**(5,602)**
Depreciation charge for the period	(15,316)	-	-	**(15,316)**
Disposals	3	-	-	**3**
Effect of movement in exchange rates	(825)	-	-	**(825)**
Balance at June 30, 2010	**(21,740)**	**-**	**-**	**(21,740)**
Net book value at June 30, 2010	**975,731**	**14,490**	**-**	**990,221**

(a) ***Mining properties***

Mining properties includes deferred stripping costs of A$14.798 million.

(b) ***Reclassification***

This refers to Brazilian federal and state taxes on capital expenditure during the ramp-up period that the Company believes is recoverable and able to be offset against future federal and state taxes payable. The value of these recoverable taxes has been reclassified from property, plant and equipment to other receivables in the Statement of financial position, to better reflect the nature of the transaction.

14. Exploration and evaluation assets

	30-Jun-10 A$000
Balance at the beginning of the period	179
Expenditure incurred during the period	370
Balance at the end of the period	**549**

15. Borrowings

June 30, 2010 A$000	Norilsk Loan (i)	Votorantim Loan (ii)	Senior Credit Facility (iii)	Caterpillar finance lease facility (iv)	Total
Nominal interest rate	LIBOR + 3.50%	CDI rate	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Loan term	2010 to 2012	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying value	62,868	41,197	219,735	44,234	368,034
Current borrowings	23,024	15,773	18,372	10,179	67,348
Non-current borrowings	39,844	25,424	201,363	34,055	300,686
	62,868	**41,197**	**219,735**	**44,234**	**368,034**

December 31, 2009 A$000	Norilsk Loan (i)	Votorantim Loan (ii)	Senior Credit Facility (iii)	Caterpillar finance lease facility (iv)	Total
Nominal interest rate	LIBOR + 3.50%	CDI rate	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Loan term	2010 to 2012	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying Value	56,126	57,089	205,372	40,044	358,631
Current borrowings	8,458	28,547	377	7,532	44,914
Non-current borrowings	47,668	28,542	204,995	32,512	313,717
	56,126	**57,089**	**205,372**	**40,044**	**358,631**

(i) The facility is subordinated to the Senior Credit Facility with Barclays Bank plc, Credit Suisse International, West LB AG, Caterpillar Financial Services Corporation and Bayerische Hypo-und Vereinsbank AG. Interest is payable at LIBOR plus a 3.50% margin. The loan amount is repayable in monthly instalments from September 30, 2010 to December 31, 2012.

(ii) The facility is subordinated to the Senior Credit Facility. Interest is payable at the CDI rate (calculated by the Brazilian Custody and Settlement Chamber “CETIP”). The loan amount is due and payable in monthly instalments from September 30, 2009 to November 30, 2013. Principal repayments were accelerated during the period in accordance with a prepayment agreement with Votorantim, whereby the principal is automatically reduced through offset of the domestic sales tax payable by Votorantim on each monthly sale.

(iii) Interest is payable on the Senior Credit Facility 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 March 31, 2011 to September 30, 2015. The facility was fully drawn down to US$190 million during October 2009.

(iv) The US$55 million master funding and leasing agreement is for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn down to US$40.795 million as at June 30,

2010. 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.

16. Derivative liability - option

	30-Jun-10 A$000	31-Dec-09 A$000
Norilsk option derivative liability	1,250	2,660
	1,250	**2,660**

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 Limited at a price of US$8.00 per share. This option is a derivative liability of the Company. As at June 30, 2010 the fair value of the liability was A$1.250 million, resulting in a gain from changes in the fair value for the six month period of A$1.410 million. As at March 31, 2010 the fair value of the liability was A$2.400 million, resulting in a gain from changes in the fair value for the three months to June 30, 2010 of A$1.150 million.

17. Contributed equity

Movement in share capital for the six months ended June 30, 2010

	Ordinary shares	Number of shares	Issue price A$	Total A$
Jan 1, 2010	Opening balance	354,694,375		600,500,184
Jan 21, 2010	Issue of ordinary shares fully paid	4,467,450	$2.30	10,275,135
Feb 2, 2010	Options converted	12,000	$0.95	11,400
Feb 9, 2010	Warrants converted to ordinary shares	5,500,000	$2.30	12,650,000
Feb 16, 2010	Options converted	50,000	$0.95	47,500
Mar 15, 2010	Options converted	12,000	$0.95	11,400
Mar 30, 2010	Issue of ordinary shares fully paid	2,100,000	$2.30	4,830,000
Apr 7, 2010	Options converted	20,000	$0.95	19,000
Apr 12, 2010	Options converted	18,000	$0.95	17,100
Apr 16, 2010	Options converted	225,000	$0.95	213,750
Apr 30, 2010	Options converted	63,900	$0.95	60,705
	Closing balance	367,162,725		628,636,174
	Less:			
	Share issue costs			(769,139)
				627,867,035

Movement in share capital for the six months ended June 30, 2009

	Ordinary shares	Number of shares	Issue price A$	Total A$
Jan 1, 2009	Opening balance	129,791,100		268,236,332
Apr 8, 2009	Issue of ordinary shares fully paid (Canada)	120,000,000	$1.20	144,000,000
Apr 17, 2009	Issue of ordinary shares fully paid	32,445,275	$1.20	38,934,330
May 18, 2009	Issue of ordinary shares fully paid	5,000,000	$2.15	10,750,000
May 14, 2009	Options converted	100,000	$0.60	60,000
Jun 12, 2009	Options converted	150,000	$0.60	90,000
Jun 30, 2009	Options converted	400,000	$0.60	240,000
	Closing balance	287,886,375		462,310,662
	Less:			
	Share issue costs			(10,003,478)
				452,307,184

Unlisted options on issue as at June 30, 2010

Exercise Price	Expiry Date	Number of Options
A$5.60	Feb 23, 2011	1,800,000
A$6.20	Jun 30, 2011	1,400,000
A$6.20	Sep 7, 2011	300,000
A$6.20	Dec 31, 2011	350,000
A$6.20	Sep 11, 2012	300,000
US$8.00	Dec 31, 2012	5,000,000
A$3.00	Jul 7, 2013	3,750,000
A$3.00	Jun 30, 2014	400,000
		13,300,000

18. Capital and other commitments

	30-Jun-10 A$000	31-Dec-09 A$000
OPERATING LEASE COMMITMENTS		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	675	654
One year or later and no later than five years	3,056	2,961
Greater than five years	-	418
	3,731	**4,033**
EXPLORATION EXPENDITURE COMMITMENTS		
Commitments for rental fees under exploration licence agreements:		
Within one year	291	291
	291	**291**
CONTRACTUAL OPERATING COMMITMENTS		
Contracted but not provided for and payable:		
Within one year	43,262	74,560
One year or later and no later than five years	149	23,030
	43,411	**97,590**

19. Share based payments

The Company has incentive share option arrangements in place which entitle certain senior employees and consultants to purchase shares in the Company. During the three and six months ended June 30, 2010, the Company recognised an employee share based payment expense of A$218,137 and A$511,205 respectively (three and six months ended June 30, 2009: A$1,239,176 and A$2,356,082), calculated on the basis of the vesting of share options.

20. Related parties

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total compensation of A$1,287,767 and A$2,575,535 for the three and six months ended June 30, 2010 respectively (three and six months ended June 30, 2009: A$1,425,512 and A$2,851,023).

Transactions with key management personnel

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities may enter into transactions with the Company or its subsidiaries. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-director related entities dealing at arm's length with the Company.

During the three and six months ended June 30, 2010, Mitchell River Group Pty Ltd invoiced the Company A$ 14,271 and A$46,622 respectively for technical services provided during the period (three and six months ended June 30, 2009:A$106,963 and A$138,781). The services were provided at normal market rates and on usual commercial terms. Mitchell River Group Pty Ltd is a related entity associated with Mr Craig Burton, an executive chairman of the Company. These arrangements are ongoing but are not subject to any contractual or other commitments.

21. Subsequent events

As at August 12, 2010, there are no subsequent events to report after June 30, 2010.

MIRABELA NICKEL
LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010

Expressed in thousands of Australian dollars ($A'000) unless otherwise stated

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2010

The following management discussion and analysis ("MD&A") of Mirabela Nickel Limited ("Mirabela" or the "Company") is for the three and six month periods ended June 30, 2010 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the same period, and the notes thereto. The effective day of this report is August 13, 2010.

The Company's annual financial statements and interim financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's reporting currency is Australian dollars.

Information about the Company and its business activities, including its annual financial statements and annual information form, is available under the Company's profile at www.sedar.com and on the Company's website at www.mirabela.com.au.

FORWARD LOOKING INFORMATION

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflect management's expectations regarding Mirabela's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In making and providing the forward-looking information included in this MD&A, the Company has made numerous assumptions. These assumptions include among other things: (i) assumptions about the price of nickel and other base metals; (ii) that there are no material delays in the optimisation of operations at the Santa Rita Project; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that the supply and demand for nickel develops as expected; (vi) that there is no unanticipated fluctuation in interest rates and foreign exchange rates; and (vii) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of nickel and copper; (ii) the risk that the Company will continue to have negative operating cash flow;; (iii) the risk that additional financing will not be obtained as and when required; (iv) adverse fluctuations in foreign exchange rates; (v) the risk that concentrate produced will not meet certain minimum specifications; (vi) material increases in operating costs; (vii) production estimates may not be accurate; (viii) environmental risks and changes in environmental legislation; (ix) adverse fluctuations in interest rates; (x) failure to comply with restrictions and covenants in the Senior Loan Agreement; (xi) risks arising from the Company's hedging activities; (xii) failure to comply with restrictions and covenants in the off take loan agreements; (xiii) changes in the terms of the Senior Loan in order to achieve successful syndication; and (xiv) changes in the terms of the Leasing Facility in order to achieve successful syndication.

This MD&A (See "*Risk Factors*") and the Company's annual information form contain information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

NON-GAAP MEASURES

References in this MD&A to "cash operating cost per pound of nickel produced" or to "cash cost" or to "unit cash costs" means all mining, processing, site administration, transport and smelter costs, less by-product credits. "Cash cost" or "unit cash costs" is not a measure recognized by generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Management believes that these are important measures in evaluating the Company's performance. Readers are however cautioned that the Company's method of calculating "cash operating cost per pound of nickel produced", or "cash cost" and "unit cash costs" may differ from the methods used by other issuers and, accordingly, may not be comparable to similar measures presented by other issuers.

THE COMPANY

Mirabela is an international mineral resource company engaged in the production of nickel concentrate at its Santa Rita Project in Brazil. The ordinary shares of Mirabela are listed on the Toronto Stock Exchange under the symbol "MNB" and on the Australian Securities Exchange under the symbol "MBN".

Mirabela currently has three wholly-owned subsidiaries, namely Mirabela Investments Pty Ltd ("MIL"), EGF Nickel Pty Ltd ("EGF") and Mirabela Mineração do Brasil Ltda ("Mirabela Brazil"). Mirabela Brazil was incorporated under the laws of Brazil on January 2, 1994 and holds Mirabela's interest in the Santa Rita Project. MIL is a private company incorporated in Australia on March 16, 2007, as a non-operating investment company, to hold two shares of Mirabela Brazil (with the balance of shares of Mirabela Brazil held by Mirabela). EGF was incorporated in Australia on October 2, 2008 as an investment company.

Mirabela and its subsidiaries are collectively referred to as "Mirabela" or the "Company" unless otherwise indicated or the context requires otherwise.

Mirabela's principal asset is the Santa Rita Project in Bahia State, Brazil. The Santa Rita Project is a nickel sulphide operation with an expected life of 19 years based on the current open pit mineral reserve estimate. The Santa Rita Project also has an underground mineral resource which may extend the expected life of the operation. The Santa Rita Project is located approximately 360 kilometres south-west of Salvador and approximately 6 kilometres from the town of Ipiau, having a population of 50,000 people. Mirabela also has a portfolio of prospective nickel and other base metal projects in Brazil.

Construction of the Santa Rita Project was completed in September 2009 and commissioning was successfully completed in November 2009 with the first nickel concentrate produced on November 3, 2009. The Company's current focus is on the ramp-up and optimization of the Santa Rita Project to full production.

For accounting purposes, the Company transitioned from construction and commissioning to operations during the first quarter of 2010. As a result, mining revenues and costs are no longer capitalised, but instead treated as operational costs through profit and loss.

OVERALL PERFORMANCE

Key financial results and indicators for the three and six months ended June 30, 2010 as compared to the three and six months ended June 30, 2009 are summarised as follows:

	Three months ended		Six months ended	
	30-Jun-10	**30-Jun-09**	**30-Jun-10**	**30-Jun-09**
Gross sales	$60.15 m	-	$106.02 m	-
Gross (loss)/profit	($4.80 m)	-	$1.74 m	-
Net profit/(loss)	$5.89 m	$24.78 m	($19.28 m)	$10.77 m
Net profit/loss) per share	1.60 cents	9.19 cents	(5.29 cents)	5.38 cents
Nickel in Concentrate Produced (DMT*)	2,304	-	4,295	-
Unit Cash Cost (USD/lb)	$7.62	-	$7.85	-
Realised Nickel Price (USD/lb) **	$11.61	-	$9.64	-
Cash & cash equivalents	$47.49 m	$42.09 m	$47.49 m	$42.09 m
Number of ordinary shares	367,162,725	287,886,375	367,162,725	287,886,375

** Dry Metric Tonnes*

*** Including prior period QP (Quotational Period) adjustments and excluding hedging*

Three months ended June 30, 2010

The three month period ended June 30, 2010 represents the Company's second quarter of financial reporting as a producer of nickel concentrate. As a result, management believes that the financial results for the three month period ended June 30, 2010 are not considered to be representative of the Company's financial results in future periods. As the Company's operation transitions to full production, sales and production volumes are expected to increase and unit cash costs are expected to decrease.

The Company achieved a net profit of $5.89 million for the three month period ended June 30, 2010, primarily driven by derivative gains on nickel and copper call options. The net profit during the comparative period ended June 30, 2009 of $24.78 million was driven by favourable foreign exchange movements on debt and cash denominated in foreign currencies.

Six months ended June 30, 2010

The six month period ended June 30, 2010 represents the Company's first half year of financial reporting as a producer of nickel concentrate. As a result, management believes that the financial results for the six month period ended June 30, 2010 are not considered to be representative of the Company's financial results in future periods. As the Company's operation transitions to full production, sales and production volumes are expected to increase and unit cash costs are expected to decrease.

The Company posted a net loss of $19.28 million for the six month period ended June 30, 2010, primarily driven by unfavourable foreign exchange movements on foreign denominated loans, and associated interest expenditure. The net profit during the comparative period ended June 30, 2009 of $10.77 million was mainly attributable to favourable foreign exchange movements on debt and cash denominated in foreign currencies.

As at June 30, 2010 the Company had 1,606 tonnes of payable nickel forward priced at US$8.94 per pound that remain subject to final pricing adjustments in future periods.

OPERATIONAL REVIEW

Ramp up of operations at the Santa Rita Project 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 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 Company's good safety performance has continued and remains ahead of the Brazilian mining average. The "Lost Time Injury Frequency Rate" for the six months ended June 30, 2010 was 1.5, with one lost time injury occurring in each quarter. The implementation of safety training and safety improvement programmes continues.

Production Statistics	Measure	Three months ended 30-Jun-10	Six months ended 30-Jun-10
Mining			
Total Material Mined	Tonnes	7,099,000	12,555,000
Ore Mined	Tonnes	663,000	1,316,000
Nickel Grade	%	0.55*	0.56*
Processing			
Total Ore Processed	Tonnes	840,000	1,618,000
Nickel Grade	%	0.52*	0.52*
Copper Grade	%	0.13	0.14
Cobalt Grade	%	0.02	0.02
Nickel Recovery	%	52	50
Copper Recovery	%	67	64
Cobalt Recovery	%	30	29
Production			
Nickel in Concentrate Produced	DMT	2,304	4,295
Copper in Concentrate Produced	DMT	764	1,485
Cobalt in Concentrate Produced	DMT	40	75
Sales			
Nickel in Concentrate Sold	DMT	2,505	4,492
Copper in Concentrate Sold	DMT	824	1,545
Cobalt in Concentrate Sold	DMT	43	79

** 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 second 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.

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 and production

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 the recovery rate for the month of June 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 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 specifications presented by the Company's off take agreements described below.

Sale of concentrate

During the quarter, a total of 18,801 tonnes of concentrate was sold to Mirabela's domestic customer, Votorantim Metais Niquel S.A ("**Votorantim**"), comprising 2,505 tonnes of contained nickel in concentrate. All concentrate sold was within contract specifications. Exports to Norilsk Nickel Harjavalta Oy ("**Norilsk**") were delayed as Mirabela is currently working with both off-take partners to optimise nickel deliveries. It is anticipated that exports to Norilsk will commence during the second half of 2010.

As at June 30, 2010, 266 dry metric tonnes of concentrate were available as inventory.

Outlook

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

Exploration

The focus during Q2 2010 was the continued ramp up of the Santa Rita Project and as a result no exploration expenditure were incurred during this period.

Significant work is planned in order to fully understand the underground potential at Santa Rita. The Company plans to drill out the resource further during 2011, as it is currently open at depth, as well as infill drilling to convert Inferred resources into Measured & Indicated, followed by completion of a Pre-Feasibility Study.

Regional exploration offers significant future upside for Mirabela, as management believes that Brazil is still largely under-explored for nickel.

Cash and available facilities

The Company held balances of cash on hand and on deposit as at June 30, 2010 of AU$35 million (US$30 million). The Company also has US$10 million held in the contingency reserve account (the "CRA") established and maintained pursuant to the Company's Senior Credit Facility. The Company's cash burn for the quarter of AU$9 million was consistent with management's expectation.

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, 2010.

SELECTED FINANCIAL INFORMATION

The following sets out the selected financial information relating to the Company's results of operations for the three and six month period ended June 30, 2010. This financial data is derived from the Company's unaudited consolidated interim financial statements for the three and six month periods ended June 30, 2010 which are prepared in accordance with IFRS.

	Three months ended		Six months ended	
	30-Jun-10 A$000	30-Jun-09 A$000	30-Jun-10 A$000	30-Jun-09 A$000
Sales revenue	60,152	-	106,022	-
Treatment , refining and transport charges	(8,461)	-	(15,869)	-
Net sales revenue	51,691	**-**	**90,153**	**-**
Direct costs	(44,395)	-	(68,078)	-
Royalties	(2,390)	-	(4,253)	-
Depreciation, amortization and depletion	(9,710)	-	(17,371)	-
Cost of sales	(56,495)	**-**	**(89,702)**	**-**
Gross profit	**(4,804)**	**-**	**451**	**-**
Income/(expenses)				
General and administration	(1,762)	(2,784)	(4,062)	(5,178)
Financing (costs)/ income	(5,773)	(19)	(11,452)	45
Derivative gain/(loss)	19,330	(10,207)	2,034	(14,575)
Foreign exchange (loss)/ gain	(1,011)	36,397	(6,042)	36,707
Other expense	(91)	(2,241)	(206)	(3,486)
	10,693	21,146	(19,728)	13,513
Profit/(loss) before income tax	5,889	21,146	(19,277)	13,513
Income tax benefit/ (expense)	-	3,637	-	(2,745)
Profit/(loss) for the period	**5,889**	**24,783**	**(19,277)**	**10,768**
EARNINGS PER SHARE				
Basic earnings/(loss) per share (cents per share)	1.60	9.19	(5.29)	5.38
Diluted earnings/(loss) per share (cents per share)	1.60	9.19	(5.29)	5.35
Weighted basic average number of shares outstanding (000's)	367,102	269,807	364,250	200,186

The Company did not pay any dividends during the period ended June 30, 2010.

RESULTS OF OPERATIONS

Three months ended June 30, 2010

The Company recorded a profit for the three month period ended June 30, 2010 of $5.89 million, representing $0.0160 per share, in comparison to a profit for the corresponding period ended June 30, 2009 of $24.78 million, representing $0.0919 per share.

Gross Profit

Although the Company achieved solid production results during the six month period ended June 30, 2010, the results are not indicative of what is expected under full production. The gross loss of $4.80 million for the three month period ended June 30, 2010, is primarily driven by significant downwards sales adjustments ($15.66 million) as a result of a decrease in the relevant nickel price after the issue of provisional invoices (as described below).

Mineral Sales and Operating Costs

Sales of concentrate to Votorantim are recorded when Votorantim takes physical delivery at the mine gate. Provisional payment is received within 15 days after delivery and final payment is normally received three months after delivery.

Sales generated during the quarter comprised 2,505t of nickel in concentrate at an average nickel price of US$11.61/lb excluding hedge adjustments. This resulted in gross nickel revenue of $54.21 million after downwards sales adjustments, copper revenue of $4.51 million, cobalt revenue of $0.84 million, platinum revenue of $0.49 million, and gold revenue of $0.09 million.

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, management does not believe that the unit cash cost yet reflects the cash cost expected once ramp up is complete.

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

Depreciation and amortization of A$9.71 million reflects the Company's use of its assets based on a combination of a units of production calculation, and the useful life of equipment.

Expenses

The Company posted a gain for the three month period ended June 30, 2010 of $10.69 million, as compared to a gain of $21.15 million for the three month period ended June 30, 2009. The gain for the current period was driven by favourable movements on financial derivatives, offset by financing costs and foreign exchange losses, whilst the comparative period was mainly attributable to foreign exchange gains, offset by derivative losses on call options.

Gains on financial derivatives for the three months ended June 30, 2010 were $19.33 million, compared to a loss of $10.21 million for the corresponding period ended June 30, 2009. The comparative period loss is primarily attributable to realised and unrealised movements on nickel and copper call options. The gain on financial derivatives in the current period was comprised as follows:

- a gain of $1.15 million being the fair value adjustment of the derivative liability recognised at the execution of the option agreement between the Company and Norilsk pursuant to which Norilsk was granted the option to convert up to US$40 million of the Norilsk Loan into ordinary shares of the Company at a price of US$8.00 per share;

- a gain of $20.38 million being the aggregate fair value adjustment in respect of the nickel and copper call options sold during the period;
- an expense of $2.20 million being the fair value adjustment in relation to a US$100 million interest rate swap, reflecting a reduction in USD interest rates; and

Financing costs for the three months ended June 30, 2010 of $5.77 million comprised interest earned on cash deposits ($0.16 million), offset by interest expense ($5.93 million) relating to long term loans; the proceeds of which were used to fund the construction and commissioning of its Santa Rita Project. Financing costs for the comparative period ended June 30, 2009 were capitalised as part of the construction costs of the project.

The foreign exchange loss ($1.01 million) comprises of realised gains of $1.24 million, offset by unrealised losses of $2.25 million for the three month period ended June 30, 2010. The comparative period ended June 30, 2009 reflected a foreign exchange gain of $36.40 million, primarily related to movements on foreign denominated loan balances.

<u>Six months ended June 30, 2010</u>

The Company recorded a loss for the six month period ended June 30, 2010 of $19.28 million, representing $0.0529 per share, in comparison to a profit for the corresponding period ended June 30, 2009 of $10.77 million, representing $0.0538 per share.

Gross Profit

The Santa Rita Project incurred a gross profit of $0.45 million for the six month period ended June 30, 2010, primarily driven by higher nickel prices during the first quarter of 2010.

Mineral Sales and Operating Costs

Sales generated during the period comprised 4,492t of nickel in concentrate at an average nickel price of US$9.64/lb excluding hedge adjustments. This resulted in gross nickel revenue of $96.00 million after downwards sales adjustments ($4.39 million), copper revenue of $7.91 million, cobalt revenue of $1.53 million, platinum revenue of $0.49 million, and gold revenue of US$0.09 million.

The unit cash cost of production for the six month period ended June 30, 2010 was US$7.85 per pound of nickel. As mentioned previously, management does not believe that the unit cash cost reflects the expected project cash cost, as the operation is still in ramp up mode.

Depreciation and amortization of A$17.37 million reflects the Company's use of its assets based on a combination of a units of production calculation, and the useful life of equipment.

Expenses

Expenses for the six months ended June 30, 2010 were $19.73 million, compared to a gain of $13.51 million for the three month period ended June 30, 2009. The expenses for the period were mainly driven by financing costs and foreign exchange losses. The comparative period gain was mainly due to favourable foreign exchange movements, offset by derivative losses on call options.

Financing costs for the six months ended June 30, 2010 of $11.45 million comprised interest earned on cash deposits ($0.32 million), offset by interest expense ($11.77 million) relating to its long term loans; the proceeds of which were used to fund the construction and commissioning of its Santa Rita Project. Financing costs for the comparative period ended June 30, 2009 reflected net interest of $0.04 million, as interest expenses were capitalised as part of the construction costs of the Project.

Gains on financial derivatives for the six months ended June 30, 2010 were $2.03 million, mainly comprising a favourable movement on nickel and copper call options of $4.28 million and a realised foreign exchange gain of $1.29 million, offset by losses on interest rate swaps of $4.94 million. The comparative period loss of $14.58

million was driven by nickel and copper call options ($11.63 million), derivatives ($2.10 million) and interest rate swaps ($0.85 million).

The foreign exchange loss ($6.04 million) comprises realised and unrealised movements of the Australian dollar against the US dollar denominated loans. The comparative period ended June 30, 2009 reflected a foreign exchange gain of $36.71 million on the US denominated loans.

Unit cash costs

Unit cash costs represent the total of all cash costs directly attributable to mining operations after deductions of credits in respect of by-product sales.

By-product credits, in particular copper (8% of sales volume) and cobalt (1.5% of sales volume), are an important factor in determining cash costs. The Company's cost per pound will be positively affected by increases in the prices for copper and cobalt, and adversely affected with decreases in those prices.

The unit cash cost of production for the second quarter of 2010 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.

The following table reflects the Company's unit cash cost for the three and six month period ended June 30, 2010:

		Three months ended	**Six months ended**
Unit Cash Costs	**Measure**	**30-Jun-10**	**30-Jun-10**
Payable Nickel Production*	lbs	4,520,728	8,427,292
Mining Cost	USD/lb	3.36	3.41
Processing Costs	USD/lb	2.64	2.73
Administration Cost	USD/lb	1.11	1.08
Transport/Shipping Cost	USD/lb	0.08	0.10
By-Product Credit**	USD/lb	(1.14)	(1.05)
Operating Unit Cash Cost	USD/lb	6.06	6.27
Smelter Charges	USD/lb	1.57	1.58
Unit Cash Cost* **	**USD/lb**	**7.62**	**7.85**
Realised Nickel Price**	USD/lb	**11.61**	**9.64**

*Average Payability of 89%, calculated as 'contained nickel in concentrate produced' multiplied by 0.89%, being the average payable nickel in concentrate under a combination of Votorantim and Norilsk Nickel offtake agreements
** Including prior period QP (Quotational Period) adjustments and excluding hedging
*** Excludes royalty (5.5%)
**** Average exchange rate for Q2: A$/USD 0.883 (YTD: 0.893)

The following table reflects a reconciliation of the Company's unit cash cost to the income statement prepared in accordance with GAAP, converted to US dollar using an exchange rate of A$1.00 to US$0.883 for the three months ended June 30, 2010 and A$1.00 to US$0.893 for the six months ended June 30, 2010:

	Three months ended 30-Jun-10	Six months ended 30-Jun-10
Costs as reported in the income statement (A$000):		
Gross (loss)/profit	(4,804)	451
Add back:		
- Royalties	2,390	4,253
- Depreciation, amortization and depletion	9,710	17,371
- Direct Stockpile Movement	7,890	-
Less:		
- Nickel sales revenue	(54,210)	(95,993)
- Direct stockpile movement	-	(187)
	(39,024)	**(74,105)**
Exchange rate conversion from A$ to US$	0.883	0.893
Total cash operating cost of production *(US$000)*	**(34,458)**	**(66,176)**
Payable nickel (pounds)	4,520,728	8,427,292
Unit Cash Cost (US$) per pound of payable nickel	**7.62**	**7.85**

DISCUSSION OF CASH FLOWS

The following sets out the Company's cash flows for the three and six month period ended June 30, 2010 as compared to the three and six month periods ended June 30, 2009:

	Three months ended		Six months ended	
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
Cash Flows from:	A$000	A$000	A$000	A$000
Operating activities	4,885	(1,370)	(16,558)	(2,028)
Investing activities	(7,448)	(248,973)	(12,426)	(260,895)
Financing activities	(7,242)	289,957	16,275	289,321

Three months ended June 30, 2010

Net cash inflows from operating activities for the three month period ended June 30, 2010 of $4.89 million as compared to a $1.37 million outflow for three month period ended June 30, 2009 are primarily attributable to the Company's transition from development to production. Cash receipts of $59.50 million reflect the sale of 2,505 tonnes of nickel in concentrate, that was offset by cash outflows of $54.78 million for operating expenditures incurred during the ramp up and production period to June 30, 2010.

Net cash outflows from investing activities for the period were $7.45 million, compared to $248.97 million for the corresponding three month period ended June 30, 2009. The cash outflow during the period reflects the purchase and leasing of mining equipment, as the Company ramps up to full production. Leased equipment was acquired pursuant to the Leasing Facility, with the cash component paid by the Company, comprising 10%

of the value of the equipment. The cash outflow for the comparative period relates to construction and development expenditure as the Santa Rita Project neared completion.

The net cash outflows from financing activities of $7.24 million mainly reflects interest paid ($5.26 million) on the Senior Credit Facility and repayments under the Leasing Facility. The net cash inflow during the comparative period ended June 30, 2009 of $289.96 million reflects net proceeds from capital raisings ($183.69 million) and proceeds from the Senior Loan ($208.77 million) used for, amongst other things repayment of the then outstanding Bridge Loan (US$80 million) as well as construction and development of the Santa Rita Project.

Six months ended June 30, 2010

Net cash outflows from operating activities for the six month period ended June 30, 2010 of $16.56 million as compared to a $2.03 million outflow for the six month period ended June 30, 2009 are primarily attributable to the Company's transition from development to production. Cash receipts of $80.28 million reflect the sale of 4,492 tonnes of nickel in concentrate to Votorantim. This was offset by cash outflows of $97.16 million, reflecting payments made for construction and commissioning expenditures incurred during 2009, together with first fill inventory and operating expenditure incurred during the ramp up and production period to June 30, 2010.

Net cash outflows from investing activities for the period were $12.43 million, compared to $260.90 million for the corresponding six month period ended June 30, 2009. The cash outflow reflects the purchase and leasing of mining equipment, as the Company ramps up to full production. Leased equipment was acquired pursuant to the Leasing Facility, with the cash component paid by the company, comprising 10% of the value of the equipment. The cash outflow for the comparative period relates to construction and development expenditure on the Santa Rita Project.

The net cash inflow from financing activities of $16.28 million mainly reflects net proceeds from capital raisings ($27.37 million), offset by interest paid ($7.85 million) on the Senior Credit Facility and Leasing Facility. The net cash inflow for the comparative period ended June 30, 2009 of $289.32 million reflects proceeds from capital raisings ($183.03 million) and net proceeds from the Senior Loan ($208.77 million) used for, amongst other things repayment of the then outstanding Bridge Loan (US$80 million) as well as construction and development of the Santa Rita Project.

FINANCIAL POSITION

	30-Jun-10 A$000	31-Dec-09 A$000
Assets		
Cash and cash equivalents	47,487	59,123
Trade and other receivables	60,987	11,691
Inventories	12,590	-
Derivative financial instruments	7,429	7,724
Total current assets	**128,493**	**78,538**
Deferred tax asset	-	6,951
Property, plant and equipment	990,221	979,618
Exploration and evaluation expenditure	549	179
Derivative financial instruments	7,470	10,140
Total non-current assets	**998,240**	**996,888**
Total assets	**1,126,733**	**1,075,426**
Liabilities		
Trade and other payables	64,767	39,559
Provisions	1,837	980
Borrowings	67,348	44,914
Derivative financial instruments	44,815	17,865
Total current liabilities	**178,767**	**103,318**
Borrowings	300,686	313,717
Derivative liability - option	1,250	2,660
Provision for rehabilitation	21,709	21,041
Derivative financial instruments	41,671	61,687
Total non-current liabilities	**365,316**	**399,105**
Total liabilities	**544,083**	**502,423**
Net assets	**582,650**	**573,003**

As at June 30, 2010 the Company has a net working capital deficit of $50.27 million (December 31, 2009; of $24.78 million), which includes $22.73 million of net commodity derivative liabilities that will be settled by physical delivery of the underlying commodity (December 31, 2009; of $5.57 million). The increase in current assets was driven by trade and other receivables ($60.99 million), and a build up of stores, spares and consumables ($11.26 million). This was offset by an increase in current liabilities, driven by trade creditors ($64.77 million) and unfavourable hedge, option and swap derivatives ($44.82 million).

Cash and cash equivalents

The Company held cash balances (in cash and term deposits) of $47.49 million as at June 30, 2010, as compared to $59.12 million as at December 31, 2009. Cash on hand at June 30, 2010 includes the US$10 million held in the CSA, established pursuant to the Senior Loan.

Trade and other receivables

Trade and other receivables comprise trade receivables ($24.04 million) and other receivables ($36.95 million). Trade receivables consist of nickel sales to Votorantim and are initially recognised at the time of sale and subsequently adjusted based on the movement in the quoted market price of nickel between the date of

delivery and the date of final pricing. The mark to market is recorded as an adjustment to sales revenue. Trade receivables settlement terms include 90% of the invoice to be settled within 15-70 days from the month of sale or Bill of Lading, with the remaining 10% of the invoice settled within 15 days of presentation of the final invoice at the end of the quotation period (normally 2 to 4 months following the month of sale). During the period all cash receipts on sales were received in accordance with the off take agreement.

Other receivables consist primarily of Brazilian federal and state taxes incurred during the past six months. It is anticipated these taxes will be offset against future federal and state taxes payable.

Inventory

Inventory of $12.59 million comprises broken ore stocks ($1.16 million), concentrate stocks ($0.18 million) and stores, spares and consumables ($11.26 million). Stores, spares and consumables represent materials and supplies consumed in the production process. All inventories have been calculated as the lower of cost and net realisable value, with net realisable value representing the estimated selling price in the ordinary course of business less any further costs expected to be incurred is respect of such disposal.

Property, plant and equipment

The increase in property, plant and equipment to $990.21 million as at June 30, 2010, as compared to $979.62 million as at December 31, 2009 primarily reflects movements in exchange rates from Brazilian Reais to Australian dollars ($24.37 million) and the acquisition of additional mining equipment ($21.43 million). This was offset by depreciation charges, and the reclassification of Brazilian federal and state taxes on capital expenditure during the ramp-up period that the Company believes is recoverable and ought to be able to be offset against future federal and state taxes payable. The recoverable taxes have been reclassified from property, plant and equipment to other receivables in the statement of financial position, to better reflect the nature of the transaction.

Trade payables and accrued liabilities

Trade payables of $64.77 million at as June 30, 2010 are primarily operational in nature, and reflect the increased activity levels of the Company as the Santa Rita Project ramps up to full production. Trade payables as at December 31, 2009 of $39.56 million reflected, in material part, amounts due to suppliers during the commissioning phase, together with payables on equipment and operational consumables acquired during the ramp up of mining and processing operations.

Derivative financial instruments

	30-Jun-10	31-Dec-09
Current asset		
Foreign exchange - forward contracts [(a)]	7,417	7,724
Copper - forward contracts [(a)]	12	-
	7,429	**7,724**
Non-current asset		
Foreign exchange - forward contracts [(a)]	7,470	10,140
	7,470	**10,140**
Current liability		
Nickel – forward contracts [(a)]	22,743	5,571
Metal call option [(b)]	19,129	10,230
Interest rate swap [(c)]	2,943	2,064
	44,815	**17,865**
Non-current liability		
Nickel – forward contracts [(a)]	19,676	21,733
Copper – forward contracts [(a)]	2,100	11,004
Metal call option [(b)]	17,091	28,584
Interest rate swap [(c)]	2,804	366
	41,671	**61,687**

(a) ***Forward contracts designated as hedges***

As at June 30, 2010 the Company had a net hedge liability position of A$29.62 million (December 31, 2009: A$20.44 million) reflecting the positive mark-to-market value of foreign exchange forward contracts ($14.89 million) and the negative mark-to-market value of commodity (nickel and copper) contracts ($44.51 million).

Foreign exchange forward contracts relate to the sale of US Dollars and the purchase of Brazilian Reis (at an average effective exchange rate of US$1=R$2.14) maturing between January 2010 and July 2013. The foreign exchange rate as at June 30, 2010 was US$1=R$1.80.

Metal hedges comprise of forward contracts for 19,402 tonnes of nickel at an average price of US$7.82/lb for the period July 2010 to March 2014 and 8,952 tonnes of copper at an average price of US$2.73/lb for the period from April 2011 to March 2015.

(b) ***Call options***

During March 2009 the Company sold nickel and copper call options for income of US$6.74 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 commencing July 1, 2010 and ending June 29, 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 commencing July 1, 2010 and ending March 30, 2012. The call option liability of A$36.22 million represents the fair value of the options as at June 30, 2010. The change in fair value for the period, including foreign exchange movements, is recognised as income of A$2.60 million.

(c) ***Interest rate swap***

The Company has an interest rate swap of US$100 million, to mitigate the risk of interest rate fluctuation, whereby the Company pays a fixed rate of 3.24% and receives US$ 3-month LIBOR. The facility commenced on March 31, 2010 and the facility value will decrease proportionately with planned repayments of the Senior Loan, to be completely amortised by September 30, 2015. The change in fair

value for the period, including foreign exchange movements, is recognised as an expense of A$3.32 million.

Loans and borrowings

The following interest-bearing loans entered into for the financing of the Santa Rita Project (non-current and current) were outstanding as at June 30, 2010:

	Norilsk Loan (i)	Votorantim Loan (ii)	Senior Credit Facility (iii)	Caterpillar finance lease facility (iv)	Total
Current borrowings	23,024	15,773	18,372	10,179	67,348
Non-current borrowings	39,844	25,424	201,363	34,055	300,686
	62,868	**41,197**	**219,735**	**44,234**	**368,034**

The Votorantim Loan and the Norilsk Loan are subordinated to the Senior Credit Facility and may only be repaid on satisfaction of certain conditions.

The first principle repayment on the Senior Credit Facility is due on March 31, 2011.

Contractual Commitments

The Company's contractual commitments as at June 30, 2010 are as follows:

	Payments due by period				
As at June 30, 2010	**Total**	**Within 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating leases	3,731	675	1,453	1,603	-
Exploration	291	291	-	-	-
Purchase obligations	43,411	43,262	149	-	-
Loans and borrowings	368,034	67,348	183,654	102,805	14,227
Provision for rehabilitation	21,709	-	-	-	21,709
Total	**437,176**	**111,576**	**185,256**	**104,408**	**35,936**

The table on contractual commitments should be read in conjunction with the table under the heading "loans and borrowings". Operating lease commitments relate to the Company's rental properties. Exploration commitments are those required to maintain Mirabela's rights to its exploration tenements in good standing.

Purchase obligations reflect contracts entered into during the ramp up of the Company's operations and consist primarily of mining contracts ($35.47 million) that include fuel, preventive maintenance and explosives. The remainder of the contracts relate to plant maintenance ($3.86 million), administration ($3.35 million) including food and transport, health and safety ($0.70 million), and finance ($0.03 million).

LIQUIDITY AND CAPITAL RESOURCES

Financial position

For the half year ended 30 June 2010 the Company incurred a loss of $19.28 million. The Company held cash on hand and on deposit as at 30 June 2010 of $47.49 million (US$40.02 million), including US$10 million held in the Santa Rita Project contingency reserve account. As at 30 June 2010 the Company has a net working capital deficit of $50.27 million, which includes $22.73 million of net commodity derivative liabilities that will be settled by physical delivery of the underlying commodity. At 30 June 2010 the Group held net assets of $582.65 million.

The Company has prepared a revised Life of Mine plan in accordance with the methodology contemplated in the Company's Senior Debt Facility. This plan reflects current production information and incorporates the delayed construction and operational ramp up timetable when compared to the definitive feasibility study on which the Senior Debt Facility was based. The revised plan indicates further cash outflows resulting in a requirement to raise additional funds. This, together with the delayed construction and ramp up, creates potential covenant issues under the Senior Debt Facility. The extent of these issues will depend on the amount of funds raised, actual operational performance and realised nickel prices. The Company is in full compliance with its facility covenants as at the date of this report.

The Company is working with the Senior Lenders to address these potential issues and is currently taking advice in relation to third party financing either by way of an equity raising or debt or a combination of the two for the purposes of debt servicing requirements, growth capital and general working capital. The timing, size and structure of the equity raising and/or debt financing are yet to be determined and will be affected by prevailing market conditions, however, it is currently planned to complete such financing during the third or fourth quarter of 2010.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. Should the Company not be successful in achieving forecast cash flows, not raise additional funds, and fail to comply with the Senior Debt Facility, it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

Management's Report on Internal Control over Financial Reporting

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure.

The internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with (IFRS).

The Company's management are of the opinion that any disclosure controls and processes or internal controls over financial reporting, no matter how well developed and executed, can provide only reasonable and not absolute assurance that the objectives of the control systems are met.

During the period ended June 30, 2010, no material changes were made to the Company's disclosure and internal controls over financial reporting.

The CEO and CFO conducted an evaluation of the Company's disclosure controls and processes and internal controls over financial reporting for the quarter and have concluded that the controls were effective.

SUMMARY OF QUARTERLY RESULTS

Selected financial data for each of the eight most recently completed quarters ended June 30, 2010 is included in the table below.

For the three months ended	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08
Sales revenue	60,152	45,870						
Treatment, refining and transport	(8,461)	(7,408)						
Net sales revenue	**51,691**	**38,462**						
Cost of Sales	(56,495)	(33,207)						
Operating Profit	**(4,804)**	**5,255**						
General and administration	(1,762)	(2,300)	(3,063)	(1,610)	(2,784)	(2,395)	(8,684)	(2,193)
Financing (costs)/income	(5,773)	(5,679)	(5,933)	43	(19)	64	507	627
Derivative gain/(loss)	19,330	(17,296)	(8,122)	(11,739)	(10,207)	(4,367)	436	8,694
Foreign exchange (loss)/gain	(1,011)	(5,031)	14,977	18,750	36,397	309	(43,426)	(18,515)
Other (expense)/income	(91)	(115)	1,524	(3,617)	(2,241)	(1,244)	(118)	(339)
Net income/(loss)	**5,889**	**(25,166)**	**(617)**	**1,827**	**24,783**	**(14,015)**	**(36,691)**	**(11,726)**
Basic profit/(loss) per share (cents)	1.60	(6.93)	(0.18)	0.58	25.2	(10.8)	(28.3)	(9.0)
Diluted profit/(loss) per share (cents)	1.60	(6.93)	(0.18)	0.58	25.2	(10.8)	(28.3)	(9.0)

The financial data shown in the table is derived from the Company's interim financial statements prepared in accordance with IFRS.

The Company commenced commercial production for accounting purposes during the three month period ended March 31, 2010. Prior to the March 2010 quarter, the Company was not in commercial production and its quarterly results did not include sales revenue and cost of sales. Rather, mining revenues and associated costs were capitalised to the balance sheet. For this reason, the results of quarters prior to March 31, 2010 do not present a trend in revenue or earnings that can be applied to periods of production.

The Company recorded an operating loss for the quarter ended June 30, 2010 of $4.80 million, as compared to an operating profit of $5.26 million for the quarter ended March 31, 2010. The operating loss for the second quarter was driven by significant downwards sales adjustments ($15.66 million) as a result of a decrease in the nickel price after the issue of provisional invoices during the quarter. In comparison, the first quarter

operating profit reflected a significant upwards sales adjustment of $10.87 million, as a result of the increase in the nickel price after the issue of provisional invoices during the quarter.

OUTSTANDING SHARE INFORMATION

As at August 13, 2010 the Company's outstanding shares and options are as follows:

	Number of shares
Outstanding ordinary shares, fully paid	367,162,725
Options on issue:	
- issuable under granted unlisted options	13,300,000
	380,462,725

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements 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 Company's critical accounting estimates is set out below.

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 June 30, 2010 are recorded using hedge accounting, under which the effective portion of the forward contract 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 June 30, 2010 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 the 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. As of June 30, 2010 the Company has recognised a liability of $21.71 million (present value) for rehabilitation costs at the Santa Rita Project and will accrete costs through periodic charges to the income statement. In addition, the rehabilitation obligation asset 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.

Deferred stripping costs

The removal of overburden and other mine waste material during the initial development of a mine site in order to access the mineral deposit, is referred to as development stripping. The directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as development costs within property, plant and equipment. Depreciation of these costs begins when the extraction of saleable material from the mine commences and is determined on a unit of production basis. On completion of development, all assets included in construction & development expenditure are transferred to mine properties.

Stripping costs incurred subsequently during the production stage are deferred where this is the most appropriate basis for matching costs against the related economic benefits and the effect is material. This generally occurs where there are fluctuations in stripping costs over the life of the mine. The life-of-mine ratio is based on the economically recoverable reserves of the mine and is a function of the pit design.

The amount of stripping costs deferred is based on the strip ratio, which represents the ratio of the tonnage of waste mined to the quantity of ore mined. When the current strip ratio is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to mine properties. In subsequent periods, when the strip ratio is less than the estimated life-of-mine ratio, the stripping costs are charged through profit or loss as operating costs.

As deferred stripping costs are included in mine properties, within property, plant & equipment, these will form part of the relevant cash generating units which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Share Based Payments

The Company utilises the binomial model for valuing options. The value derived from the option pricing model is highly subjective and depends entirely on the input assumptions made. These input assumptions include the price of the 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.

FINANCIAL INSTRUMENTS

The Company 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 cash flows and its ability to service existing and planned borrowings for the Santa Rita Mine. The Company's strategy is to mitigate these risks by entering into metals hedging and foreign exchange hedges that underwrite the full value of expected operating costs during the debt service period of its various borrowings. In respect of interest rates risk, the Company has entered into a US$100 million USD interest rate swap.

Nickel and copper hedging in support of the Senior Loan was completed in September 30, 2008. The metals hedging position as at December 31, 2009 comprises 19,402t of nickel forward sold at an average price of US$7.82/lb in the period from July 2010 to March 2014, and 8,952t of copper forward sold at an average price of US$2.73/lb in the period from April 2011 to March 2015. The negative mark-to-market value of these hedges was A$44.60 million as at June 30, 2010 (compared to A$38.31 million negative mark-to-market value of hedges as at December 31, 2009).

The Company's metal hedge contracts are forward sales agreements and are not subject to margin calls. The Company's risk is that it may have insufficient metal to deliver at the hedge settlement dates. In these circumstances, where prevailing metal prices are above the hedged price, the Company will have an obligation to settle the net difference between the hedge value and the value of the metal at the prevailing spot prices.

On March 20, 2009 the Company sold nickel and copper call options for income of US$6.74 million. The 2,400 tonne nickel call option had a strike price of US$6.50/lb for metal deliveries of 100 tonnes/ month over the 24 month period between 1 July 2010 and 29 June 2012. The 6,300 tonne copper call option had a strike price of US$1.80/lb for metal deliveries of 300 tonnes/ month over the 21 month period between 1 July 2010 and 30 March 2012. The call option liability of A$36.22 million represents the fair value of the options as at March 31, 2010 (compared to a A$38.81 million liability as at December 31, 2009).

The 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 referred to above, 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 repayment period of the USD denominated Senior Loan.

Mirabela has entered into forward contracts to sell US$144.13 million/buy BRL at an average BRL/USD exchange rate of 2.15 over the period between January 2010 and July 2013. These agreements had a positive mark-to market value of A$14.89 million as at June 30, 2010 (A$17.86 million positive mark-to-market value as at December 31, 2009).

All of the Company's forward exchange contracts are either non-deliverable forwards ("NDF") where, at contract maturity, the difference between the contract's value at the strike price and the prevailing USD/BRL exchange rate is settled in cash in favour of the 'in the money' party. The Company's risks are that it may have insufficient funds to settle the net difference of the NDF in the event that an 'out of the money' contract matures, or that the counterparty fails to deliver on the contract.

The Company has a US$100 million facility interest rate swap whereby the Company pays the fixed rate of 3.24% and receives USD 3-month LIBOR rate. The facility commenced on March 31, 2010 and the value of the facility will decrease proportionately with planned repayments of the Senior Loan, to be completely amortised by September 30, 2015. As at June 30, 2010 the interest rate swap had a negative mark-to-market value of A$5.75 million (compared to A$2.43 million negative mark-to-market as at December 31, 2009), which was recognised as a financial expense in the Company's income statement.

The Company monitors the mark-to-market value of existing metals and foreign exchange contracts, and has the capacity to make trades to limit the extent of a potential future 'out of the money' loss, thereby managing the potential settlement risk.

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2010 there were no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities may enter into transactions with the Company or its subsidiaries. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-director related entities dealing at arm's length with the Company.

During the three month period ended June 30, 2010, Mitchell River Group Pty Ltd invoiced the Company for A$0.02 million for technical services provided during the period (three month period ended June 30, 2009: A$0.11 million). The services were provided at normal market rates and on usual commercial terms. Mitchell River Group Pty Ltd is a related entity associated with Mr Craig Burton, the executive chairman of the Company. These arrangements are ongoing but are not subject to any contractual or other commitments.

RISKS AND UNCERTAINTIES

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Mirabela and the value of its ordinary shares. These include risks that are widespread and associated with any form of business and specific risks associated with Mirabela's business and its involvement in the exploration and mining industry generally and in Brazil in particular. While most risk factors are largely beyond the control of Mirabela and its directors, the Company will seek to mitigate the risks where possible. An investment in the Company's shares is considered to be speculative due to the nature of Mirabela's business and the present stage of its development.

Additional Funding may be Required

The Company is not yet cash flow positive as the Santa Rita Project ramps up to full production. Becoming cash flow positive will depend on a number of factors including, but not limited to, the price of nickel and other base metals, the optimisation of operations without delay, operating costs, production, recovery and exchange rates.

If the Company is not cash flow positive or is normally expected to be cash flow positive, prior to the depletion of its cash reserves and available credit, the Company will require third party financing to fund future working capital, capital expenditures, operating and exploration costs, and other general corporate requirements.

The success and the pricing of any such capital raisings and/or debt financing will be dependent upon the prevailing market conditions at that time and upon the ability of a company without significant projects already in production and with significant amounts of existing indebtedness, to attract significant amounts of debt and/or equity. There is no assurance that such financing will be obtained or on terms satisfactory to the Company. Failure to obtain sufficient financing, as and when required, could cause the Company to realise assets and extinguish liabilities other than in the normal course of business and not be able to continue as a going concern.

The Company's Financial Condition

As at June 30, 2010 the Company has a net working capital deficit of $50.27 million, which includes $22.73 million of net commodity derivative liabilities that will be settled by physical delivery of the underlying commodity. The Company has long term debt in the principal amount of $368 million as at June 30, 2010.

There can be no assurance that the Company will not continue to incur losses. Numerous factors, including declining metal prices, lower than expected ore grades or higher than expected operating costs (including increased commodity prices), and impairment write-offs of mine property and/or exploration property costs, could cause the Company to continue to be unprofitable in the future. Continued losses could have important consequences, including the following:

- Increasing the Company's vulnerability to general adverse economic conditions and industry conditions;
- Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to dedicate a significant portion of the Company's cash flow from operations, anticipated from the Santa Rita Project, to make debt service payments, which would reduce its ability to fund working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Limiting the Company's flexibility in planning for, or reacting to, changes in our business and the industry; and
- Placing the Company at a disadvantage when compared to its competitors that have less debt relative to their market capitalisation.

Decreases in the Price of Nickel

The price of nickel will affect the profitability of the Santa Rita Project. The price of nickel fluctuates widely and is affected by numerous factors beyond the control of Mirabela such as industrial and retail supply and demand, exchange rates, inflation rate fluctuation, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

Future production from Mirabela's mining properties, including in particular the Santa Rita Project, is dependent upon the price of nickel being adequate to make it economic. In particular, the Company's mineral reserves have been calculated at a price of US$7.00/lb, which as of the date of this MD&A is below the prevailing market price.

Future price declines in the market value of nickel and copper could cause commercial production from the Santa Rita Project to be rendered uneconomic. Declining metal prices will also adversely affect the Company's ability to obtain financing both now and in the long term.

Failure to Comply with Restrictions and Covenants in the Senior Loan Agreement

In March and April 2009, the Company entered into a credit agreement (the "**Senior Loan Agreement**") with Barclays Bank plc, Credit Suisse International, WestLB AG, Caterpillar Financial Services Corporation and Bayerische Hypo-und Vereinsbank AG (collectively, the "**Lenders**") for the Senior Loan for the principal purpose of funding completion of the construction and commissioning of the Santa Rita Project.

The Senior Loan Agreement contains covenants and imposes restrictions on the Company's ability to complete certain transactions. For example, the Senior Loan Agreement requires that the Company maintain certain financial ratios, complete the Santa Rita Project by September 30, 2011, in accordance with the agreed upon mine plan, enter into a port agreement for shipping product, maintain offtake agreements in respect of at least 70% of targeted production and maintain a tangible net worth of at least $200 million. The Senior Loan Agreement also prohibits the Company from paying any dividends or making any other distributions to its shareholders, incurring additional indebtedness or entering into any hedging arrangements other than those expressly permitted thereby. While the Company is currently in compliance with all such covenants and restrictions, a breach by the Company of any covenant or restriction in the Senior Loan Agreement will constitute an event of default under the Senior Loan Agreement, entitling the Lenders to accelerate the payment of amounts due there under. The Senior Loan is secured by all of the Company's assets. An obligation to repay the amount owing under the Senior Loan Agreement before its stated maturity could have an adverse effect on the Company and its financial position.

Foreign Exchange Risk

Exchange rate fluctuations have affected the Company's costs, revenue and cash flows. Although the Company raises equity in Canadian and Australian dollars and the Company's indebtedness is denominated in United States dollars, portions of the Company's operating expenses and portions of the remainder of its capital expenditures are incurred in Brazilian reais. Further, nickel is sold worldwide, predominantly in United States dollars.

Accordingly, adverse fluctuations in the relative price of the Brazilian real and the Canadian, Australian and United States dollars would effectively increase the costs of development and production at the Santa Rita Project and could materially and adversely affect the Company's earnings and financial condition.

Concentrate Specifications

The Company's concentrate is subject to risks of process upsets and equipment malfunctions. Head grade, mill throughput recovery rates, or anticipated metallurgical recoveries may ultimately be lower than expected. Concentrate produced by Mirabela until 2014 is subject to off-take agreements and must meet certain

specifications. Failure to meet such specifications could entitle purchasers to refuse delivery or seek price adjustments, which in either case, could have a material adverse effect on the Company's financial condition.

Increases in Operating Cost Estimates

Operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events, among the other events and uncertainties described in this MD&A, could affect the ultimate accuracy of such estimate and result in an increase in actual operating costs incurred: (i) unanticipated changes in grade and tonnage of ore to be mined and processed; (ii) incorrect data on which engineering assumptions are made; (iii) equipment delays; (iv) labour negotiations; (v) changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals; and (vi) title claims. Material increases in operating costs at the Santa Rita Project could cause the Company to suspend operation of the Santa Rita Project as currently planned, either temporarily or permanently.

Production Estimates

The Company may not achieve its production estimates. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial conditions. The realization of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), the physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing.

Actual production may vary from estimates for a variety of reasons, including: the availability of certain types of ores; the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; lack of required labour; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production.

Environmental Risks and Regulations

All phases of Mirabela's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Mirabela's operations. Environmental hazards may exist on the properties on which Mirabela holds interests which are unknown to Mirabela at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are current and may in the future be required in connection with the operations of Mirabela. To the extent such approvals are required and not obtained, Mirabela may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties or sale of concentrate.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties or the sale of concentrate may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Mirabela and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production, or require abandonment or delays in development of new mining properties.

Interest Rate Risk

The Company's various credit arrangements accrue interest at variable rates that fluctuate with LIBOR, Cost of Funds or CDI (calculated by the Brazilian Custody and Settlement Chamber). Although the Company has entered into agreements to hedge, to a certain extent, against unfavourable changes in interest rates, the Company may be exposed to adverse interest rate fluctuations that could have a material adverse impact on the Company's financial position.

Hedging Policies

The Company has entered into forward sales agreements for nickel and copper. Although these agreements may protect the Company in certain instances, they may also limit the price that can be realized on metals subject to any hedges where the market price exceeds the hedge contract. In addition, Mirabela is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. Mirabela has also hedged a proportion of the foreign exchange exposure in relation to future operating costs of the Santa Rita Project, and may also hedge the costs of inputs to the Santa Rita Project. However, if the prices of these inputs fall below the levels specified in any current or future hedging agreements, Mirabela could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of positive currency movements or commodity price decreases.

Changes in the terms of the Senior Loan

The terms of the Senior Loan may be revised to achieve "successful syndication". More particularly, to achieve "successful syndication", the Lenders are entitled to change: (i) the pricing of the Senior Loan (including increasing the interest rate margin or the arrangement fee); and (ii) the structural terms of the Senior Loan, in each case, as required to achieve "successful syndication". "Successful syndication" means the reduction in the commitments of each Lender by at least 25% of its initial commitment. The Lenders are obligated to consult with the Company in the exercise of their rights as described above, however any such changes to the Senior Loan are not subject to the Company's approval. There can be no assurance that the Lenders will not exercise any of their rights, as set out above and that such exercise will not have a material adverse effect on the Company and its financial condition.

Changes in the terms of the Leasing Facility

Mirabela Brazil, as lessee, and Mirabela, as guarantor, entered into a master funding and lease agreement dated March 23, 2009 with Caterpillar Financial SARL, as arranger, and Caterpillar Financial Services Corporation, as lender (together with the arranger, "**Caterpillar Financial**"), pursuant to which Caterpillar

Financial agreed to extend a master funding and lease facility in the principal amount of not more than US$55 million (the "**Leasing Facility**") for the purpose of lease financing up to 90% of the purchase price of Caterpillar mobile equipment from Marcosa SA and Sotreq SA, Brazil.

By the terms of the Leasing Facility, Caterpillar Financial may syndicate up to US$30 million of the Leasing Facility and is entitled to make changes to the pricing and structure of the Leasing Facility (subject to limitations to be determined by the parties), in order to achieve a successful syndication (such changes applying only to the syndicated portion of the facility). There can be no assurance that such changes to the pricing and structure of the Leasing Facility will not have an adverse effect on the Company and its financial condition.