MIRABELA NICKEL LTD

ABN 23 108 161 593

Financial Report

31 December 2009

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Craig Burton	Executive Chairman
Ian Purdy	Chief Executive Officer & Managing Director
Bill Clough	Non-executive Director
Joe Hamilton	Non-executive Director
Nick Poll	Non-executive Director
Nick Sheard	Non-executive Director
Colin Steyn	Non-executive Director

COMPANY SECRETARY

Chris Els

PRINCIPAL & REGISTERED OFFICE

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STOCK EXCHANGE LISTINGS

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

SHARE REGISTRY (AUSTRALIA)

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CONTENTS

DIRECTORS' REPORT

The Directors of the Company present their report together with the financial report of Mirabela Nickel Ltd (the Company) and of the Consolidated Entity, being the Company and its subsidiaries, for the financial period ended 31 December 2009 and the auditors' report thereon.

1 DIRECTORS AND COMPANY SECRETARY

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

1.1. Directors

Mr Craig Burton BJuris, LLB, MAICD – Executive Chairman, Appointed 5 March 2004

Mr Burton is an experienced and active investor in emerging projects and businesses, both public listed and private, with a focus on the base metals, oil and gas and mining services sectors. He is a co-founder of two ASX 200 companies – Mirabela Nickel Limited and Panoramic Resources Limited.

Mr Burton is a Non-executive Director of Everyday Mining Services Limited, Capital Drilling Limited and Matra Petroleum plc.

Mr Burton was appointed Executive Chairman on 4 October 2009.

Mr Ian Purdy B.Com, CA, FAICD – Chief Executive Officer & Managing Director, Appointed 1 November 2009

Mr Purdy has held a number of senior positions in the Australian mining industry, including Managing Director of Norilsk Nickel Australia and Director of Finance and Strategy of LionOre Australia, where he led the management of sulphide and laterite nickel operations. He has a strong track record in operations management, sales and logistics, and financial control.

Mr Purdy previously worked for WMC Ltd and North Ltd in senior financial and commercial roles.

Mr Bill Clough BSc (Geol), BCom (Hons) – Non-executive Director, Appointed 5 March 2004

Mr Clough has many years experience in mining, engineering and logistics businesses, with a more recent focus upon resource opportunities in developing countries. Since 1999, Mr Clough has pursued mining projects in Brazil, and was the founding investor and current Director of AIM listed Serabi Mining plc. Also in Brazil, Mr Clough founded Comomi Iron Mineração, which is currently exploring for iron ore in a private partnership with Vale. He is also the founder of Twinza Oil Ltd, which has oil and gas interests in Thailand, Myanmar, Papua New Guinea and Australia.

Mr Clough identified and negotiated the acquisition of the Mirabela Project.

Mr Clough retired as Chairman of the Board on 4 October2009 but continues to serve as a Non-executive Director.

Mr Joseph Hamilton BSc (Hons), MSc App, P.Geo, CFA – Non-executive Director, Appointed 26 March 2007

Mr Hamilton has more than 25 years experience in the international mining industry. Mr Hamilton was employed as a precious metals research analyst with Dundee Securities Corporation from June 1997 to March 2003. He then held a similar position with RBC Capital Markets, Global Mining Division from March 2003 to December 2004. Subsequent to his time as a mining analyst, Mr Hamilton was CEO of African Copper Plc and was responsible for the development of their copper mine in Botswana. Most recently, Mr Hamilton was Interim CEO of Noront Resources and was responsible for the restructuring of that company.

Mr Nick Poll BSc (Hons), MSc (Geology), Msc (Business), AUSIMM – Non-executive Director, Appointed 5 March 2004

Mr Poll was the founding Managing Director of Mirabela Nickel and led the discovery and development of the Santa Rita project. He is a geologist with more than 20 years experience in the development of exploration and mining projects internationally. A large part of his career was with WMC Limited as well as several years in corporate advisory services in the City of London.

Mr Poll ceased to be Managing Director of the Company effective 31 October 2009 and ceased full-time employment on 31 December 2009.

Mr Nicholas Sheard Fellow AIG, R, P.Geo – Non-executive Director, Appointed 20 March 2007

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

Mr Colin Steyn B.Com, MBA – Non-executive Director, Appointed 29 October 2009

Mr Steyn has over 30 years experience in the resources sector with particular expertise in the development of integrated nickel mining operations. Mr Steyn was previously President and Chief Executive Officer of LionOre Mining International from 1999 to 2007, when it was acquired by Norilsk Nickel. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international nickel producer. From 1996 to 2000, Mr Steyn was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto, where he started his career in 1979.

1.2. Company Secretary

Mr Chris Els B.Com, B.Com (Hons), CA - Chief Financial Officer & Company Secretary, Appointed 1 August 2009

Mr Els is a finance executive with over 20 years experience in mining, manufacturing, agribusiness, business services and fast moving consumer goods sectors in Australia and in South Africa. Previously, he was Chief Financial Officer of Norilsk Nickel Australia, where he managed finance, accounting and IT services. Most importantly, Mr Els brings a wealth of operating experience in nickel sulphide projects and in the reporting requirements for the Toronto and Australian stock exchanges.

Mr Els is also an associate member of the Chartered Institute of Management Accountants and a member of the Certified Practicing Accountants of Australia. Mr Els was appointed as Company Secretary from 7 January 2010.

Mr Stephen Hills B.Com, B.Compt (Hons), CA - Company Secretary

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

Mr Hills ceased to be Company Secretary effective 7 January 2010 and ceased employment with the Company on 31 January 2010.

1.3. Directors' Meetings

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

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Present	Held	Present	Held	Present	Held
Craig Burton	6	6	-	-	-	-
Ian Purdy	2	2	-	-	-	-
Bill Clough	6	6	2	2	-	-
Joe Hamilton	5	6	1	2	-	-
Nick Poll	5	6	-	-	-	-
Nick Sheard	5	6	2	2	-	-
Colin Steyn	2	2	-	-	-	-

1.4. Corporate Governance

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

2 OPERATING AND FINANCIAL REVIEW

Mirabela Nickel Ltd is a nickel focused explorer, developer and producer, listed on the Australian and Toronto stock exchanges (ASX: MBN and TSX: MNB). Its primary asset is the 100%-owned Santa Rita nickel sulphide project in Bahia, Brazil, discovered by Mirabela in 2004 and developed in less than five years. Santa Rita is the largest nickel sulphide discovery worldwide in over a decade, and is expected to be the second largest open-cut nickel sulphide mine in the world.

The Santa Rita mine is now fully commissioned and delivery of nickel concentrate has commenced. At full production capacity, expected during 2011, the mine will be capable of producing 26,000tpa of nickel in concentrate. The reserves support a mine life of at least 19 years.

OPERATING REVIEW

During the six months since the previous annual report, the Santa Rita mine achieved the major milestone of successful completion of commissioning. All the mine's mechanical and electrical components have run to the current installed nameplate capacity, and the operation is on track to reach its interim target of 4.6 million tonnes of ore per annum, on an annualised basis, during the second quarter of 2010.

Mining

By the end of 2009, mining at Santa Rita was following a phased opening of 1.8 kilometre strike length with a life-of-mine strip ratio of 7.2:1.

Mining operations at Santa Rita during 2009 focused on the northern end of the ore body, with pre-stripping at the southern end scheduled for early this year.

During the final quarter of the year, the majority of ore was mined from the North Pit transitional ore zone, with limited access to primary ore benches. A total of 591,000 tonnes of ore was mined in this period, at an average nickel grade of 0.53%.

As at 31 December, the run of mine (ROM) and crushed ore stockpiles contained 121,000 tonnes of ore at an average nickel grade of 0.49%, contributing to an average nickel head grade for the life of the mine of 0.60%.

The ramp-up to full production has necessitated an increase in the mining fleet to six CAT 777 trucks, nine CAT 785 trucks, three RH 120 excavators, one RH 90 excavator, one CAT 992 front end loader, one Atlas Copco Viper drill rig, three Atlas Copco L8 drill rigs, two CAT D10 dozers and other ancillary equipment. All of the equipment has been commissioned.

Processing

Santa Rita's conventional nickel sulphide flotation plant has performed well, with commissioning completed ahead of schedule and the consistent production of high quality concentrate. The plant has only required minor remediation works to date and early indications are that the grinding circuit will operate above its nameplate capacity, with the potential to increase throughput beyond this level.

During the December quarter, 487,000 tonnes of ore was milled producing 880 tonnes of contained nickel in concentrate, 342 tonnes of contained copper in concentrate and 14 tonnes of contained cobalt in concentrate. Average concentrate grades were 12.1% nickel, 4.7% copper, 0.2% cobalt and 10.5% MgO.

The average nickel recovery rate over the period was 35% compared to the target of 40% in the first six weeks of the plant's operation. Recoveries for December were restricted due to the prevalence of weathering in the transitional ore and the "stop-start" nature of the plant's operations as optimisation campaigns were carried out.

Encouragingly, during periods of steady state production with primary ore, recoveries were in line with feasibility expectations.

Improvements in recoveries continue to be achieved through a new reagent regime established to deal with altered material, and continued optimisation of plant performance. Further improvements will accrue from mining ramp-up, as the company explores ore blending options and with the move from transitional ore to primary ore over time.

Sales of 4,900 dry metric tonnes of concentrate were achieved with Mirabela's domestic customer, Votorantim Metais Niquel S.A., and concentrate stocks reached 2,000 dry metric tonnes by year end. The Company expects to commence export sales to Norilsk Nickel during Q2 2010.

All concentrate production is sold until the end of 2014 via five-year offtake agreements.

Outlook

The resource at Santa Rita offers significant, organic, brownfields growth potential as a world class orebody and infrastructure entering commercial production.

Mirabela's immediate focus is to establish sustainable, profitable operations at 4.6 million tonnes per annum.

Once satisfied with this outcome, the company looks confidently towards the future with planned expansion of operations to 6.4 million tonnes per annum. The majority of plant infrastructure is in place, a second ball mill is on site, the engineering study has been commissioned and a staged ramp-up in mining activity is planned.

Exploration

Mirabela Nickel Ltd is focused on building the foundations of a long life, sustainable nickel business.
Once interim targets at Santa Rita have been met, the Company will implement a two-pronged exploration program:

- Evaluate full potential of underground resource at Santa Rita; and
- Implement a regional exploration program

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

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

Resources and Reserves

The pre-mining Reserves at the Santa Rita Project are as follows:

Santa Rita Proven and Probable Reserves – Open Pit

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

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

Santa Rita Inferred Resource – Underground

Mirabela is exploring the potential for a significant expansion of Santa Rita through development of an underground mining operation beneath the open cut pit.

Category	Mt	Ni	Cu
Inferred	87.5	0.79%	0.23%

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

As at 31 December 2009, a total of 591,000 tonnes of ore had been mined from Reserves at an average nickel grade of 0.53%.

Executive and Board Changes

Ian Purdy was appointed Chief Executive Officer and Managing Director in November 2009. Mr Purdy was previously Managing Director of Norilsk Nickel Australia, and prior to that Director Finance and Strategy of LionOre Australia, where he led the management of both sulphide and laterite nickel operations. He has a strong track record in operations management, sales and logistics, and financial control. Mr Purdy previously held senior financial and commercial roles in WMC limited and North Limited.

Chris Els was appointed Chief Financial Officer in August 2009 and Company Secretary in January 2010. Mr Els is a finance executive with over 20 years experience in mining, manufacturing, agribusiness, business services and fast moving consumer goods sectors in Australia and in South Africa. Previously, he was Chief Financial Officer of Norilsk Nickel Australia, where he managed finance, accounting and IT services. Most importantly, Mr Els brings a wealth of operating experience in nickel sulphide projects and in the reporting requirements for the Toronto and Australian stock exchanges.

Colin Steyn was appointed a Non-executive Director of the Company in October 2009. Mr Steyn is best known for his role as President and CEO of LionOre Mining International from 1999, to 2007 when the company was sold to Norilsk for over US$6 billion. He was a founding director of LionOre and was instrumental in growing the company's nickel production from 2,000tpa to over 36,000tpa. Mr Steyn has extensive operating and financial experience with nickel sulphide projects and a proven track record in building an international mining company.

During the December 2009 quarter Craig Burton replaced Bill Clough as Chairman of the Board, with Mr Clough remaining as a Non-executive Director. Former Managing Director, Nick Poll, moved to a Non-executive Director role during January 2010.

FINANCIAL REVIEW

Income Statement

The Company recorded a net profit of $1.21 million, representing ($0.0037) per share for the six months ended December 31, 2009, mainly due to an unrealised foreign exchange gain on the conversion of US dollar denominated loans as a result of the strengthening of the Australian dollar against the US dollar since June 30, 2009. This compared favourably to a net loss of ($37.65 million) or ($0.2286) per share, for the twelve months ended June 30, 2009.

During the period to December 31, 2009 the Company was not in commercial production having recently completed construction and commissioning. All mining revenues and associated costs have been capitalised, and will continue to be capitalised until such time as the Company is deemed to be in commercial production.

Balance Sheet

Total assets increased by A$167.20 million to A$1,075.43 million from 30 June 2009 mainly as a result of the completion of construction at Santa Rita (A$68.71 million) and the acquisition of plant and equipment (A$96.67 million). Cash balances as at 31 December 2009 increased by A$17.03 million to A$59.12 million, mainly due to an equity raising of A$65.10 million (A$37.72 million received by 31 December 2009) which commenced late in December and concluded in March 2010.

Total liabilities were A$502.42 million, an increase of A$58.33 million from 30 June 2009 mainly due to the remaining draw down of US$25 million under the Senior Loan in October 2009 as well as the purchases of mining equipment under the US$55 million master funding and lease agreement with Caterpillar Financial Services Corporation (CAT facility) (US$37million). The Senior Loan of US$190 million is now fully drawn and US$18 million remains available under the CAT facility as at 31 December 2009 ($US15 million drawdown subsequent to period end).

Total equity of A$573 million increased by A$108.86 million from 30 June 2009 mainly due to net A$148.19 million raised through equity and a decrease in accumulated losses of A$1.21 million, off-set by a decrease in reserves of A$40.54 million.

Cash Flow

During the period cash and cash equivalents increased by A$17.03 million to A$59.12 million. Included in the cash movement from 30 June 2009 is a negative foreign currency adjustment of A$5.42 million on cash held during the period.

Cash outflows from operating activities of A$6.82 million are primarily of a general, administration and corporate nature as a result of the Company's development program from commissioning to ramp up of both the mining and processing operations.

Cash spent on investing activities of $144.83 million primarily reflects expenditure on the construction and commissioning of infrastructure at the Santa Rita Project together with acquisition of property plant and equipment to support the ramp up of mining and processing operations. Construction of the Santa Rita Project was completed in September 2009 with commissioning successfully completed in November 2009.

The net cash inflows from financing activities of $174.09 million comprises primarily of net proceeds from capital raisings (A$148.19 million) and draw down of the remaining US$25 million balance (A$27.68 million) under the Senior Loan in October 2009.

Project Financing and Hedging

In August and September 2009, the Company undertook an equity raising through the issue of 50 million ordinary shares at A$2.35 per share (or equivalent) to raise gross proceeds of A$117.5 million (US$97.2 million). Of these proceeds US$44.5 million was allocated to cost over-runs on the Santa Rita Project, with the balance of the proceeds raised allocated to additional working capital requirements of the project.

The proceeds of the financing were used as expected, except that the proceeds were converted at an average exchange rate of R$1.76 for one U.S. dollar as compared to a budgeted rate of R$2.00 for one U.S. dollar. With approximately 90% of the Company's payables in Brazilian reais, this strengthening of the Brazilian reais reduced available working capital by approximately US$9.5 million.

In October 2009, the Company drew down the remaining US$25 million under the Senior Loan. The Senior Loan is now fully drawn. This draw down was for construction and commissioning costs at the Santa Rita Project.

In December 2009, the Company announced a further fundraising initiative as follows:

- A$37.72 million share placement to Australian institutional investors – completed on 21 December 2009;
- C$12.27 million special warrant placement to Canadian investors – completed on 11 January 2010; and
- A$10.28 million share purchase plan – completed 21 January 2010

In addition, the Company agreed to private share placements with Mr Craig Burton (Chairman) (A$0.92 million) and Lancaster Park, an entity associated with Mr Colin Steyn (Director) (A$3.91 million). In accordance with the ASX Listing Rules, these placements were approved at a General Meeting of Shareholders held on March 29, 2010.

All of the shares issues above were priced at A$2.30 per share (or in the case of the special warrants, which convert to shares, at C$2.23 being the Canadian dollar equivalent on 15 December 2009). The Company intends to use the net proceeds from the Australian placement, the Share Purchase Plan and the proceeds from the Director's placements to (i) fund the Company's general and administrative expenses and mining and plant operating costs at the Santa Rita Project; (ii) finance the remaining capital costs of the equipment required to ramp up production capacity at the Santa Rita Project to 6.4 mtpa; (iii) finance an underground drilling program; and (iv) as to the balance, to provide a working capital buffer.

On 6 January 2010, pursuant to the terms of its senior non-revolving loan in the aggregate principal amount of US$190 million with Barclays Bank plc, Credit Suisse International, West LB AG, Caterpillar Financial Services Corporation and Bayerische Hypo-und Vereinsbank AG, as lenders (the "**Senior Loan**"), the Company requested and subsequently received US$15 million of the US$25 million contingency support account (the "**CSA**") established thereunder. In accordance with the terms of the Senior Loan, the CSA was used to cover historical construction cost overruns at the Santa Rita Project.

The Company did not enter into any new metal hedging arrangements during the period.

Capital

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

On 5 August 2009, 21,500,000 ordinary shares were issued to institutional investors at A$2.35 per ordinary share for gross proceeds of A$50.53 million;

On 17 August 2009, 21,500,000 ordinary shares of the Company were issued at C$2.10 (Australian dollar equivalent of A$2.35 per ordinary share) for gross proceeds of A$50.53 million;

On 30 September 2009, 3,500,000 ordinary shares were issued to institutional investors at A$2.35 per ordinary share for gross proceeds of A$8.23 million;

On 6 October 2009, 3,500,000 ordinary shares were issued to institutional investors at A$2.35 per ordinary share for gross proceeds of A$8.23 million; and

On 21 December 2009, 16,400,000 ordinary shares were issued to Australian institutional investors at A$2.30 per ordinary share for gross proceeds of A$37.72 million.

3 REMUNERATION REPORT - audited

3.1 Principles of Compensation

Remuneration is referred to as compensation throughout this report.

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

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

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

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

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

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

3.1.1 Fixed Compensation

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

3.1.2 Performance-linked compensation

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

Cash bonuses designed to reward key management personnel for meeting or exceeding their operational objectives are paid at the discretion of the Board.

Details of performance linked compensation

Following the performance reviews, recommendations were made for a short-term incentive to be applied for key management personnel. Consideration was given to recognition of the successful completion of construction, achievement of aggressive commission and ramp up targets, establishment of operational capability and the successful outcome of the December Equity raising. These are included in the remuneration tables in section 3.2 of the Directors' Report.

3.1.3 Long-term incentive

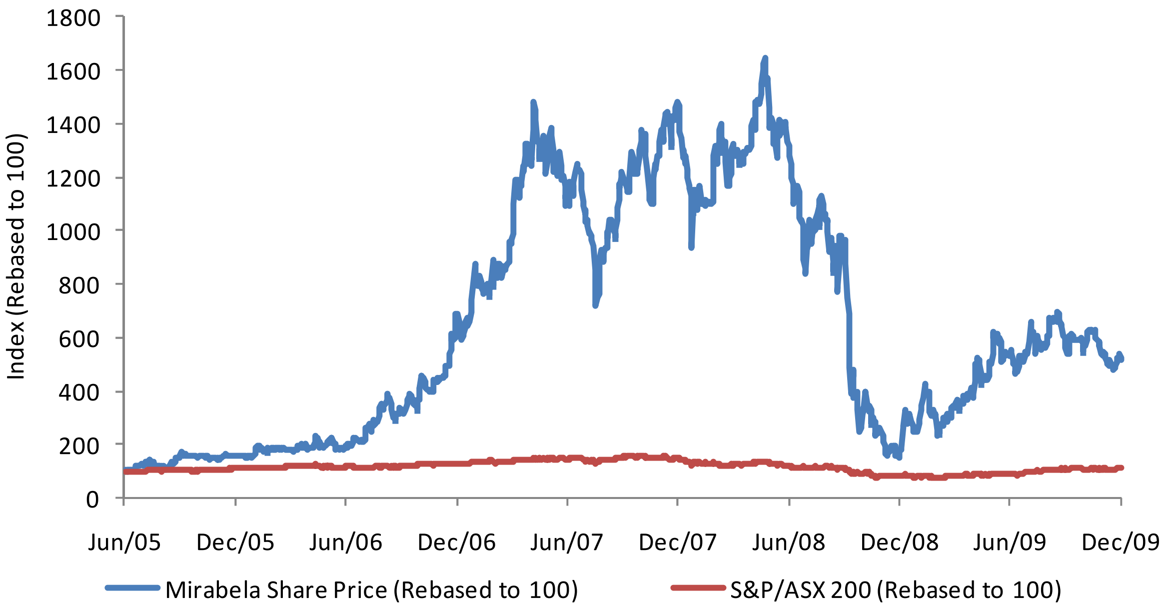
Options are issued to key management personnel at the discretion of the Board. The ability to exercise the options is conditional upon the key management personnel achieving certain performance targets.

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

The Company is currently reviewing the incentive scheme and expects to present a new performance based scheme to shareholders during the second quarter of 2010.

3.1.4 Consequences of performance on shareholder wealth

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



3.1.5 Service contracts

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

Mr Ian Purdy, Chief Executive Officer & Managing Director, entered into an employment contract on 1 November 2009 with the Company. The contract is unlimited in term but capable of termination upon six months notice by either party. The Consolidated Entity retains the right to terminate the contract immediately, by making payment equal to six months' pay in lieu of notice. As part of the contract, Mr Purdy is entitled to participate in any Company incentive schemes.

Mr Chris Els, Chief Financial Officer (CFO) & Company Secretary, entered into an employment contract as CFO with the Company effective 1 August 2009 and was appointed Company Secretary on 7 January 2010. The contract is unlimited by term but capable of termination upon three months notice by either party. As part of the contract Mr Els is entitled to participate in any Company incentive schemes.

Mr Bryan Hyde, Managing Director-Santa Rita Project, entered into a services contract with the Company on 2 November 2009. The contract is limited to 18 months from commencement date but capable of termination upon three months notice by either party. As part of the contract Mr Hyde is entitled to participate in any Company incentive schemes.

Mr Paulo Oliva, Country Manager, entered into a services contract with the Company on 1 January 2004. The contract is unlimited by term, but capable of termination upon 30 days notice by either party.
Mr David Chapman, Operations Manager, entered into an executive services agreement on 1 March 2007 with the Company. The contract is unlimited by term but capable of termination upon 3 months notice by either party. Mr Chapman ceased employment with the Company on 31 December 2009.

Mr Nick Poll, Non-executive Director, entered into an executive services agreement with the Company on 1 July 2006. The contract is unlimited in term but capable of termination upon 6 months notice by either party. The Consolidated Entity retains the right to terminate the contract immediately, by making payment equal to six months' pay in lieu of notice. Mr Poll ceased to be Managing Director of the Company effective 31 October 2009 and ceased full time employment on 31 December 2009.

Mr Raphael Bloise, Project Director, entered into an executive services agreement on 3 September 2007 with Mirabela Mineração do Brasil Ltda. The contract has been renewed for the commissioning phase of the project. Either party is able to terminate the contract with 30 days notice. As part of his contract Mr Bloise has the potential to earn bonuses for the delivery of the Santa Rita project on time and under budget. Mr Bloise ceased employment with the Company on completion of commissioning on 17 November 2009.

Mr Stephen Hills, Company Secretary, entered into an executive services agreement on 23 March 2007 with the Company. The contract is unlimited by term but capable of termination upon 3 months notice by either party. Mr Hills ceased to be Company Secretary effective 7 January 2010 and ceased employment with the Company on 31 January 2010.

3.1.6 Non-executive Directors

Total aggregate remuneration payable to non-executive directors may not exceed $300,000 per annum. Non–executive directors' base fees are currently $70,000 per annum and $5,000 per sub-committee.

3.2 Directors and Executive Officers' Remuneration

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

Non-executive Directors	Executive Directors	Executives
Bill Clough	Craig Burton	Chris Els - Chief Financial Officer & Company Secretary
Joe Hamilton	Ian Purdy	Bryan Hyde - Managing Director, Santa Rita Project
Nick Poll		Paulo Oliva - Country Manager, Mirabela Mineração Brasil do Ltda
Nick Sheard		Raphael Bloise - Project Director, Mirabela Mineração Brasil do Ltda
Colin Steyn		David Chapman - Operations Manager
		Stephen Hills - Company Secretary

DIRECTORS' REPORT

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

Six months ended 31 December 2009	Short-term Salaries and fees	Short-term Cash Bonus	Post-employment Super contributions	Equity share based payments	Termination Payments	Total	Performance related proportion of remuneration	Value of options as proportion of remuneration
	$A	$A	$A	$A	$A	$A	%	%
Directors								
Executive directors								
Craig Burton	200,000	-	-	119,850		319,850	-%	37%
Ian Purdy	100,290	-	4,167	-	-	104,457	-%	-%
Nick Poll	243,130	-	21,882	239,700	238,179	742,891	-%	32%
Non-executive directors								
Bill Clough	40,000	-	-	-	-	40,000	-%	-%
Joe Hamilton	40,000	-	-	87,500	-	127,500	-%	69%
Nick Sheard	40,000	-	-	87,500	-	127,500	-%	69%
Colin Steyn	12,500	-	-	-	-	12,500	-%	-%
Executives								
Chris Els	138,333	85,000	20,100	-	-	243,433	35%	-%
Bryan Hyde	269,884	274,876	-	122,133	-	666,893	41%	17%
Paulo Oliva	76,533	38,007	-	-	-	114,540	33%	-%
Raphael Bloise	228,016	662,911	-	-	-	890,927	74%	-%
David Chapman	137,614	-	12,385	10,348	158,786	319,133	-%	3%
Stephen Hills	125,176	37,844	37,259	-	119,457	319,736	12%	-%
	1,651,476	**1,098,638**	**95,793**	**667,031**	**516,422**	**4,029,360**		

Twelve months ended 30 June 2009	Short-term Salaries and fees	Short-term Cash Bonus	Post-employment Super contributions	Equity Share based payments	Total	Performance related proportion of remuneration	Value of options as proportion of remuneration
	$A	$A	$A	$A	$A	%	%
Executive directors							
Nick Poll	450,000	225,000	-	1,438,200	2,113,200	11%	68%
Craig Burton	400,000	250,000	-	719,100	1,369,100	18%	53%
Non-executive directors							
Bill Clough	60,000	-	-	-	60,000	-	-%
Joe Hamilton	60,000	-	-	210,000	270,000	-	78%
Nick Sheard	60,000	-	-	210,000	270,000	-	78%
Executives							
Paulo Oliva	157,220	-	-	156,027	313,247	-	50%
Raphael Bloise	510,965	-	-	208,036	719,001	-	29%
David Chapman	260,000	100,000	23,400	176,722	560,122	18%	32%
Stephen Hills	272,307	90,000	21,600	-	383,907	23%	-%
	2,230,492	**665,000**	**45,000**	**3,118,085**	**6,058,577**		

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

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

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

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

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

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

3.3 Equity instruments

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

3.3.1 Options granted as compensation

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

Six months ended 31 December 2009						
Directors	**Number of options granted Jul-Dec 2009**	**Grant Date**	**Fair value of options at grant date**	**Exercise price per option A$**	**Expiry date**	**Number of options vested Jul-Dec 2009**
Craig Burton	-	-	2.3970	5.60	23 Feb 2011	50,000
Ian Purdy	-	-	-	-	-	-
Bill Clough	-	-	-	-	-	-
Joe Hamilton	-	-	2.8000	6.20	7 Sep 2011	31,250
Nick Poll	-	-	2.3970	5.60	23 Feb 2011	100,000
Nick Sheard	-	-	2.8000	6.20	7 Sep 2011	31,250
Colin Steyn	-	-	-	-	-	-
Key Personnel						
Chris Els	-	-	-	-	-	-
Bryan Hyde	400,000	25 Sep 2009	1.8320	3.00	30 Jun 2014	66,667
Paulo Oliva	-	-	-	-	-	-
Raphael Bloise	-	-	-	-	-	-
David Chapman	-	-	0.4139	0.95	30 Apr 2010	25,000
David Chapman	-	-	-	-	-	-
Stephen Hills	-	-	-	-	-	-

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

Twelve months ended 30 June 2009						
Directors	**Number of options granted Jul 08-Jun 09**	**Grant Date**	**Fair value of options at grant date**	**Exercise price per option A$**	**Expiry date**	**Number of options vested Jul 08-Jun 09**
Nick Poll	-	-	2.3970	5.60	23 Feb 2011	600,000
Craig Burton	-	-	2.3970	5.60	23 Feb 2011	300,000
Joe Hamilton	-	-	2.8000	6.20	7 Sep 2011	75,000
Nick Sheard	-	-	2.8000	6.20	7 Sep 2011	75,000
Key Personnel						
Raphael Bloise	-	-	1.9070	6.20	30 Jun 2011	109,090
David Chapman	-	-	0.4139	0.95	30 Apr 2010	50,000
David Chapman	-	-	1.9070	6.20	30 Jun 2011	81,818
Paulo Oliva	-	-	1.9070	6.20	30 Jun 2011	81,818
Stephen Hills	-	-	-	-	-	-

The options were provided at no cost to the recipients.

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

All options expire on the earlier of their expiry date or on termination of the individual's employment. The options are exercisable as noted under table 3.3.2. In addition to a continuing employment service condition, the ability to exercise options is conditional upon the Consolidated Entity achieving certain performance targets.

3.3.2 Analysis of options over equity instruments granted as compensation

The vesting profiles of the options granted as remuneration to each director of the Company, each identified Company executive and relevant Consolidated Entity executive is detailed below:

Directors	Number	Date	% Vested Jul-Dec 2009	% Forfeited in year	Financial years in which grant vests
Craig Burton[(a)]	600,000	9 Aug 2007	8%	-%	31 Dec 2009
Ian Purdy	-	-	-%	-%	-
Bill Clough	-	-	-%	-%	-
Joe Hamilton[(a)]	150,000	30 Nov 2007	21%	-%	31 Dec 2009
Nick Poll[(a)]	1,200,000	9 Aug 2007	8%	-%	31 Dec 2009
Nick Sheard[(a)]	150,000	30 Nov 2007	21%	-%	31 Dec 2009
Colin Steyn	-	-	-%	-%	-
Key Personnel					
Chris Els	-	-	-	-	-
Bryan Hyde[(b)]	400,000	25 Sep 2009	17%	-%	31 Dec 2011
Paulo Oliva[(c)]	150,000	9 Aug 2007	-%	-%	30 Jun 2009
Raphael Bloise[(c)]	200,000	9 Aug 2007	-%	-%	30 Jun 2009
David Chapman[(c)]	150,000	9 Aug 2007	-%	-%	30 Jun 2009
David Chapman[(d)]	200,000	24 Apr 2006	13%	-%	31 Dec 2010
Stephen Hills[(e)]	300,000	24 Apr 2006	-%	-%	30 Jun 2008

(a) Options granted to directors based on a two year service vesting condition. The options have a contractual life of four years.

(b) Options granted to consultants based on a two year service vesting condition. The options have a contractual life of five years.

(c) Options granted to employees and consultants based on a vesting condition of commissioning of the plant. The options have a contractual life of four years.

(d) Options granted to consultants based on a vesting condition of completion of EPCM contract. The options have a contractual life of four years.

(e) Options granted to consultants based on a project completion vesting condition. The options have a contractual life of four years.

3.3.3 Exercise of options granted as compensation

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

Date	Key Personnel	Number of shares	Amount paid A$/ share	Amount paid for options exercised A$
10 July 2009	Stephen Hills	300,000	$0.95	285,000
		300,000		285,000

There are no amounts unpaid on the shares issued as a result of the exercise of options during the six months ended 31 December 2009.

3.3.4 Analysis of movements in options

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

Analysis of movements in options	Granted during the period [a] A$	Value of options exercised during the period [b] A$	Lapsed during the period [c] A$
Craig Burton	-	-	-
Ian Purdy	-	-	-
Bill Clough	-	-	-
Joe Hamilton	-	-	-
Nick Poll	-	-	-
Nick Sheard	-	-	-
Colin Steyn	-	-	-
Key Personnel			
Chris Els	-	-	-
Bryan Hyde	732,800	-	-
Paulo Oliva	-	-	-
Raphael Bloise	-	-	-
David Chapman	-	-	-
Stephen Hills	-	399,000	-
	732,800	**399,000**	**-**

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

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

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

4 DIRECTORS' INTERESTS

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

Directors	Ordinary shares	Options over ordinary shares
Craig Burton	6,000,000	600,000
Ian Purdy	-	-
Bill Clough	6,000,000	-
Joe Hamilton	55,000	150,000
Nick Poll	3,400,000	1,200,000
Nick Sheard	-	150,000
Colin Steyn	24,500,000	-

5 SHARE OPTIONS

5.1 Unissued Shares Under Options

As at 30 March 2010, unissued shares of the Company under option are:

Exercise price	Expiry date	Number of options
A$0.95	30 Apr 2010	326,900
A$5.60	23 Feb 2011	1,800,000
A$6.20	30 Jun 2011	1,400,000
A$6.20	7 Sep 2011	300,000
A$6.20	31 Dec 2011	350,000
A$6.20	11 Sep 2012	300,000
US$8.00	31 Dec 2012	5,000,000
A$3.00	7 Jul 2013	3,750,000
A$3.00	30 Jun 2014	400,000
Balance		**13,626,900**

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

5.2 Shares Issued on Exercise of Options

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

Number of shares	Date of exercise	Amount paid on each share
300,000	10 Jul 2009	$0.95
100,000	25 Aug 2009	$0.95
8,000	23 Nov 2009	$0.95
12,000	2 Feb 2010	$0.95
50,000	16 Feb 2010	$0.95
12,000	15 March 2010	$0.95

6 INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

6.1 Indemnification

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

6.2 Insurance

During the previous financial period the Company paid insurance premiums in respect of directors' and officers' liability and legal expenses for current directors and officers.

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

Premiums totalling A$34,900 were paid in respect of Director's and Officers' liability cover. The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

7 PRINCIPAL ACTIVITIES

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

8 AUDIT COMMITTEE

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

The members of the Audit Committee during the period were:

- Joe Hamilton, BSc (Hons), MSc App, P.Geo, CFA – Chairperson; Independent non-Executive
- Bill Clough, BSc Geol, BCom (Hons) – Independent non-Executive
- Nick Sheard, Fellow AIG, R, P.Geo – Independent non-Executive

The Audit Committee met twice during the period and the committee members' attendance record is disclosed in the table of directors meetings on page 6.

9 DIVIDENDS

No dividends have been paid or declared by the Company during the period ended 31 December 2009 (30 June 2009: Nil).

10 EARNINGS PER SHARE

The basic profit per share for the Consolidated Entity for the period was 0.37 cents per share (30 June 2009: 22.86 cents loss per share). The diluted profit per share for the period was 0.37 cents per share (30 June 2009: 22.86 cents loss per share).

11 EVENTS SUBSEQUENT TO REPORTING DATE

Capital raising

On 21 January 2010, 4,467,450 ordinary shares of the Company were issued as part of a Share Purchase plan entitling eligible shareholders to purchase ordinary shares at A$2.30 each. The Company raised A$10.28 million through the share purchase plan.

On 9 February 2010, 5,500,000 ordinary shares of the Company were issued, following the exercise of 5,500,000 special warrants issued at C$2.23 (Australian dollar equivalent of A$2.30 per special warrant) pursuant to a Canadian short form prospectus offering, for gross proceeds of C$12.27 million.

The Company issued 2.1 million shares as part of the Director Placement at a price of A$2.30 per share for gross proceeds of A$4.83 million. The shares were issued on 30 March 2010.

12 CORPORATE STRUCTURE

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

13 NON-AUDIT SERVICES

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

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

		Six months ended 31 December 2009	Twelve months ended 30 June 2009
	Note	A$	A$
Auditors of the Company			
KPMG Australia:			
Audit fees	7	204,500	350,952
Taxation services	7	-	26,080
Other assurance services	7	370,820	434,868
KPMG Brazil:			
Audit fees	7	159,612	201,969
Taxation services	7	-	56,215
		734,932	**1,070,084**

14 LEAD AUDITORS' INDEPENDENCE DECLARATION

The lead auditors' Independence Declaration is set out on page 27 and forms part of the Directors' report for the financial period ended 31 December 2009.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Craig Burton
Executive Chairman

Perth, 30 March 2010

Ian Purdy
Chief Executive Officer & Managing Director

Perth, 30 March 2010

DIRECTORS' DECLARATION

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

a. The financial statements and notes and the Remuneration disclosures that are contained in the Remuneration report in section 3 of the Directors report, are in accordance with the *Corporations Act 2001*, including:

i. Giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 31 December 2009 and of their performance, for the financial period ended on that date; and

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

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

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

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial period ended 31 December 2009.

Dated at Perth this 30th day of March 2010.
Signed in accordance with a resolution of the directors.

Craig Burton	**Ian Purdy**
Executive Chairman	***Chief Executive Officer & Managing Director***

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

Report on the financial report

We have audited the accompanying financial report of Mirabela Nickel Ltd (the Company), which comprises the statements of financial position as at 31 December 2009, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the 6 months ended on that date, a description of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the period end or from time to time during the financial period.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 31 December 2009 and of their performance for the 6 months ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in section 3 of the directors' report for the 6 months ended 31 December 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Mirabela Nickel Ltd for the six months ended 31 December 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

31 March 2010

LEAD AUDITORS' INDEPENDENCE DECLARATION

KPMG

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

To: the directors of Mirabela Nickel Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the six months ended 31 December 2009 there have been:

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

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

KPMG

KPMG

Graham Hogg
Partner

Perth

31 March 2010

STATEMENTS OF COMPREHENSIVE INCOME

For the period ended 31 December 2009

		Consolidated		Company	
		Six months ended 31 December 2009	Twelve months ended 30 June 2009	Six months ended 31 December 2009	Twelve months ended 30 June 2009
	Note	A$000	A$000	A$000	A$000
Professional fees		(796)	(799)	(796)	(799)
Employee benefits	*8*	(3,132)	(7,896)	(3,132)	(7,896)
Depreciation expense	*16*	(1,867)	(3,654)	(67)	(123)
Exploration expense		-	(4,306)	(82)	(21)
Development expense		-	(1,957)	(3,187)	(15,079)
Property lease and overheads		(421)	(648)	(421)	(648)
Corporate costs		(324)	(512)	(324)	(512)
Other expenses from ordinary activities		(226)	(226)	(226)	(389)
Results from operating activities		(6,766)	(19,998)	(8,235)	(25,467)
Financial income	*6*	35,038	21,509	5,181	10,192
Financial expense	*6*	(27,062)	(51,009)	(30,190)	(38,232)
Net financial income/ (expense)		7,976	(29,500)	(25,009)	(28,040)
Profit/ (loss) before tax		1,210	(49,498)	(33,244)	(53,507)
Income tax benefit	*9*	-	11,849	-	8,176
Profit/(loss) for the period		**1,210**	**(37,649)**	**(33,244)**	**(45,331)**
Other comprehensive income					
Foreign currency translation differences		1,890	(14,371)	-	-
Net change in fair value of hedges		(67,453)	47,009	-	-
Deferred tax arising on hedge reserve		22,934	(15,983)	-	-
Other comprehensive income for the period		(42,629)	16,655	-	-
Total comprehensive income for the period		**(41,419)**	**(20,994)**	**(33,244)**	**(45,331)**
Earnings per share					
Basic profit/ (loss) per share (cents per share)	*10*	0.37	(22.86)		
Diluted profit/ (loss) earnings per share (cents per share)	*10*	0.37	(22.86)		

The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 34 to 86.

STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 December 2009

Consolidated						
	Attributable to equity holders of the Company					
Period ended 31 December 2009	**Issued capital A$000**	**Translation reserve A$000**	**Share based payments reserve A$000**	**Hedging reserve A$000**	**Accumulated losses A$000**	**Total equity A$000**
Balance at 1 July 2009	452,307	(9,151)	12,514	31,026	(22,553)	464,143
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,210	1,210
Other comprehensive income						
Foreign currency translation differences	-	1,890	-	-	-	1,890
Net change in fair value of hedges	-	-	-	(67,453)	-	(67,453)
Deferred tax arising on hedge reserve	-	-	-	22,934	-	22,934
Total other comprehensive income	-	1,890	-	(44,519)	-	(42,629)
Total comprehensive income for the period	-	1,890	-	(44,519)	1,210	(41,419)
Transactions with equity holders						
Share issue net of issue costs	148,193	-	-	-	-	148,193
Share based payment transactions	-	-	2,086	-	-	2,086
Total transactions with equity holders	148,193	-	2,086	-	-	150,279
Balance at 31 December 2009	**600,500**	**(7,261)**	**14,600**	**(13,493)**	**(21,343)**	**573,003**

STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 December 2009

Consolidated						
	Attributable to equity holders of the Company					
Period ended 30 June 2009	Issued capital A$000	Translation reserve A$000	Share based payments reserve A$000	Hedging reserve A$000	Accumulated losses A$000	Total equity A$000
Balance at 1 July 2008	268,971	5,220	3,952	-	15,096	293,239
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(37,649)	(37,649)
Other comprehensive income						
Foreign currency translation differences	-	(14,371)	-	-	-	(14,371)
Net change in fair value of hedges	-	-	-	47,009	-	47,009
Deferred tax arising on hedge reserve	-	-	-	(15,983)	-	(15,983)
Total other comprehensive income	-	(14,371)	-	31,026	-	16,655
Total comprehensive income for the period	-	(14,371)	-	31,026	(37,649)	(20,994)
Transactions with equity holders						
Share issue net of issue costs	183,043	-	-	-	-	183,043
Deferred tax arising on share issue costs	293	-	-	-	-	293
Share based payment transactions	-	-	8,562	-	-	8,562
Total transactions with equity holders	183,336	-	8,562	-	-	191,898
Balance at 30 June 2009	**452,307**	**(9,151)**	**12,514**	**31,026**	**(22,553)**	**464,143**

STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 December 2009

Company

	Attributable to equity holders of the Company					
	Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
Period ended 31 December 2009	A$000	A$000	A$000	A$000	A$000	A$000
Balance at 1 July 2009	452,307	-	12,514	-	(51,071)	413,750
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(33,244)	(33,244)
Total comprehensive income for the period	-	-	-	-	(33,244)	(33,244)
Transactions with equity holders						
Share issue net of issue costs	148,193	-	-	-	-	148,193
Share based payment transactions	-	-	2,086	-	-	2,086
Total transactions with equity holders	148,193	-	2,086	-	-	150,279
Balance at 31 December 2009	**600,500**	**-**	**14,600**	**-**	**(84,315)**	**530,785**
Period ended 30 June 2009						
Balance at 1 July 2008	268,971	-	3,952	-	(5,740)	267,183
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(45,331)	(45,331)
Total comprehensive income for the period	-	-	-	-	(45,331)	(45,331)
Transactions with equity holders						
Share issue net of issue costs	183,043	-	-	-	-	183,043
Deferred tax arising on share issue costs	293	-	-	-	-	293
Share based payment transactions	-	-	8,562	-	-	8,562
Total transactions with equity holders	183,336	-	8,562	-	-	191,898
Balance at 30 June 2009	**452,307**	**-**	**12,514**	**-**	**(51,071)**	**413,750**

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 34 to 86.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009

		Consolidated		Company	
		31 December 2009	30 June 2009	31 December 2009	30 June 2009
	Note	A$000	A$000	A$000	A$000
Assets					
Cash and cash equivalents	*11*	59,123	42,094	19,804	2,561
Other receivables and prepayments	*12*	11,691	2,173	658	825
Derivative asset - hedge	*14*	7,724	-	-	-
Total current assets		**78,538**	**44,267**	**20,462**	**3,386**
Deferred tax asset	*9*	6,951	-	-	-
Property, plant and equipment	*16*	979,618	813,023	520	573
Exploration and evaluation expenditure	*15*	179	164	-	-
Other financial assets	*13*	-	-	515,026	415,026
Derivative asset - hedge	*14*	10,140	50,777	-	-
Total non-current assets		**996,888**	**863,964**	**515,546**	**415,599**
Total assets		**1,075,426**	**908,231**	**536,008**	**418,985**
Liabilities					
Trade and other payables	*17*	39,559	57,697	2,333	2,916
Provisions	*18*	980	285	230	134
Borrowings	*19*	44,914	24,660	-	-
Derivative liability - hedge	*14*	5,571	993	-	-
Derivative liabilities - options and swaps	*20*	12,294	21,858	-	-
Total current liabilities		**103,318**	**105,493**	**2,563**	**3,050**
Deferred tax liability	*9*	-	15,983	-	-
Borrowings	*19*	313,717	296,720	-	-
Derivative liability - option	*21*	2,660	2,185	2,660	2,185
Provisions	*18*	21,041	20,932	-	-
Derivative liability - hedge	*14*	32,737	2,775	-	-
Derivative liabilities - options and swaps	*20*	28,950	-	-	-
Total non-current liabilities		**399,105**	**338,595**	**2,660**	**2,185**
Total liabilities		**502,423**	**444,088**	**5,223**	**5,235**
Net assets		**573,003**	**464,143**	**530,785**	**413,750**
Equity					
Contributed equity	*23*	600,500	452,307	600,500	452,307
Reserves	*24*	(6,154)	34,389	14,600	12,514
Accumulated losses		(21,343)	(22,553)	(84,315)	(51,071)
Total equity		**573,003**	**464,143**	**530,785**	**413,750**

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 34 to 86.

STATEMENTS OF CASH FLOWS

For the period ended 31 December 2009

	Note	Consolidated		Company	
		Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Cash flows from operating activities					
Cash paid to suppliers and employees		(6,819)	(4,642)	(3,133)	(4,828)
Net cash used in operating activities	*28*	**(6,819)**	**(4,642)**	**(3,133)**	**(4,828)**
Cash flows from investing activities					
Proceeds from the settlement of forward contracts		-	14,050	-	14,050
Acquisition of property, plant and equipment		(138,751)	(500,530)	(13)	(9,448)
Interest paid		(6,060)	(1)	-	(1)
Payment for exploration and evaluation expenditure		(15)	(13,343)	-	-
Loan to subsidiaries		-	-	(125,737)	(211,083)
Net cash used in investing activities		**(144,826)**	**(499,824)**	**(125,750)**	**(206,482)**
Cash flows from financing activities					
Proceeds from the issue of share capital		155,608	194,084	155,608	194,084
Share issue cost		(7,415)	(11,041)	(7,415)	(11,041)
Interest received		170	1,180	155	423
Proceeds from borrowings		27,680	416,874	-	-
Repayment of borrowings		(1,951)	(102,477)	-	-
Net cash from financing activities		**174,092**	**498,620**	**148,348**	**183,466**
Net increase/ (decrease) in cash and cash equivalents		22,447	(5,846)	19,465	(27,844)
Cash and cash equivalents at 1 July 2009		42,094	45,955	2,561	27,373
Effect of exchange rate fluctuations on cash held		(5,418)	1,985	(2,222)	3,032
Cash and cash equivalents at 31 December 2009	*11*	**59,123**	**42,094**	**19,804**	**2,561**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 34 to 86.

1. REPORTING ENTITY

Mirabela Nickel Ltd (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000. The consolidated financial statements of the Company as at and for the period ended 31 December 2009 comprise the Company and its subsidiaries, together referred to as the 'Consolidated Entity'. The Consolidated Entity is primarily involved in the development and exploration of mineral properties in Brazil.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 30 March 2010.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency of the Company's foreign subsidiary is Brazilian Real.
The functional currency of each of the Consolidated Entity's entities is measured using the currency of the primary economic environment in which that entity operates.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Note 8 – measurement of share based payments
- Note 9 – accounting for income tax
- Note 16 – property, plant and equipment, including determination of reserves and resources
- Note 18 – provision for mine closure and restoration
- Note 19 – lease classification
- Note 25 – valuation of financial instruments.

(e) Financial position

At December 31, 2009 the Company had a net working capital deficit of A$24.78 million.

The directors consider the going concern basis of preparation to be appropriate as the cash flow forecast for the Company anticipates sufficient cash from operations, and funds from equity raisings and utilisation of debt facilities to enable it to settle debts and obligations in the ordinary course of business. The cash flow forecast is dependent upon the successful operation of mining and production activities in accordance with the planned ramp up schedule. The Equity raisings and the availability of debt facilities as detailed in the cash flow forecast have already been achieved. Should the ramp up of operations not successfully achieve forecasts or forecast nickel prices not be achieved, the Company may be required to source additional funds through further debt or equity raisings or a combination of the two.

Subsequent to December 2009, the Company received gross proceeds of A$12.65 million (C$12.27 million) and A$10.28 million respectively, through a special warrant placement to Canadian investors, and a share purchase plan. Both were completed during January 2010.

In addition, the Company agreed to private share placements with Mr Craig Burton (Chairman) (A$0.92 million) and Lancaster Park, an entity associated with Mr Colin Steyn (Director) (A$3.91 million). In accordance with the ASX Listing Rules, these placements were approved at a General Meeting of Shareholders held on March 29, 2010.

As at December 31, 2009 the Company also has A$20 million (US$18 million) available for financing of mining equipment under the US$55 million master funding and lease agreement with Caterpillar Financial Services Corporation, of which US$15 million has been utilised since the period end.

In January 2010, pursuant to the terms of its senior non-revolving loan in the aggregate principal amount of US$190 million with Barclays Bank plc, Credit Suisse International, West LB AG, Caterpillar Financial Services Corporation and Bayerische Hypo-und Vereinsbank AG, as lenders (the **Senior Loan**), the Company requested and subsequently received US$15 million of the US$25 million contingency support account (the **CSA**) established thereunder. In accordance with the terms of the Senior Loan, the CSA was used to cover historical construction cost overruns at the Santa Rita Project.

(f) Change of financial year end

The financial year end of the Company has been changed from 30 June to 31 December, to align the Company's financial year end with that of its subsidiary Mirabela Mineração do Brasil Ltda. This will improve the efficiency of the Company's financial reporting, allowing the Company to co-ordinate financial reporting and the audit and review process with that of its subsidiaries. Accordingly, the financial period of the Consolidated Entity reported in these financial statements covers the six months period from 1 July 2009 to 31 December 2009. The comparative figures for the financial statements and related notes are for twelve months from 1 July 2008 to 30 June 2009. The results for the financial period are therefore not directly comparable with the results for the year ended 30 June 2009.

(g) Transition from commissioning to commercial production

Following successful completion of both the Construction and Commissioning stages of the Santa Rita Project during Q4 of calendar year 2009, the Company's focus was on transitioning the project into ramp up and optimization of operations to achieve its interim target of 4.6 million tonnes of ore per annum, on an annualized basis. During the period to 31 December 2009 the Company was not in commercial production. All mining revenues and associated costs have been capitalised, and will continue to be capitalised until such time as the Company is deemed to be in commercial production.

(h) Changes in accounting policies

Commencing 1 July 2009 the Consolidated Entity has changed its accounting policies with respect to:

- Determination and presentation of operating segments (refer note 3(r))
- Presentation of financial statements (in accordance with AASB 101).

There was no impact on the amounts recorded in the Statements of Comprehensive Income or in the Statements of Financial Position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are disclosed within the translation reserve and recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

(ii) Derivative financial instruments

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

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

Cash flow hedges

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

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

Separable embedded derivatives

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

Other non-trading derivatives

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

(iii) Share capital

Ordinary shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

The carrying amounts of property, plant and equipment (including initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned or the estimated life to the associated mine, if shorter. Depreciation is calculated using a straight line method over the estimated useful lives of each part of an item of property, plant and equipment or are depreciated on the units of production basis over the life of the economically recoverable reserves. Depreciation is not charged on plant and equipment under construction.

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

- Plant and equipment 2.5 to 25 years.

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

(iv) Disposal

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

(v) Nickel reserves

Reserves are estimates of the amount of nickel and copper product that can be economically extracted from the Consolidated Entity’s mine properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grade, production techniques, recovery rates, production costs, future capital requirements, short and long term nickel and copper prices and exchange rates.

Estimating the quantity and/ or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret data.

The Consolidated Entity determines and reports ore reserves under the Australian Code for Reporting of Mineral Resource and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Consolidated Entity's financial results and position in a number of ways including:

- Asset carrying values may be impacted due to changes in the estimated future cash flows.
- Depreciation and amortisation charged in the income statement may change where such changes are calculated using the units of production basis.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

If changes in estimates occur, depreciation and amortisation of mining assets is adjusted prospectively.

(e) Exploration and evaluation expenditure

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

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

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

(f) Mine development

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

Amortisation of capitalised mine development costs is provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production. The Company was not in commercial production at 31 December 2009.

(i) Overburden removal costs

Overburden and other mine waste material are often removed during the initial development of a mine site in order to access the mineral deposit. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs within property, plant and equipment. Capitalisation ceases and depreciation of those costs commences at the time that 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.

(g) Leased assets

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

Other leases are operating leases and are not recognised on the Consolidated Entity's statement of financial position.

(i) Lease payments

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

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

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

(h) Other receivables

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

(j) Employee benefits

(i) Share based payment transactions

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

(ii) Wages, salaries and annual leave

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

(k) Provisions

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

(i) Mine closure and site restoration

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

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

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

(l) Trade and other payables

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

(m) Finance income and expenses

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

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

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

(n) Borrowings

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

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

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

Borrowing costs

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

(o) Income tax

Income tax disclosed in profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

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

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

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

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

(p) Earnings per share

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

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

(q) Goods and services tax and other indirect taxes

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

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

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

(r) Determination and presentation of operating segments

As of 1 January 2009 the Consolidated Entity determines and presents operating segments based on the information that is provided internally to the CEO, who is the Consolidated Entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously, operating segments were determined and presented in accordance with AASB 114 Segment Reporting.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results are regularly reviewed by the Consolidated Entity's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(s) Presentation of financial statements

The Consolidated Entity applies revised AASB 101 *Presentation of Financial Statements (2007),* which became effective as of 1 January 2009. As a result, the Consolidated Entity presents all owner changes in equity in the statements of changes in equity, whereas all non-owner changes in equity are presented in the statements of comprehensive income.

Comparative information has been re-presented so that it conforms with the revised standard. As the change in accounting policy only impacts presentation, there is no impact on earnings per share

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the year of initial application. They are available for early adoption at 31 December 2009, but have not been applied in preparing this financial report:

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share based Payment Transaction*s resolves diversity in practice regarding the attribution of cash-settled share based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

4. DETERMINATION OF FAIR VALUES

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Derivative financial instruments

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

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

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

(ii) Non-derivative financial assets and liabilities

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

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

(iii) Share based payment transactions

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

5. SEGMENT INFORMATION

During the period Mirabela Nickel Ltd operated in one business segment, mineral exploration and development, and in one primary geographical area, Brazil.

For management purposes, the Consolidated Entity is organised into one operating segment, which involves the exploration, production and development of nickel and copper in Brazil. All of the Consolidated Entity'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 Consolidated Entity as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements

6. NET FINANCIAL INCOME/ (EXPENSE)

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Interest received	170	1,180	155	423
Interest on intercompany loan	-	-	5,026	5,173
Derivative income	-	533	-	533
Call option income	-	9,474	-	-
Unrealised foreign exchange gain	34,868	9,291	-	3,032
Realised foreign exchange gain	-	1,031	-	1,031
Financial income	**35,038**	**21,509**	**5,181**	**10,192**
Interest expense	(6,060)	(1)	-	(1)
Call option fair value adjustment	(16,827)	(21,104)	-	-
Call option expense	(971)	-	-	-
Derivative expense	(475)	-	(475)	-
Loss on settlement on forward contracts	-	(20,535)	-	(20,535)
Interest swap expense	(1,588)	(845)	-	-
Unrealised foreign exchange loss	-	-	(2,222)	-
Unrealised foreign exchange loss on intercompany loan	-	-	(26,352)	(17,696)
Realised foreign exchange loss	(1,141)	(8,524)	(1,141)	-
Financial expense	**(27,062)**	**(51,009)**	**(30,190)**	**(38,232)**
Net financial income/ (expense)	**7,976**	**(29,500)**	**(25,009)**	**(28,040)**

7. AUDITOR REMUNERATION

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Auditor remuneration				
Audit services				
KPMG Australia:				
Audit & review of financial reports	(205)	(351)	(205)	(306)
KPMG Brazil:				
Audit & review of financial reports	(160)	(202)	-	-
	(365)	**(553)**	**(205)**	**(306)**
Other services				
KPMG Australia:				
Other assurance services associated with capital raisings	(371)	(435)	(371)	(435)
Taxation services	-	(26)	-	-
KPMG Brazil:				
Taxation services	-	(56)	-	-
	(371)	**(517)**	**(371)**	**(435)**

8. EMPLOYEE BENEFITS

		Consolidated		Company	
	Note	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Salaries and fees		(2,043)	(2,967)	(2,043)	(2,967)
Superannuation		(93)	(92)	(93)	(92)
Share based payments expense	*(a)*	(996)	(4,837)	(996)	(4,837)
		(3,132)	**(7,896)**	**(3,132)**	**(7,896)**

Employee benefits reflect head office expenditure. Site-based employee benefits have been capitalised as part of construction costs and are not included above.

SHARE BASED PAYMENTS

(a) Expenses arising from share based transactions (employee costs)

	Consolidated		Company	
	Six months ended 31 December 2009	Twelve months ended 30 June 2009	Six months ended 31 December 2009	Twelve months ended 30 June 2009
	A$000	A$000	A$000	A$000
Equity settled share options granted during:				
Period ended 2006	23	47	23	47
Period ended 2008	729	4,628	729	4,628
Period ended 30 June 2009	122	162	122	162
Period ended 31 December 2009	122	-	122	-
Total expense recognised as employee costs	**996**	**4,837**	**996**	**4,837**

(b) Option plans

On 28 April 2005, the Consolidated Entity established a share option program that entitles senior employees and consultants to purchase shares in the Entity.

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

Grant Date	Grantees	Number of instruments outstanding at 31 Dec 2009	Vesting conditions	Contractual life of options
24 Apr 2006	Consultants' options	150,900	Probable reserve and mine design	4 years
24 Apr 2006	Consultants' options	200,000	Completion of EPCM contract	4 years
24 Apr 2006	Consultants' options	50,000	Flow sheet design	4 years
9 Aug 2007	Directors' options	1,200,000	Two years of service	4 years
9 Aug 2007	Directors' options	600,000	Two years of service	4 years
9 Aug 2007	Employees' & Consultant options	1,400,000	Commissioning of plant	4 years
30 Nov 2007	Directors' options	150,000	Two years of service	4 years
30 Nov 2007	Directors' options	150,000	Two years of service	4 years
17 Apr 2008	Consultants' options	350,000	Two years of service	4 years
9 Sep 2008	Off-taker options	5,000,000	No vesting conditions	4 years
11 Sep 2008	Consultants' options	300,000	Two years of service	4 years
9 Dec 2008	Bank options	3,000,000	No vesting conditions	5 years
25 Sep 2009	Consultants' options	400,000	Two years of service	5 years
5 Nov 2009	Bank options	750,000	No vesting conditions	4 years
	Total share options	**13,700,900**		

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

A$	Bank options granted on 5 Nov 2009	Consultant options granted on 25 Sep 2009	Bank options granted on 9 Dec 2008	Consultant options granted on 11 Sep 2008	Off-taker options granted on 9 Sep 2008
Fair value at measurement date	$1.45	$1.83	$0.27	$1.63	$0.53
Share price	$2.58	$2.91	$1.15	$4.08	$2.50
Exercise price	$3.00	$3.00	$3.00	$6.20	$8.92
Expected volatility	75%	75%	55%	60%	75%
(expressed as weighted average volatility used in the modelling under binomial option-pricing model)					
Option life	4 years	4.76 years	4.6 years	4 years	3 years
(expressed as weighted average life used in the modelling under binomial option-pricing model)					
Expected dividends	-	-	-	-	-
Risk-free interest rate	5.38%	5.05%	3.93%	5.58%	4.58%
(based on national government bonds)					

The summaries of options granted under the plan are as follows:

Consolidated and parent entity – six months ending 31 December 2009

Grant date	Expiry date	Exercise price A$	Balance at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Balance at end of the period	Exercisable at end of the period
			Number	Number	Number	Number	Number	Number
24/04/2006	30/04/2010	$0.95	808,900	-	(408,000)	-	400,900	400,900
09/08/2007	23/02/2011	$5.60	1,800,000	-	-	-	1,800,000	1,800,000
09/08/2007	30/06/2011	$6.20	1,400,000	-	-	-	1,400,000	1,400,000
30/11/2007	07/09/2011	$6.20	300,000	-	-	-	300,000	300,000
17/04/2008	31/12/2011	$6.20	350,000	-	-	-	350,000	-
09/09/2008	31/12/2012	(a)$8.89	5,000,000	-	-	-	5,000,000	5,000,000
11/09/2008	30/09/2012	$6.20	300,000	-	-	-	300,000	-
24/11/2008	07/07/2013	$3.00	3,000,000	-	-	-	3,000,000	3,000,000
25/09/2009	30/06/2014	$3.00	-	400,000	-	-	400,000	-
05/11/2009	07/07/2013	$3.00	-	750,000	-		750,000	750,000
			12,958,900	1,150,000	(408,000)	0	13,700,900	12,650,900
Weighted average exercise price (A$)			**$6.09**	**$3.00**	**$0.95**	**$0.00**	**$5.98**	**$6.06**

(a) Options issued at US$8 per share were converted to Australian dollars using 31 December 2009 closing rate of 0.89955.

Consolidated and parent entity – twelve months ending 30 June 2009

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

(a) Options issued at US$8 per share were converted to Australian dollars using 30 June 2009 closing rate of 0.8068.

The options outstanding at 31 December 2009 have an exercise price in the range of A$0.95 to A$8.89 and a weighted average contractual life of 4 years.

During the financial period 408,000 options issued under the plan were exercised for A$387,600 (30 June 2009: A$399,500).

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

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

9. INCOME TAX EXPENSE

Major components of income tax expense for the periods ended 31 December 2009 and 30 June 2009 are:

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Statement of comprehensive income				
Current income				
Current income tax charge	-	-	-	-
Adjustments in respect of previous current income tax	-	(8,497)	-	(4,824)
Deferred income tax				
Relating to origination and reversal of temporary differences	-	(3,352)	-	(3,352)
Income tax benefit reported in statement of comprehensive income	**-**	**(11,849)**	**-**	**(8,176)**
Statement of changes in equity				
Deferred income tax				
Capital raising costs	-	(293)	-	(293)
Income tax expense/ (benefit) reported in equity	**-**	**(293)**	**-**	**(293)**

Reconciliation of income tax expense to accounting profit/(loss) before tax

The reconciliation of the income tax expense/ (benefit) arising on accounting profit/(loss) before income tax at the statutory income tax rate, to the prima facie income tax expense, as calculated at the Company's effective income tax rate, for the periods ended 31 December 2009 and 30 June 2009 is as follows:

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Accounting profit/ (loss) before income tax	**1,210**	**(49,498)**	**(33,244)**	**(53,507)**
Tax on profit at the statutory income tax rate of 30% for Australia and 34% for Brazil (30 June 2009: 30% & 34% respectively)	381	(15,568)	(9,973)	(16,052)
Add:				
Non-deductible expenses[a]	11,352	11,474	11,103	16,772
Temporary differences not recognised[b]	(24,217)	(5,369)	(2,719)	(428)
Tax loss not recognised as a deferred tax asset	12,484	9,755	1,589	-
Adjustments in respect of previous current income tax	-	(8,497)	-	(4,824)
Less:				
Adjustments in respect of previous deferred income tax	-	(3,644)	-	(3,644)
Income tax expense/ (benefit)	**-**	**(11,849)**	**-**	**(8,176)**

(a) Consolidated Entity and Company for the six months ended 31 December 2009 includes unrealised foreign exchange losses of A$9.03 million.
(b) Consolidated Entity for the six months ended 31 December 2009 includes unrealised foreign exchange losses of A$21.57 million. Company for the six months ended 31 December 2009 includes reversal of $A1.55 million associated with prior period financial assets and capital raising cost of $A1.16 million.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009	31 December 2009	30 June 2009
	A$000	A$000	A$000	A$000	A$000	A$000
Other financial assets	-	-	1,507	1,552	1,507	1,552
Derivative asset - hedge	-	-	6,073	17,264	6,073	17,264
Trade and other payables	(67)	(60)	-	-	(67)	(60)
Provisions	(24)	(40)	-	-	(24)	(40)
Derivative liability - hedge	(13,024)	(1,281)	-	-	(13,024)	(1,281)
Exploration and evaluation expenditure	-	-	24	-	24	-
Capital raising costs	-	(293)	-	-	-	(293)
Tax losses	(1,440)	(1,159)	-	-	(1,440)	(1,159)
Tax (assets)/ liabilities	(14,555)	(2,833)	7,604	18,816	(6,951)	15,983
Tax set off	7,604	2,833	(7,604)	(2,833)	-	-
Net tax (assets)/ liabilities	**(6,951)**	**-**	**-**	**15,983**	**(6,951)**	**15,983**

Movement in temporary differences during the period ended 31 December 2009

A$000	Balance 1 July 2009	Recognised in Income	Recognised in Equity	Balance 31 December 2009
Other financial assets	1,552	(45)	-	1,507
Derivative asset - hedge	17,264	-	(11,191)	6,073
Trade and other payables	(60)	(7)	-	(67)
Provisions	(40)	16	-	(24)
Derivative liability - hedge	(1,281)	-	(11,743)	(13,024)
Exploration and evaluation expenditure	-	24	-	24
Capital raising costs	(293)	293	-	-
Tax losses	(1,159)	(281)	-	(1,440)
	15,983	**-**	**(22,934)**	**(6,951)**

Movement in temporary differences during the period ended 30 June 2009

A$000	Balance 1 July 2008	Recognised in Income	Recognised in Equity	Balance 30 June 2009
Other financial assets	9,862	(8,310)	-	1,552
Derivative asset - hedge	-	-	17,264	17,264
Trade and other payables	(1)	(59)	-	(60)
Provisions	(3)	(37)	-	(40)
Derivative liability - hedge	-	-	(1,281)	(1,281)
Unrealised foreign exchange losses / (gains)	(4,025)	4,025	-	-
Capital raising costs	(2,188)	2,188	(293)	(293)
Tax losses	-	(1,159)	-	(1,159)
	3,645	**(3,352)**	**15,690**	**15,983**

Company	Assets		Liabilities		Net	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009	31 December 2009	30 June 2009
	A$000	A$000	A$000	A$000	A$000	A$000
Other financial assets	-	-	1,507	1,552	1,507	1,552
Trade and other payables	(67)	(60)	-	-	(67)	(60)
Provisions	(24)	(40)	-	-	(24)	(40)
Capital raising costs	-	(293)	-	-	-	(293)
Tax losses	(1,416)	(1,159)	-	-	(1,416)	(1,159)
Tax (assets)/ liabilities	(1,507)	(1,552)	1,507	1,552	-	-
Tax set off	1,507	1,552	(1,507)	(1,552)	-	-
Net tax (assets)/ liabilities	**-**	**-**	**-**	**-**	**-**	-

Movement in temporary differences during the period ended 31 December 2009

A$000	Balance 1 July 2009	Recognised in income	Recognised in equity	Transfers out (in)	Balance 31 December 2009
Other financial assets	1,552	(45)	-	-	1,507
Trade and other payables	(60)	(7)	-	-	(67)
Provisions	(40)	16	-	-	(24)
Capital raising costs	(293)	293	-	-	-
Tax losses	(1,159)	(257)	-	-	(1,416)
	-	**-**	**-**	**-**	**-**

Movement in temporary differences during the period ended 30 June 2009

A$000	Balance 1 July 2008	Recognised in income	Recognised in equity	Transfers out (in)	Balance 30 June 2009
Other financial assets	9,862	(8,310)	-	-	1,552
Trade and other payables	(1)	(59)	-	-	(60)
Provisions	(3)	(37)	-	-	(40)
Unrealised foreign exchange losses/ (gains)	(4,025)	4,025	-	-	-
Capital raising costs	(2,188)	2,188	(293)	-	(293)
Tax losses	-	(1,159)	-	-	(1,159)
	3,645	**(3,352)**	**(293)**	**-**	**-**

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

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Unrecognised deferred balances				
Capital raising costs	(3,916)	2,656	(3,916)	2,656
Temporary differences	(21,486)	-	-	-
Tax losses	(22,236)	(9,751)	(1,589)	-
Unrealised foreign exchange loss	21,570	(4,971)	-	-
- Overseas mine development	246,209	218,663	-	-
- Overseas tax losses	(246,209)	(218,663)	-	-
	(26,068)	**(12,066)**	**(5,505)**	**2,656**

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

Temporary differences are as follows: Call option liability (A$13.20 million); rehabilitation provision (A$7.15 million); interest rate swap liability (A$0.83 million); annual leave provision (A$0.26 million); KPMG Brazil audit fees (A$0.05 million).

Taxation of financial arrangements

The Taxation of Financial Instruments (TOFA) Legislation has been enacted. The TOFA provisions are in the *Income Tax Assessment Act 1997* and are a dedicated set of provisions that deal with the income tax treatment of financial arrangements. The effect of these provisions could result in many of the Company's financial arrangements having a changed tax treatment. The new rules apply for all qualifying financial arrangements entered into from 1 July 2010. However, taxpayers have the option of electing for the TOFA provisions to apply to financial arrangements entered into from 1 July 2009. Taxpayers also have the option to elect for existing open financial arrangements to become subject to TOFA from the start date (1 July 2010, or if election made, 1 July 2009). The Company has chosen against an early election (i.e. 1 July 2009) to apply the new TOFA rules for existing qualifying arrangements, however the TOFA rules will apply for all qualifying financial arrangements entered into from 1 July 2010.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic profit per share of 0.37 cents at 31 December 2009 (30 June 2009: 22.86 cents loss per share) was based on the profit attributable to ordinary shareholders of A$1.21 million (30 June 2009: A$37.65 million loss) and a weighted average number of ordinary shares outstanding during the financial period ended 31 December 2009 of 326,628,831 (30 June 2009: 164,696,801), calculated as follows:

	Basic earnings / (loss) per share		Diluted earnings / (loss) per share	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Profit/ (loss) attributable to ordinary shareholders	1,210	(37,649)	1,210	(37,649)
Issued ordinary shares at 1 July	287,886,375	129,781,000	287,886,375	129,781,000
Effect of issue of shares	38,385,326	34,886,015	38,385,326	34,886,015
Effect of share options exercised	357,130	29,786	357,130	29,786
Effect of share options on issue	-	-	400,900	-
	326,628,831	164,696,801	327,029,731	164,696,801
Profit/ (loss) per share in cents	**0.37**	**(22.86)**	**0.37**	**(22.86)**

The average market value of the Company's shares, for the purposes of calculating the dilutive effect of share options, was based on quoted market prices for the period that the options were outstanding.

11. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Cash at bank and on hand	59,023	42,044	19,704	2,511
Call deposits	100	50	100	50
	59,123	**42,094**	**19,804**	**2,561**

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

Cash at bank and on hand includes a balance of US$25 million held in a contingency account in accordance with the undertakings given by the Company as guarantor of the Senior Loan facility. 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.

12. OTHER RECEIVABLES AND PREPAYMENTS

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Other receivables	10,971	895	536	678
Prepayments	720	1,278	122	147
	11,691	**2,173**	**658**	**825**

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

13. OTHER FINANCIAL ASSETS

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Non-current				
Investment in Mirabela Mineração do Brasil Ltda (100%)	-	-	178,343	178,343
Loan to Mirabela Mineração do Brasil Ltda (100%)	-	-	336,586	236,604
Loan to EGF Nickel Pty Ltd	-	-	97	79
	-	**-**	**515,026**	**415,026**

During the financial period ended 31 December 2009, no further investments were made by the Company in the wholly owned subsidiary, Mirabela Mineração do Brasil Ltda.

The loan advanced to Mirabela Mineração do Brasil Ltda is for the continuing construction and operation of the Santa Rita Project. The loan has no fixed date of repayment and interest is accrued at 12 month LIBOR plus 2% per annum. The loan to EGF Nickel Pty Ltd is for continuing exploration, the loan has no fixed date of repayment and is non-interest bearing.

It is not expected that these loans will be repaid in the next 12 months.

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

14. DERIVATIVE ASSETS AND LIABILITIES - HEDGES

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Current asset				
Foreign exchange - forward contracts	7,724	-	-	-
	7,724	-	-	-
Non-current asset				
Foreign exchange - forward contracts	10,140	-	-	-
Nickel hedges	-	40,889	-	-
Copper hedges	-	9,888	-	-
	10,140	50,777	-	-
Current liability				
Foreign exchange - forward contracts	-	993	-	-
Nickel hedges	5,571		-	-
	5,571	993	-	-
Non-current liability				
Foreign exchange - forward contracts	-	2,775	-	-
Nickel hedges	21,733	-	-	-
Copper hedges	11,004	-	-	-
	32,737	2,775	-	-

As at 31 December 2009, the Consolidated Entity had a negative net hedge position of A$20.44 million (30 June 2009: A$47.01 million positive) reflecting the negative mark-to-market value of commodity (nickel and copper) contracts and the positive mark-to-market of foreign exchange forward 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.

15. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Balance at the beginning of the period	164	5,664	-	-
Expenditure incurred during the period	100	12,875	-	-
Transfer to development expenditure	(85)	(14,538)	-	-
Expenditure written off during the period[a]	-	(4,306)	-	-
Effect of movements in foreign exchange	-	469	-	-
Balance at the end of the period	**179**	**164**	**-**	**-**

(a) The exploration costs written off related to greenfields exploration projects that are not connected with the Santa Rita Project.

The Company will continue to spend the minimum required to maintain all exploration and mining tenements in good standing.

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

16. PROPERTY, PLANT & EQUIPMENT

	Consolidated					Company		
31 December 2009 A$000	**Plant & Equipment**	**Capital works in progress**	**Land**	**Construction & Development Expenditure**	**Total**	**Plant & Equipment**	**Capital works in progress**	**Total**
Cost								
Balance at 1 July 2009	110,478	-	13,614	692,239	**816,331**	843	-	**843**
Additions	96,672	-	-	68,705	**165,377**	14	-	**14**
Transfer from exploration expenditure	-	-	-	85	**85**	-	-	**-**
Effect of movement in exchange rates	210	-	106	3,111	**3,427**	-	-	**-**
Balance at 31 December 2009	**207,360**	**-**	**13,720**	**764,140**	**985,220**	**857**	**-**	**857**
Depreciation and impairment losses								
Balance at 1 July 2009	(3,308)	-	-	-	**(3,308)**	(270)	-	**(270)**
Depreciation charge for the period	(1,867)	-	-	-	**(1,867)**	(67)	-	**(67)**
Effect of movement in exchange rates	(427)	-	-	-	**(427)**	-	-	**-**
Balance at 31 December 2009	**(5,602)**	**-**	**-**	**-**	**(5,602)**	**(337)**	**-**	**(337)**
Net book value at 31 December 2009	**201,758**	**-**	**13,720**	**764,140**	**979,618**	**520**	**-**	**520**

	Consolidated					Company		
30 June 2009 A$000	Plant & equipment	Capital works in progress	Land	Construction & Development expenditure	Total	Plant & equipment	Capital works in progress	Total
Cost								
Balance at 1 July 2008	5,884	6,365	14,818	241,918	268,985	412	6,365	6,777
Additions	109,006	-	-	447,761	556,767	431	-	431
Transfers in/(out) construction and development expenditure	(3,141)	-	(1,192)	4,333	-	-	-	-
Transfer from exploration expenditure	-	-	-	14,538	14,538	-	-	-
Refund of deposits on acquisition of plant and equipment	-	(6,365)	-	-	(6,365)	-	(6,365)	(6,365)
Expenditure written off during the year	-	-	-	(1,957)	(1,957)	-	-	-
Effect of movement in exchange rates	(1,271)	-	(12)	(14,354)	(15,637)	-	-	-
Balance at 30 June 2009	**110,478**	**-**	**13,614**	**692,239**	**816,331**	**843**	**-**	**843**
Depreciation and impairment losses								
Balance at 1 July 2008	(220)	-	-	-	(220)	(147)	-	(147)
Depreciation charge for the period	(3,654)	-	-	-	(3,654)	(123)	-	(123)
Effect of movement in exchange rates	566	-	-	-	566	-	-	-
Balance at 30 June 2009	**(3,308)**	**-**	**-**	**-**	**(3,308)**	**(270)**	**-**	**(270)**
Net book value at 30 June 2009	**107,170**	**-**	**13,614**	**692,239**	**813,023**	**573**	**-**	**573**

Property, plant and equipment include leased mining equipment of A$45.67 million (30 June 2009: A$8.19). The mining equipment is subject to individual finance lease agreements entered into under a US$55 million master lease facility with Caterpillar Financial Services Corporation.

Construction and development expenditure includes capitalised interest of A$8.25 million (30 June 2009: A$1.52 million) in respect of the Senior Loan.

17. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Trade creditors	34,405	49,903	917	1,287
Other payables and accrued expenses	5,154	7,794	1,416	1,629
	39,559	**57,697**	**2,333**	**2,916**

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

18. PROVISIONS

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Current liability				
Provision for annual leave	980	285	230	134
Non-current liability				
Provision for rehabilitation	21,041	20,932	-	-

Reconciliation of movement in provisions				
Annual leave provision - reconciliation of movement				
Balance at 1 July	285	150	134	127
Provision made during the financial period	695	135	96	7
Balance at 31 December 2009	**980**	**285**	**230**	**134**
Rehabilitation provision - reconciliation of movement				
Balance at 1 July	20,932	20,932	-	-
Effect of movement in exchange rates	109	-	-	-
Balance at 31 December 2009	**21,041**	**20,932**	-	**-**

The rehabilitation provision is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita Project site. The Consolidated Entity relies on third parties to estimate these costs. The estimate will be reviewed over time as operations develop. The Consolidated Entity has recognised a liability of A$21.04 million for rehabilitation costs at the Santa Rita Project and will accrete costs through periodic charges to the profit or loss. In addition, the rehabilitation obligation has been recognised and will be amortised over the life of the mine.

19. LOANS AND BORROWINGS

31 December 2009 A$000	Norilsk loan (i)	Votorantim loan (ii)	Senior loan (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%	
Year of maturity	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**

30 June 2009 A$000	Norilsk loan (i)	Votorantim loan (ii)	Senior loan (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%	
Year of maturity	2010 to 2012	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying Value	**60,579**	**55,999**	**198,457**	**6,345**	**321,380**
Current borrowings	-	21,503	1,493	1,664	24,660
Non-current borrowings	60,579	34,496	196,964	4,681	296,720
	60,579	**55,999**	**198,457**	**6,345**	**321,380**

(i) In connection with the Norilsk Offtake Agreement, Mirabela Mineração do Brasil Ltda (Mirabela Brazil) as seller, Mirabela Nickel Limited (Mirabela) as guarantor and Norilsk Nickel Harjavalta Oy (Norilsk) as buyer, entered into an offtake loan agreement, under which Norilsk agreed to provide Mirabela Brazil with a loan facility of US$50 million for the development of the Santa Rita Project. The entire US$50 million loan was drawn down on 3 October 2008. The facility is subordinated to the Senior Credit Facility with Barclays Bank Plc, Credit Suisse International, West LB AG, Caterpillar Financial Services Corporation and Bayerische Hypo-und Vereinsbank AG (banking syndicate). Interest is payable at LIBOR plus a 3.50% margin. The loan amount is repayable in monthly instalments from 30 September 2010 to 31 December 2012. Overdue amounts incur a 1% per annum higher interest rate during the period of non-payment.

(ii) In connection with the Votorantim Offtake Agreement, Mirabela Brazil as seller, Mirabela as guarantor and Votorantim Metais Niquel S.A. (Votorantim) as buyer, entered into an offtake prepayment agreement, under which Votorantim agreed to provide Mirabela Brazil with a prepayment term facility of the equivalent of US$50 million in Brazilian Real for the development of the Santa Rita Project. The entire US$50 million loan was drawn down on 7 August 2008, and converted to the Brazilian Real (R$) amount of R$79 million. The facility is subordinated to the Senior Credit Facility with the banking syndicate. Interest is payable at the average rates for interbank deposits (CDI), as calculated by the Brazilian Custody and Settlement Chamber (CETIP). The R$ loan amount is repayable in monthly instalments from 30 September 2009 to 30 November 2013.

(iii) In April 2009, Mirabela Brazil as borrower, and Mirabela as guarantor, entered into the Amended Senior Loan Agreement in respect of the Senior Loan with the banking syndicate, and in May 2009 made its first drawdown under the loan of US$165 million. In accordance with the terms of the loan, the loan proceeds were used to: (i) repay the US$80 million Bridge Loan; (ii) fund a US$25 million reserve contingency account; and (iii) fund the Santa Rita Project construction and development costs. Interest is payable on a Cost of Funds (COF) basis (determined as the weighted average cost of funds of each lender), plus a margin of 5.75% per annum prior to the completion (as defined in the Senior Loan documents) of the Santa Rita Project and thereafter 5.25% per annum (weighted average interest rate of 6.96%). The loan is repayable in half yearly instalments from 31 March 2011 to 30 September 2015.

(iv) In March 2009, Mirabela Brazil as borrower, and Mirabela as guarantor, entered into a master funding and leasing agreement with Caterpillar Financial Services Corporation (Caterpillar), in which Caterpillar agreed to extend a lease facility to Mirabela of up to US$55 million for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn down to US$37 million as at 31 December 2009. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 5.15%).

Finance lease liabilities

	Consolidated					
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
A$000			31 December 2009			30 June 2009
Less than one year	9,182	1,650	7,532	2,400	558	1,842
Between one and five years	36,219	3,707	32,512	5,260	757	4,503
	45,401	**5,357**	**40,044**	**7,660**	**1,315**	**6,345**

20. DERIVATIVE LIABILITIES – OPTIONS AND SWAPS

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Metal call options				
Current liability	10,230	21,015	-	-
Non-current liability	28,584	-	-	-
	38,814	**21,015**	**-**	**-**

On March 20, 2009 the Consolidated Entity sold nickel and copper call options for premium 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 1 July 2010 to 29 June 2012. The 6,300 tonne copper call option has a strike price of US$3,968.32/tonne (US$1.80/lb) for metal deliveries of 300 tonnes per month over the 21 month period 1 July 2010 to 30 March 2012. The call option liability of A$38.81 million represents the fair value of the options as at 31 December 2009.

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Interest rate swap				
Current liability	2,064	843	-	-
Non-current liability	366	-	-	-
	2,430	**843**	**-**	**-**

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

As at December 31, 2009, the interest rate swaps had a negative mark-to-market value of A$2.43 million (compared to A$0.84 million negative mark-to-market as at June 30, 2009), the movement for the period is recognised as a financial expense in the Company's statement of comprehensive income.

21. DERIVATIVE LIABILITY - OPTION

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Norilsk option derivative liability	2,660	2,185	2,660	2,185
	2,660	**2,185**	**2,660**	**2,185**

Under the Norilsk Loan Agreement, Norilsk has an option to convert up to US$40 million of the US$50 million loan into ordinary shares of Mirabela Nickel Ltd at a price of US$8.00 per share. This option is a derivative liability of the Company. As at 31 December 2009 the fair value of the liability was A$2.66 million. The change in fair value for the period is recognised as an expense of A$0.48 million.

22. RELATED PARTIES

Key Management Personnel compensation

Compensation paid to key management personnel is as follows:

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Short-term employee benefits	3,266	2,895	2,261	2,227
Post-employment benefits	96	45	96	45
Equity compensation benefits	667	3,118	667	2,754
	4,029	**6,058**	**3,024**	**5,026**

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and equity instruments disclosures, as required by Corporations Regulations 2M.3.03, is provided in the remuneration report section of the Directors' Report in section 3.

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

Other key management personnel transactions

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

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

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

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Craig Burton	6	(198)	6	(198)
Net Revenue/ (Expense)	**6**	**(198)**	**6**	**(198)**

During the period the Company was invoiced by Mitchell River Consolidated Entity Pty Ltd A$57,358 (30 June 2009: A$282,360) for provision of technical services including database administration, GIS services, geophysical services, geological and resource monitoring. The services were provided on commercial arms' length terms. Mitchell River Consolidated Entity Pty Ltd is a director related entity associated with Mr Craig Burton. No income was received from Mitchell River Group Pty Ltd for office rent and shared overheads for the period ended 31 December 2009 (30 June 2009: nil).

The Company charged Verona Capital Pty Ltd the total of A$23,695 (30 June 2009: A$66,143) for office rent and shared overheads. The Company was invoiced by Verona Capital Pty Ltd A$0 (30 June 2009: A$6,228) for travel and expense reimbursements. Verona Capital Pty Ltd is a director related entity associated with Mr Craig Burton.

The Company charged A$543 (30 June 2009: A$2,425) to Exco Resources Ltd, and A$38,670 (30 June 2009: A$22,409) to Wildhorse Energy Ltd, for the shared overheads and premises rent costs. Exco Resources Ltd and Wildhorse Energy Ltd are director related entities associated with Mr Craig Burton.

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

Assets and liabilities arising from the above transactions

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Current receivables				
Trade debtors	51	80	51	80
	51	**80**	**51**	**80**
Current payables				
Trade creditors	-	137	-	137
	-	**137**	**-**	**137**

Movement in ordinary shares held by key management personnel

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

Period ended 31 December 2009	Held at 1 July 2009	Purchases	Exercise of options	Sales	Held at 31 December 2009
Directors					
Craig Burton	6,000,000	-	-	-	6,000,000
Ian Purdy	-	-	-	-	-
Bill Clough	8,000,000	-	-	(2,000,000)	6,000,000
Joe Hamilton	55,000	-	-	-	55,000
Nick Poll	3,400,000	-	-	-	3,400,000
Nick Sheard	-	-	-	-	-
Colin Steyn [(a)]	21,000,000	3,500,000	-	-	24,500,000
Executives					
Chris Els	-	20,000	-	(5,000)	15,000
Bryan Hyde [(a)]	144,500	-	-	-	144,500
Paulo Oliva	270,000	-	-	(270,000)	-
Raphael Bloise	-	-	-	-	-
David Chapman	-	-	-	-	-
Stephen Hills	-	20,000	300,000	(300,000)	20,000
	38,869,500	**3,540,000**	**300,000**	**(2,575,000)**	**40,134,500**

(a) Colin Steyn and Bryan Hyde's shareholdings at 1 July 2009 were held prior to their appointment as key management personnel.

Period ended 30 June 2009	Held at 1 July 2008	Purchases	Exercise of options	Sales	Held at 30 June 2009
Directors					
Bill Clough	8,000,000	-	-	-	8,000,000
Nick Poll	3,000,000	-	400,000	-	3,400,000
Craig Burton	6,000,000	-	-	-	6,000,000
Joe Hamilton	55,000	-	-	-	55,000
Executives					
Raphael Bloise	-	-	-	-	-
David Chapman	-	-	100,000	(100,000)	-
Stephen Hills	-	-	-	-	-
Paulo Oliva	400,000	-	-	(130,000)	270,000
	17,455,000	**-**	**500,000**	**(230,000)**	**17,725,000**

Movement in options over ordinary shares held by key management personnel

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

Period ended 31 December 2009	Held at 1 July 2009	Granted as compensation	Exercised	Held at 31 December 2009	Vested during the period	Vested and exercisable at 31 December 2009
Directors						
Craig Burton	600,000	-	-	600,000	50,000	600,000
Ian Purdy	-	-	-	-	-	-
Bill Clough	-	-	-	-	-	-
Joe Hamilton	150,000	-	-	150,000	31,250	150,000
Nick Poll	1,200,000	-	-	1,200,000	100,000	1,200,000
Nick Sheard	150,000	-	-	150,000	31,250	150,000
Colin Steyn	-	-	-	-	-	-
Executives						
Chris Els	-	-	-	-	-	-
Bryan Hyde	-	400,000	-	400,000	66,667	-
Paulo Oliva	150,000	-	-	150,000	-	150,000
Raphael Bloise	200,000	-	-	200,000	-	200,000
David Chapman	350,000	-	-	350,000	25,000	333,333
Stephen Hills	300,000	-	(300,000)	-	-	-
	3,100,000	**400,000**	**(300,000)**	**3,200,000**	**304,167**	**2,783,333**

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

Other related party transactions

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Investment in Mirabela Mineração do Brasil Ltda (100%)	-	-	178,343	178,343
Loan to Mirabela Mineração do Brasil Ltda (100%)	-	-	336,586	236,604
Loan to EGF Nickel Pty Ltd	-	-	97	79
	-	**-**	**515,026**	**415,026**

The loan advanced to Mirabela Mineração do Brasil Ltda is for the continuing construction and operation of the Santa Rita Project. The loan has no fixed date of repayment and interest is accrued at 12 month LIBOR plus 2% per annum. The loan to EGF Nickel Pty Ltd is for continuing exploration, the loan has no fixed date of repayment and is non-interest bearing.

The intercompany loans are unsecured.

23. CONTRIBUTED EQUITY

	Number of securities		Value in A$000	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009
Ordinary shares	354,694,375	287,886,375	605,434	460,866
Share issue cost	-	-	(7,415)	(11,040)
Deferred tax benefit on deductible share issue costs	-	-	2,481	2,481
	354,694,375	287,886,375	**600,500**	**452,307**

Movement in share capital for the period ended 31 December 2009

	Ordinary shares	Number of shares	Issue price	A$
1 July 2009	Opening balance	287,886,375		449,826,174
9 Jul 2009	Options converted	300,000	$0.95	285,000
5 Aug 2009	Issue of ordinary shares fully paid	21,500,000	$2.35	50,525,000
17 Aug 2009	Issue of ordinary shares fully paid (Canada)	21,500,000	$2.35	50,525,000
20 Aug 2009	Options converted	100,000	$0.95	95,000
30 Sep 2009	Issue of ordinary shares fully paid	3,500,000	$2.35	8,225,000
6 Oct 2009	Issue of ordinary shares fully paid	3,500,000	$2.35	8,225,000
19 Nov 2009	Options converted	8,000	$0.95	7,600
21 Dec 2009	Issue of ordinary shares fully paid	16,400,000	$2.30	37,720,000
	Closing balance	**354,694,375**		**605,433,774**
Less:	Share issue costs			(7,414,601)
Add:	Deferred tax benefit on deductible share issue costs			2,481,011
				600,500,184

Movement in share capital for the period ended 30 June 2009

	Ordinary shares	Number of shares	Issue price	A$
1 Jul 2008	Opening balance	129,781,100		266,782,374
12 Aug 2008	Options converted	3,000	$0.95	2,850
25 Sep 2008	Options converted	7,000	$0.95	6,650
8 Apr 2009	Issue of ordinary shares fully paid (Canada)	120,000,000	$1.20	144,000,000
17 Apr 2009	Issue of ordinary shares fully paid	32,445,275	$1.20	38,934,330
18 May 2009	Issue of ordinary shares fully paid	5,000,000	$2.15	10,750,000
14 May 2009	Options converted	100,000	$0.60	60,000
12 Jun 2009	Options converted	150,000	$0.60	90,000
30 Jun 2009	Options converted	400,000	$0.60	240,000
	Closing balance	**287,886,375**		**460,866,204**
Less:	Share issue costs			(11,040,031)
Add:	Deferred tax benefit on deductible share issue costs			2,481,011
				452,307,184

Options on issue at 31 December 2009

Exercise Price	Expiry Date	Number of Options
A$0.95	30 Apr 2010	400,900
A$5.60	23 Feb 2011	1,800,000
A$6.20	30 Jun 2011	1,400,000
A$6.20	7 Sep 2011	300,000
A$6.20	31 Dec 2011	350,000
A$6.20	11 Sep 2012	300,000
US$8.00	31 Dec 2012	5,000,000
A$3.00	7 Jul 2013	3,750,000
A$3.00	30 Jun 2014	400,000
Balance		**13,700,900**

Options on issue at 30 June 2009

Exercise Price	Expiry Date	Number of Options
A$0.95	30 Apr 2010	808,900
A$5.60	23 Feb 2011	1,800,000
A$6.20	30 Jun 2011	1,400,000
A$6.20	7 Sep 2011	300,000
A$6.20	31 Dec 2011	350,000
A$6.20	11 Sep 2012	300,000
US$8.00	31 Dec 2012	5,000,000
A$3.00	7 Jul 2013	3,000,000
Balance		**12,958,900**

24. RESERVES

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Share based payments reserve	14,600	12,514	14,600	12,514
Translation reserve	(7,261)	(9,151)	-	-
Hedge reserve	(13,493)	31,026	-	-
	(6,154)	34,389	14,600	12,514
Reconciliation of movement in reserves				
Share based payments reserve				
Balance at the beginning of the period	12,514	3,952	12,514	3,952
Equity settled share based payment transactions	2,086	8,562	2,086	8,562
Balance at 31 December 2009	**14,600**	**12,514**	**14,600**	**12,514**
Translation reserve				
Balance at the beginning of the period	(9,151)	5,220	-	-
Effect of translation of foreign currency operations to Consolidated Entity presentation currency	1,890	(14,371)	-	-
Balance at 31 December 2009	**(7,261)**	**(9,151)**	-	-
Hedge reserve				
Balance at the beginning of the period	31,026	-	-	-
Net change in fair value of hedges	(67,453)	47,009	-	-
Deferred tax arising on hedge reserve	22,934	(15,983)	-	-
Balance at 31 December 2009	(13,493)	31,026	-	-
	(6,154)	**34,389**	**14,600**	**12,514**

Share based payments reserve

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

Translation reserve

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

Hedge reserve

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

25. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

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

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

Credit risk

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

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

Exposure to credit risk

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

Carrying Amount

		Consolidated		Company	
A$000	Note	Six months ended 31 December 2009	Twelve months ended 30 June 2009	Six months ended 31 December 2009	Twelve months ended 30 June 2009
Current foreign exchange – forward contracts	*14*	7,724	-	-	-
Non-current foreign exchange – forward contracts	*14*	10,140	50,777	-	-
Other receivables	*12*	10,971	895	536	678
Cash and cash equivalents	*11*	59,123	42,094	19,804	2,561

Liquidity risk

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

As the Consolidated Entity is primarily engaged in the operation of the Santa Rita Project, the Consolidated Entity will continue to have a negative operating cash flow until the Santa Rita Project itself becomes cash flow positive. If the Consolidated Entity exhausts its cash reserves prior to the Santa Rita Project becoming cash flow positive, the Consolidated Entity may require additional third party financing to make required payments under its various project financing facilities (including hedging arrangements), and to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements.

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

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

Consolidated

31 December 2009							
A$000	Carrying amount	Contractual cash (out)/ in flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	205,372	(257,574)	(7,210)	(6,946)	(54,776)	(155,464)	(33,178)
Secured off-taker loans	113,215	(123,569)	(20,763)	(17,281)	(38,257)	(47,268)	-
Finance lease liabilities	40,044	(45,401)	(4,322)	(4,860)	(9,440)	(26,779)	-
Trade and other payables	39,559	(39,559)	(39,559)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	2,430	(2,430)	(793)	(1,271)	(1,117)	751	-
Metal call options	38,814	(38,814)	-	(10,230)	(21,225)	(7,359)	-
Forward commodity contracts – nickel and copper swaps	38,308	(38,308)	-	(5,571)	(8,525)	(24,212)	-
Options derivative	2,660	-	-	-	-	-	-
	480,402	**(545,655)**	**(72,647)**	**(46,159)**	**(133,340)**	**(260,331)**	**(33,178)**

30 June 2009							
A$000	Carrying amount	Contractual cash (out)/ in flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	198,457	(275,976)	-	(17,121)	(35,966)	(155,326)	(67,563)
Secured off-taker loans	116,578	(140,306)	(11,361)	(15,238)	(46,662)	(67,045)	-
Finance lease liabilities	6,345	(8,899)	(1,071)	(957)	(1,864)	(5,007)	-
Trade and other payables	57,697	(57,697)	(57,697)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	843	(590)	-	(632)	(1,371)	1,413	-
Foreign exchange – forward contracts	3,768	9,060	-	(66)	4,455	4,671	-
Metal call options	21,015	24,397	-	-	11,144	13,253	-
Options derivative	2,185	-	-	-	-	-	-
	406,888	**(450,011)**	**(70,129)**	**(34,014)**	**(70,264)**	**(208,041)**	**(67,563)**

Company

31 December 2009							
A$000	**Carrying amount**	**Contractual cash (out)/ in flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Trade and other payables	2,333	(2,333)	(2,333)	-	-	-	-
Options derivative	2,660	-	-	-	-	-	-
	4,993	**(2,333)**	**(2,333)**	**-**	**-**	**-**	**-**

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

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

Consolidated

31 December 2009							
A$000	**Carrying amount**	**Expected cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Forward commodity contracts	(38,308)	(38,308)	-	(5,571)	(8,525)	(24,212)	-
Forward exchange contracts	17,864	17,864	3,898	3,825	6,757	3,384	-
	(20,444)	**(20,444)**	**3,898**	**(1,746)**	**(1,768)**	**(20,828)**	**-**

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

Market risk

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

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

During the period, the Company and the Consolidated Entity entered into the foreign exchange forward contracts to mitigate the impact of movement of the Brazilian Real (R$) against the US$ on its investment in the Santa Rita Project; R$ being the denomination currency for most of the Consolidated Entity's trade payables.

The future production costs for the Santa Rita Project will be largely denominated in Brazilian Real (R$). . As metal prices are fixed under the nickel and copper hedging arrangements, the Company has undertaken currency hedging to improve the certainty of operating costs in US$ (by protecting against an adverse strengthening of the R$) over the period of the Senior Loan. As at 31 December 2009 the Consolidated Entity had therefore entered into forward contracts to sell US$119 million/ buy R$ at an average R$/US$ exchange rate of 2.14 over the period January 2010 to July 2013 (refer note 14).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Consolidated Entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.
To mitigate the interest rate risk in respect of the US$190 million Senior Loan, the Consolidated Entity has entered into a US$100 million interest rate swap arrangement. The interest rate swap amortises proportionally as the outstanding loan principal is repaid.

Exposure to currency risk

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

31 December 2009						
	Note	A$000	R$000	US$000	C$000	Total
Cash	*11*	19,619	11,528	27,953	23	59,123
Other receivables	*12*	536	10,435	-	-	10,971
Loans and finance leases	*19*	-	(57,089)	(301,542)	-	(358,631)
Trade payables	*17*	(2,333)	(37,226)	-	-	(39,559)
Balance sheet exposure		17,822	(72,352)	(273,589)	23	(328,096)
Forward exchange contracts		-	177,123	-	-	177,123

30 June 2009						
	Note	A$000	R$000	US$000	C$000	Total
Cash	*11*	1,495	8,545	31,734	320	42,094
Other receivables	*12*	678	217	-	-	895
Loans and finance leases	*19*	-	(55,999)	(265,381)	-	(321,380)
Trade payables	*17*	(2,916)	(54,781)	-	-	(57,697)
Balance sheet exposure		(743)	(102,018)	(233,647)	320	(336,088)
Forward exchange contracts		-	147,906	-	-	147,906

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

31 December 2009					
	Note	A$000	US$000	C$000	Total
Cash	*11*	19,619	162	23	19,804
Other receivables	*12*	536	-	-	536
Loans to subsidiaries	*13*	5,167	331,516	-	336,683
Trade payables	*17*	(2,333)	-	-	(2,333)
Balance sheet exposure		**22,989**	**331,678**	**23**	**354,690**

30 June 2009					
	Note	A$000	US$000	C$000	Total
Cash	*11*	1,495	746	320	2,561
Other receivables	*12*	678	-	-	678
Loans to subsidiaries	*13*	358	236,325	-	236,683
Trade payables	*17*	(2,916)	-	-	(2,916)
Gross balance sheet exposure		**(385)**	**237,071**	**320**	**237,006**

The following significant exchange rates (A$) applied during the period:

	Average rate		Reporting date spot rate	
	Six months ended 31 December 2009	Twelve months ended 30 June 2009	Six months ended 31 December 2009	Twelve months ended 30 June 2009
R$	1.5681	1.5284	1.5663	1.5746
US$	0.8720	0.7463	0.8996	0.8068
C$	0.9378	0.8645	0.9444	0.9375

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 31 December would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the period ended 30 June 2009.

	Consolidated		Company	
A$000	Equity	Profit or loss	Equity	Profit or loss
31 December 2009				
R$	(16,102)	6,577	-	-
US$	-	24,872	-	(54,271)
C$	-	(2)	-	(2)
30 June 2009				
R$	(21,171)	14,836	-	-
US$	-	26,327	-	(25,139)
C$	-	(31)	-	(31)

A 10 percent weakening of the Australian dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

INTEREST RATE RISK

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

	Consolidated		Company	
	Carrying amount		Carrying amount	
A$000	31 December 2009	30 June 2009	31 December 2009	30 June 2009
Variable rate instruments				
Financial assets	59,123	42,094	356,487	225,115
Financial liabilities	(358,631)	(330,129)	-	-
	(299,508)	**(288,035)**	**356,487**	**225,115**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the period ended 30 June 2009.

Consolidated	Profit or loss		Equity	
A$000	100bp increase	100bp decrease	100bp increase	100bp decrease
31 December 2009				
Variable rate instruments	(2,995)	2,995	-	-
Cash flow sensitivity (net)	(2,995)	2,995	-	-
30 June 2009				
Variable rate instruments	(2,793)	2,793	-	-
Cash flow sensitivity (net)	(2,793)	2,793	-	-

Company	Profit or loss		Equity	
A$000	100bp increase	100bp decrease	100bp increase	100bp decrease
31 December 2009				
Variable rate instruments	3,565	(3,565)	-	-
Cash flow sensitivity (net)	3,565	(3,565)	-	-
30 June 2009				
Variable rate instruments	979	(979)	-	-
Cash flow sensitivity (net)	979	(979)	-	-

FAIR VALUES

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

Consolidated		31 December 2009		30 June 2009	
A$000	Note	Carrying amount	Fair value	Carrying amount	Fair value
Derivative liabilities - options and swaps	*20*	(41,244)	(41,244)	(21,858)	(21,858)
Other receivables	*12*	10,971	10,971	895	895
Cash and cash equivalents	*11*	59,123	59,123	42,094	42,094
Commodity derivative - hedge	*14*	(38,308)	(38,308)	50,777	50,777
Foreign exchange derivative - hedge	*14*	17,684	17,684	(3,768)	(3,768)
Secured bank loans	*19*	(205,372)	(211,593)	(198,457)	(204,512)
Secured off-taker loans	*19*	(113,215)	(116,295)	(116,578)	(120,729)
Finance lease liabilities	*19*	(40,044)	(41,010)	(6,345)	(7,546)
Trade and other payables	*17*	(39,559)	(39,559)	(57,697)	(57,697)
		(389,964)	**(400,231)**	**(310,937)**	**(322,344)**

Company		31 December 2009		30 June 2009	
A$000	Note	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	*11*	19,804	19,804	2,561	2,561
Investments in subsidiaries	*13*	178,343	178,343	178,343	178,343
Loans to subsidiaries	*13*	336,683	336,683	236,683	236,683
Other receivables	*12*	536	536	678	678
Trade and other payables	*17*	(2,333)	(2,333)	(2,916)	(2,916)
		533,033	**533,033**	**415,349**	**415,349**

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

CAPITAL MANAGEMENT

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

The capital base is considered to include the total equity plus borrowings of the Consolidated Entity, which as at 31 December 2009 stood at A$931.63 million. In determining the funding mix of debt and equity (total borrowings/ total equity), consideration is given to the relative impact of the gearing ratio on the ability of the Consolidated Entity to service loan interest and repayment schedules, lending facility compliance ratios and also to generate adequate free cash available for corporate and exploration activities. The debt/ equity ratio was 63% as at 31 December 2009 (30 June 2009: 69%).

During the period a total of A$155.61 million of equity was raised in support of the construction and development of the Santa Rita Project.

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

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

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

26. CAPITAL AND OTHER COMMITMENTS

	Consolidated		Company	
	31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
Operating lease commitments				
Non-cancellable operating lease rentals are payable as follows:				
Within one year	654	654	654	654
One year or later and no later than five years	2,961	2,958	2,961	2,958
Greater than five years	418	795	418	795
	4,033	4,407	4,033	4,407
Exploration expenditure commitments				
Commitments for rental fees under exploration licence agreements:				
Within one year	291	103	-	-
	291	103	-	-
Contractual operating commitments				
Contracted but not provided for and payable:				
Within one year	74,560	53,938	-	-
One year or later and no later than five years	23,030	-	-	-
	97,590	53,938	-	-

27. CONTINGENT LIABILITIES

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

		Consolidated		Company	
		31 December 2009 A$000	30 June 2009 A$000	31 December 2009 A$000	30 June 2009 A$000
	Contingent liabilities considered remote:				
(i)	Compensation payable to CBPM[(a)] if the Company's acts or omissions result in the loss of mineral rights.	318	318	-	-
(ii)	Transfer premium payable to CBPM[(a)] and/or Rio Salitre upon entering into a mining lease in favour of the Company. If not paid the Company's rights to the respective tenement will be relinquished.	324	324	-	-
(iii)	Penalty payable upon termination of the mining lease.	318	318	-	-
		960	960	-	-

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

The Company has entered into a royalty agreement with CBPM, whereby the Company is required to pay CBPM on a monthly basis, for the leasing of mining rights of nickel sulphate ores, at the equivalent of 2.51% of the gross revenue from the sales or conversion of concentrates of nickel produced from sulphated mineral.

28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Company	
	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000	Six months ended 31 December 2009 A$000	Twelve months ended 30 June 2009 A$000
Cash flows from operating activities				
Profit/ (loss) for the year	1,210	(37,649)	(33,244)	(45,331)
Adjustments for:				
Depreciation and amortisation expense	1,867	3,654	67	123
Exploration expense	-	4,306	82	21
Development expense	-	1,957	3,187	15,079
Financial (income)/ expense	(7,976)	29,500	25,009	28,040
Equity-settled share based payment expenses	2,086	4,837	2,086	4,837
Income tax benefit	-	(11,849)	-	(8,176)
Operating loss before changes in working capital and provisions	**(2,813)**	**(5,244)**	**(2,813)**	**(5,407)**
(Increase)/ decrease in other receivables	(9,518)	(327)	167	(214)
Increase/ (decrease) in trade and other payables	(2,640)	1,136	(583)	1,107
Increase in other liabilities	7,348	-	-	-
Increase in provisions	804	135	96	7
Income taxes paid	-	(342)	-	(321)
Net cash used in operating activities	**(6,819)**	**(4,642)**	**(3,133)**	**(4,828)**

During the six months ended 31 December 2009 the Company leased mobile equipment through Caterpillar Financial Services Corporation. The leased component (non-cash) was 90% of the equipment value, totaling A$33.73 million (30 June 2009: A$7.38 million).

29. CONSOLIDATED ENTITIES

			Ownership interest	
Name of entity	Country of incorporation	Class of shares	Six months ended 31 December 2009 %	Twelve months ended 30 June 2009 %
Parent entity				
Mirabela Nickel Ltd	Australia	Ordinary		
Subsidiaries				
Mirabela Mineração do Brasil Ltda	Brazil	Ordinary	100	100
Mirabela Investments Pty Ltd	Australia	Ordinary	100	100
EGF Nickel Pty Ltd	Australia	Ordinary	100	100

30. SUBSEQUENT EVENTS

Capital raising

On 21 January 2010, 4,467,450 ordinary shares of the Company were issued as part of a Share Purchase plan entitling eligible shareholders to purchase ordinary shares at A$2.30 each. The Company raised A$10.28 million through the share purchase plan.

On 9 February 2010, 5,500,000 ordinary shares of the Company were issued, following the exercise of 5,500,000 special warrants issued at C$2.23 (Australian dollar equivalent of A$2.30 per special warrant) pursuant to a Canadian short form prospectus offering, for gross proceeds of C$12.27 million.

The Company issued 2.1 million shares as part of the Director Placement at a price of A$2.30 per share for gross proceeds of A$4.83 million. The shares were issued on 30 March 2010.

CORPORATE GOVERNANCE STATEMENT

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

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

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

ASX Recommendations

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

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

The statement is structured with reference to the ASX Recommendations.

Principle 1 - Lay solid foundations for management and oversight

Role of the Board

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

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

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

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

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

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

Performance

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

Performance evaluation of senior executives

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

Principles of Compensation

Principles of compensation are set out in the Remuneration Report in section 3.1 in the Director's Report at pages 11 to 13.

Principle 2 - Structure the Board to add value

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

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

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

Board Composition

The Board currently comprises of seven directors.

Chairman

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

Mr Burton is a founding director and shareholder of the Company and was appointed as the Executive Chairman on 4 December 2009.

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

Director independence

ASX Recommendation 2.1 requires that a majority of the Board should be independent directors.

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

The Company has three independent non-executive directors being Bill Clough, Nick Sheard and Joe Hamilton, which does not constitute a majority of the Board of seven directors. Accordingly, the company is not in compliance with ASX Recommendations 2.1 and 2.2.

Colin Steyn and Nick Poll are both non-executive directors bringing the total non-executive directors to five out of seven. Colin Steyn is not independent within the ASX definition due to his association with Lancaster Park which holds a 7.4% shareholding in the Company and Nick Poll because he was previously an executive of the Company.

The structure of the Board of Directors is in compliance within the meaning of the Canadian Multilateral Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Retirement & re-election

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

Performance evaluation of directors

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

Remuneration and Nomination Committee

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

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

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

Given its current size, the Board has not formalised the process for the selection and appointment of Directors. The Committee is scheduled to meet at least annually. The Committee did not have separate meetings during this period as the remuneration of Ian Purdy, Managing Director and Chief Executive Officer, Bryan Hyde, Managing Director, Santa Rita Project and other key personnel were discussed and approved at Board meetings.

Professional advice

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

Terms, induction and director education

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

Remuneration

Details of directors' remuneration are set out in Section 3.2 on pages 14 to 15 of the Director's Report.

Board meetings

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

Principle 3 - Promote ethical and responsible decision making

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

Code of Conduct

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

Share trading policy

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

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

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

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

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

Conflict of interest

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

Health, safety, community, environment and heritage protection policy

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

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

Principle 4 - Safeguard integrity in financial reporting

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

Audit Committee

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

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

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

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

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

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

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

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

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

The Board has approved the Company's financial reports for the period ended 31 December 2009 and authorised a statement that they present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Principle 5 - Make timely and balanced disclosure

Continuous Disclosure Policy

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

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

Principle 6 - Respect the rights of shareholders

Communication with shareholders

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

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

Information is communicated to shareholders as follows:

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

Website

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

Meetings

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

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

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

Principle 7 - Recognise and manage risk

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

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

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

Internal control framework

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

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

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

Audit and compliance

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

Principle 8 – Remunerate fairly and responsibly

Remuneration committee

As noted in Principle 2, on page 90, the Company has established a Remuneration and Nomination Committee.

Remuneration policy and review

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and senior executives.

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

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

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report in of the Directors Report.

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

Non–executive directors' remuneration

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

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

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