MIRABELA NICKEL LTD

ABN 23 108 161 593

Unaudited Consolidated Interim Financial Report

For the three months ended March 31, 2010

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

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Consolidated interim statement of comprehensive income
For the three months ended March 31, 2010

	Note	31-Mar-10 A$000	31-Mar-09 A$000
Sales revenue		45,870	-
Treatment, refining and transport charges		(7,408)	-
Net sales revenue		**38,462**	**-**
Direct costs		(23,683)	-
Royalties		(1,863)	-
Depreciation, amortization and depletion		(7,661)	-
Cost of sales		**(33,207)**	**-**
Gross profit		**5,255**	**-**
Expenses			
General and administration		(2,300)	(2,395)
Financing (costs)/ income	*7*	(5,679)	64
Derivative loss	*8*	(17,296)	(4,367)
Foreign exchange (loss)/ gain		(5,031)	309
Other expense		(115)	(1,244)
		(30,421)	(7,633)
Loss before income tax		(25,166)	(7,633)
Income tax expense		-	(6,382)
Loss for the period		**(25,166)**	**(14,015)**
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Foreign currency translation differences		(20,646)	3,123
Net change in fair value of hedges		(125,334)	37,227
Other comprehensive (expense)/ income for the period		(145,980)	40,350
Total comprehensive (expense)/ income for the period		**(171,146)**	**26,335**
EARNINGS PER SHARE			
Basic and diluted loss per share (cents per share)		(6.93)	(10.80)
Weighted basic average number of shares outstanding (000's)		363,139	129,791
326,900 potential ordinary shares are anti-dilutive			

The condensed notes on pages 7 to 16 are an integral part

of these consolidated interim financial statements.

Consolidated interim statement of changes in equity
For the three months ended March 31, 2010

	Attributable to equity holders of the Company					
	Issued capital A$000	Translation reserve A$000	Share based payments reserve A$000	Hedging reserve A$000	Accumulated profit/ (losses) A$000	Total equity A$000
Balance at January 1, 2010	600,500	(7,261)	14,600	(13,493)	(21,343)	573,003
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD						
Loss for the period	-	-	-	-	(25,166)	(25,166)
Other comprehensive expense						
Foreign currency translation differences	-	(20,646)	-	-	-	(20,646)
Net change in fair value of hedges	-	-	-	(125,334)	-	(125,334)
Total other comprehensive expense	-	(20,646)	-	(125,334)	-	(145,980)
Total comprehensive expense for the period	-	(20,646)	-	(125,334)	(25,166)	(171,146)
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	27,152	-	-	-	-	27,152
Share based payment transactions	-	-	293	-	-	293
Total transactions with equity holders	27,152	-	293	-	-	27,445
Balance at March 31, 2010	**627,652**	**(27,907)**	**14,893**	**(138,827)**	**(46,509)**	**429,302**
Balance at January 1, 2009	268,236	(4,892)	10,158	34,792	(33,321)	274,973
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD						
Loss for the period	-	-	-	-	(14,015)	(14,015)
Other comprehensive income/ (expense)						
Foreign currency translation differences	-	3,123	-	-	-	3,123
Net change in fair value of hedges	-	-	-	37,227	-	37,227
Total other comprehensive income	-	3,123	-	37,227	-	40,350
Total comprehensive income/ (expense) for the period	-	3,123	-	37,227	(14,015)	26,335
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	(424)	-	-	-	-	(424)
Share based payment transactions	-	-	1,117	-	-	1,117
Total transactions with equity holders	(424)	-	1,117	-	-	693
Balance at March 31, 2009	**267,812**	**(1,769)**	**11,275**	**72,019**	**(47,336)**	**302,001**

The condensed notes on pages 7 to 16 are an integral part

of these consolidated interim financial statements.

Consolidated interim statement of financial position
As at March 31, 2010

	Note	31-Mar-10 A$000	31-Dec-09 A$000
ASSETS			
Cash and cash equivalents	*9*	55,198	59,123
Trade and other receivables	*10*	36,677	11,691
Inventories	*11*	18,178	-
Derivative asset - hedge	*12*	7,248	7,724
Total current assets		**117,301**	**78,538**
Deferred tax asset		-	6,951
Property, plant and equipment	*13*	934,845	979,618
Exploration and evaluation assets	*14*	180	179
Derivative asset - hedge	*12*	7,183	10,140
Total non-current assets		**942,208**	**996,888**
Total assets		**1,059,509**	**1,075,426**
LIABILITIES			
Trade and other payables		46,522	39,559
Provisions		1,249	980
Borrowings	*15*	64,388	44,914
Derivative liability - hedge	*12*	47,503	5,571
Derivative liabilities - options and swaps	*16*	24,586	12,294
Total current liabilities		**184,248**	**103,318**
Borrowings	*15*	285,078	313,717
Derivative liability - option	*17*	2,400	2,660
Provision for rehabilitation		20,162	21,041
Derivative liability - hedge	*12*	105,755	32,737
Derivative liabilities - options and swaps	*16*	32,564	28,950
Total non-current liabilities		**445,959**	**399,105**
Total liabilities		**630,207**	**502,423**
Net assets		**429,302**	**573,003**
EQUITY			
Contributed equity	*18*	627,652	600,500
Reserves		(151,841)	(6,154)
Accumulated losses		(46,509)	(21,343)
Total equity		**429,302**	**573,003**

The condensed notes on pages 7 to 16 are an integral part

of these consolidated interim financial statements.

Consolidated interim statement of cash flows
For the three months ended March 31, 2010

	Note	31-Mar-10 A$000	31-Mar-09 A$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		20,778	-
Cash paid to suppliers and employees		(42,379)	(705)
Interest received		158	64
Net cash used in operating activities		**(21,443)**	**(641)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(4,977)	(11,573)
Payment for exploration and evaluation expenditure		(1)	(348)
Net cash used in investing activities		**(4,978)**	**(11,921)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		27,825	-
Share issue cost		(674)	(654)
Interest paid		(2,588)	-
Repayment of borrowings		(1,046)	-
Net cash from/ (used in) financing activities		**23,517**	**(654)**
Net decrease in cash and cash equivalents		(2,904)	(13,216)
Cash and cash equivalents at the beginning of the period		59,123	13,049
Effect of exchange rate fluctuations on cash held		(1,021)	3,767
Cash and cash equivalents at end of the period	*9*	**55,198**	**3,600**

The condensed notes on pages 7 to 16 are an integral part

of these consolidated interim financial statements.

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

1. Reporting entity

Mirabela Nickel Limited is a company domiciled in Australia. The consolidated interim financial report of the Company for the period ended March 31, 2010 comprises the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the mining, development and exploration of mineral properties in Brazil.

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

2. Basis of preparation

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, IAS 34: *Interim Financial Reporting* and the *Corporations Act 2001.* The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Company as at and for the financial period ended December 31, 2009.

This consolidated interim financial report was approved by the Board of Directors on May 13, 2010.

Basis of measurement

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

- derivative financial instruments are measured at fair value
- share based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in the consolidated annual financial report as at and for the financial period ended December 31, 2009.

Functional and presentation currency

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

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

Financial position

At March 31, 2010 the Company had a net working capital deficit of A$66.947 million.

The Company held balances of cash on hand and on deposit as at March 31, 2010 of A$55.198 million (US$40.652 million), including US$10 million held in the Santa Rita Project contingency reserve account.

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

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

In March, 2010 the Company completed a private placement with (i) Mr Craig Burton (Chairman) consisting of the purchase and sale of 400,000 ordinary shares of the Company at a price of A$2.30 per share for gross proceeds to the

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

Company of A$0.918 million; and (ii) with Lancaster Park S.A, an entity associated with Mr Colin Steyn (Director), consisting of the purchase and sale of 1.7 million ordinary shares of the Company for gross proceeds to the Company of A$3.912 million.

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

In addition during the quarter, US$15 million was released from the US$25 million Santa Rita Project contingency reserve account to fund historical construction cost overruns.

As at 31 March the Company has A$15.477 million (US$14.205 million) available for financing of mining equipment under the US$55 million master funding and lease agreement with Caterpillar Financial Services Corporation.

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 successful mining and production activities in accordance with the planned ramp-up schedule and nickel price assumptions. 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.

Transition from commissioning to operations

During the period to March 31, 2010 the Company achieved operating status. All mining revenues and associated costs are no longer capitalised, but treated as operational costs through profit or loss, from January 1, 2010 onwards.

3. Significant accounting policies

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

Adoption of accounting policies

Revenue

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

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

Metals in concentrate

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

The sales price for nickel is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between two to four months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

Trade receivables

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

Trade receivables settlement terms are as follows:

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

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

Inventories

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

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

Inventories are categorised as follows:

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

4. Estimates

The preparation of a financial report in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. Significant estimates and assumptions include those related to the life of mine assumptions, carrying value of the Santa Rita Project, valuation of financial instruments, stock based compensation, determination of reserves to be used in depletion calculations, determination of useful lives of property, plant and equipment and determination as to whether certain costs are expensed or deferred.

While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated annual financial report as at and for the financial period ended December 31, 2009.

5. Financial risk management

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

6. Segment reporting

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

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

7. Net financial income/ (expense)

	Three months ended	
	31-Mar-10	31-Mar-09
	A$000	A$000
Interest received	158	64
Financial income	**158**	**64**
Interest expense	(5,837)	-
Financial expense	**(5,837)**	**-**
Net financial (expense)/ income	**(5,679)**	**64**

8. Derivative gain/ (loss)

	Three months ended	
	31-Mar-10	31-Mar-09
	A$000	A$000
Derivative gain	260	-
Realised hedge gain	1,289	-
Derivative gain	**1,549**	**-**
Derivative loss	-	(661)
Call option fair value adjustment	-	(3,706)
Unrealised call option expense	(16,100)	-
Interest swap expense	(2,745)	-
Derivative loss	**(18,845)**	**(4,367)**
Net derivative loss	**(17,296)**	**(4,367)**

9. Cash and cash equivalents

	31-Mar-10	31-Dec-09
	A$000	A$000
Cash at bank	55,098	59,023
Term deposits	100	100
	55,198	**59,123**

Cash at bank and on hand includes a balance of US$10 million held in a contingency account in accordance with the undertakings given by the Company as guarantor of the Senior Loan facility. These undertakings include a prescribed minimum account balance to be held at certain dates until the Santa Rita Project achieves completion under the facility arrangement. This account may only be drawn down with the consent of the Senior Lenders. During the March 2010 quarter US$15 million (A$16.886m) was released from the contingency account.

10. Trade and other receivables

	31-Mar-10	31-Dec-09
	A$000	A$000
Trade receivables	29,055	-
Other receivables	7,622	11,691
	36,677	**11,691**

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

11. Inventories

	31-Mar-10 A$000	31-Dec-09 A$000
Broken ore	1,950	-
Concentrate	8,783	-
Stores, spares and consumables	7,445	-
	18,178	**-**

12. Derivative asset and liabilities - hedges

	31-Mar-10 A$000	31-Dec-09 A$000
CURRENT ASSET		
Foreign exchange - forward contracts	7,248	7,724
	7,248	**7,724**
NON-CURRENT ASSET		
Foreign exchange - forward contracts	7,183	10,140
	7,183	**10,140**
CURRENT LIABILITY		
Nickel hedges	47,503	5,571
	47,503	**5,571**
NON-CURRENT LIABILITY		
Nickel hedges	93,250	21,733
Copper hedges	12,505	11,004
	105,755	**32,737**

As at March 31, 2010, the Group had a net hedge liability position of A$138.827 million (December 31, 2009: A$20.444 million negative) reflecting the positive mark-to-market value of foreign exchange forward contracts and the negative mark-to-market value of commodity (nickel and copper) contracts.

Foreign exchange forward contracts relate to the sale of US Dollars and receipt of Brazilian Real (at an average effective exchange rate of US$1=R$2.14) maturing from January 2010 to July 2013.

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

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

13. Property, plant and equipment

March 31, 2010 A$000	Plant, equipment and mine properties	Land	Construction & Development Expenditure	Total
COST				
Balance at January 1, 2010	207,360	13,720	764,140	**985,220**
Additions	8,743	310	-	**9,053**
Disposals	(2)	-	-	**(2)**
Transfers	764,140	-	(764,140)	-
Effect of movement in exchange rates	(46,042)	(573)	-	**(46,615)**
Balance at March 31, 2010	**934,199**	**13,457**	**-**	**947,656**
DEPRECIATION				
Balance at January 1, 2010	(5,602)	-	-	**(5,602)**
Depreciation charge for the period	(7,456)	-	-	**(7,456)**
Disposals	2	-	-	**2**
Effect of movement in exchange rates	245	-	-	**245**
Balance at March 31, 2010	**(12,811)**	**-**	**-**	**(12,811)**
Net book value at March 31, 2010	**921,388**	**13,457**	**-**	**934,845**

14. Exploration and evaluation assets

	31-Mar-10 A$000
Balance at the beginning of the period	179
Expenditure incurred during the period	1
Balance at the end of the period	**180**

15. Borrowings

March 31, 2010 A$000	Norilsk Loan (i)	Votorantim Loan (ii)	Senior Credit Facility (iii)	Caterpillar finance lease facility (iv)	Total
Nominal interest rate	LIBOR + 3.50%	CDI rate	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Year of maturity	2010 to 2012	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying value	56,187	48,133	202,483	42,663	349,466
Current borrowings	14,648	22,580	17,933	9,227	64,388
Non-current borrowings	41,539	25,553	184,550	33,436	285,078
	56,187	**48,133**	**202,483**	**42,663**	**349,466**

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

December 31, 2009					
Carrying Value	56,126	57,089	205,372	40,044	358,631
Current borrowings	8,458	28,547	377	7,532	44,914
Non-current borrowings	47,668	28,542	204,995	32,512	313,717
	56,126	**57,089**	**205,372**	**40,044**	**358,631**

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

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

(iii) Interest is payable on the Senior Credit Facility on a Cost of Funds ("COF") basis (determined as the weighted average cost of funds of each lender), plus a margin of 5.75% per annum prior to the completion of the Santa Rita Project and thereafter 5.25% per annum. The loan is repayable in half yearly instalments from March 31, 2011 to September 30, 2015. The facility was fully drawn down to US$190 million during October 2009.

(iv) The US$55 million master funding and leasing agreement is for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn as to US$40.795 million as at March 31, 2010. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum.

16. Derivative liabilities - options and swaps

	31-Mar-10 A$000	31-Dec-09 A$000
Metal call option liability		
Current liability	21,623	10,230
Non-current liability	31,465	28,584
	53,088	**38,814**

On March 20, 2009 the Group sold nickel and copper call options for premium income of US$6.740 million. The 2,400 tonne nickel call option has a strike price of US$14,330.05/tonne (US$6.50/lb) for metal deliveries of 100 tonnes per month over the 24 month period July 1, 2010 to June 29, 2012. The 6,300 tonne copper call option has a strike price of US$3,968.32/tonne (US$1.80/lb) for metal deliveries of 300 tonnes per month over the 21 month period July 1, 2010 to March 30, 2012. The call option liability of A$53.088 million represents the fair value of the options as at March 31, 2010. The change in fair value for the period, including foreign exchange movements, is recognised as an expense of A$14.274 million.

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

	31-Mar-10 A$000	31-Dec-09 A$000
Interest rate swap liability		
Current liability	2,963	2,064
Non-current liability	1,099	366
	4,062	**2,430**

The Company has an interest rate swap of US$100 million to mitigate the risk of interest rate fluctuations. The change in fair value for the period, including foreign exchange movements, is recognised as an expense of A$1.632 million.

17. Derivative liability - option

	31-Mar-10 A$000	31-Dec-09 A$000
Norilsk option derivative liability	2,400	2,660
	2,400	**2,660**

Under the Norilsk Loan Agreement, Norilsk has an option to convert up to US$40 million of the US$50 million loan into ordinary shares of Mirabela Nickel Limited at a price of US$8.00 per share. This option is a derivative liability of the Company. As at March 31, 2010 the fair value of the liability was A$2.400 million. The change in fair value for the period is recognised as a gain of A$0.260 million.

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

18. Contributed equity

Movement in share capital for the three months ended March 31, 2010

	Ordinary shares	Number of shares	Issue price	A$
Jan 1, 2010	Opening balance	354,694,375		600,500,184
Jan 21, 2010	Issue of ordinary shares fully paid	4,467,450	$2.30	10,275,135
Feb 2, 2010	Options converted	12,000	$0.95	11,400
Feb 9, 2010	Warrants converted to ordinary shares	5,500,000	$2.30	12,650,000
Feb 16, 2010	Options converted	50,000	$0.95	47,500
Mar 15, 2010	Options converted	12,000	$0.95	11,400
Mar 30, 2010	Issue of ordinary shares fully paid	2,100,000	$2.30	4,830,000
	Closing balance	366,835,825		628,325,619
	Less:			
	Share issue costs			(674,027)
				627,651,592

Movement in share capital for the three months ended March 31, 2009

	Ordinary shares	Number of shares	Issue price	A$
Jan 1, 2009	Opening balance	129,791,100		268,236,332
	Closing balance	129,791,100		268,236,332
	Less:			
	Share issue costs			(424,975)
				267,811,357

Unlisted options on issue as at March 31, 2010

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

Condensed notes to interim consolidated financial report
For the three months ended March 31, 2010

19. Capital and other commitments

	31-Mar-10 A$000	31-Dec-09 A$000
OPERATING LEASE COMMITMENTS		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	654	654
One year or later and no later than five years	2,961	2,961
Greater than five years	209	418
	3,824	**4,033**
EXPLORATION EXPENDITURE COMMITMENTS		
Commitments for rental fees under exploration licence agreements:		
Within one year	291	291
	291	**291**
CONTRACTUAL OPERATING COMMITMENTS		
Contracted but not provided for and payable:		
Within one year	55,796	74,560
One year or later and no later than five years	13,904	23,030
	69,700	**97,590**

20. Share based payments

The Company has incentive share option arrangements in place which entitle certain senior employees and consultants to purchase shares in the Company. During the three months ended March 31, 2010, the Company recognised an employee share based payment expense of A$293,068 (three months ended March 31, 2009 : A$1,116,906), calculated on the basis of the vesting of share options.

21. Related parties

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

During the three month period ended March 31, 2010, Mitchell River Group Pty Ltd invoiced the Company for A$32,351 for technical services provided during the period (three month period ended March 31, 2009 : A$31,818). The services were provided at normal market rates and on usual commercial terms. Mitchell River Group Pty Ltd is a related entity associated with Mr Craig Burton, an executive chairman of the Company. These arrangements are ongoing but are not subject to any contractual or other commitments.

22. Subsequent events

As at May 13, 2010, there are no subsequent events to report after March 31, 2010.

MIRABELA NICKEL
LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

The following management discussion and analysis ("MD&A") of Mirabela Nickel Limited ("Mirabela" or the "Company") is for the three month period ended March 31, 2010 and should be read in conjunction with the unaudited consolidated interim financial statements for the same period, and the notes thereto. The effective day of this report is May 13, 2010.

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

The Company's reporting currency is Australian dollars.

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

FORWARD LOOKING INFORMATION

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

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

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

NON-GAAP MEASURES

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

THE COMPANY

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

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

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

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

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

OVERALL PERFORMANCE

Key financial results and indicators for the three months ended March 31, 2010 are summarised as follows:

	Three months ended 31-Mar-10	Three months ended 31-Mar-09
Gross sales	$45.87 m	-
Gross profit	$5.26 m	-
Net (loss)	($25.17 m)	($14.02 m)
Net (loss) per share	(6.93 cents)	(10.80 cents)
Nickel in Concentrate Produced (DMT*)	1,991	-
Unit Cash Cost (USD/lb)	$8.12	-
Realised Nickel Price (USD/lb)	$9.70	-
Cash & cash equivalents	$55.20 m	$3.60 m
Number of ordinary shares	366,835,825	129,791,100

** Dry Metric Tonnes*

The three month period ended March 31, 2010 represents the Company's first quarter of financial reporting as a producer of nickel concentrate. As a result, management believes that the financial results for the three month period ended March 31, 2010 will not be representative of the Company's financial results in future periods, once it is in full production. As the Company's operation transitions to full production, sales and production volumes are expected to increase and unit cash costs are expected to decrease.

In addition, during the three month period ended March 31, 2010 the Company transitioned from construction and commissioning to operations. As a result, mining revenues and costs are no longer being capitalised, but instead treated as operational costs through profit or loss.

As at March 31, 2010 the Company had 1,247 tonnes of payable nickel forward priced at US$11.33 per pound that remain subject to final pricing adjustments in future periods. Subsequent to March 31, 2010 the Company entered into hedging contracts to secure final pricing for 1,116 tonnes of the 1,247 tonnes of payable nickel at an average price of US$12.10/lb.

OPERATIONAL REVIEW

Ramp up of the Santa Rita operations continued during the first quarter of 2010. All key production parameters improved during the quarter as the mining fleet arrived and activity levels increased.

A review of the mine plan was completed during the quarter. The new mine plan has re-confirmed the physicals of the feasibility mine plan but highlighted the need to catch up a shortfall in waste removal during 2009. As such the target waste to ore mining ratio for 2010 has increased to 8.5:1.

Since commencing operations the project's safety performance has remained ahead of the Brazilian mining average with a Lost Time Injury frequency rate for the quarter of 1.5, (December 2009 quarter 1.4). The implementation of safety training and safety improvement programs is continuing.

Santa Rita produced 15,175 tonnes of concentrate during the three month period ended March 31, 2010 to yield 1,991 tonnes of contained nickel in concentrate.

Production Statistics	Measure	Three months ended 31-Mar-2010
Mining		
Total Material Mined	Tonnes	5,456,000
Ore Mined	Tonnes	653,000
Nickel Grade	%	0.56
Processing		
Total Ore Processed	Tonnes	778,000
Nickel Grade	%	0.51
Copper Grade	%	0.15
Cobalt Grade	%	0.02
Nickel Recovery	%	48
Copper Recovery	%	62
Cobalt Recovery	%	28
Production		
Nickel in Concentrate Produced	DMT	1,991
Copper in Concentrate Produced	DMT	721
Cobalt in Concentrate Produced	DMT	35
Sales		
Nickel in Concentrate Sold	DMT	1,987
Copper in Concentrate Sold	DMT	721
Cobalt in Concentrate Sold	DMT	36

Mining

During the three month period ended March 31, 2010 the mining operations were predominantly in the northern end of the ore body with pre-stripping at the southern end of the ore body commencing with the mobilisation of a contractor fleet during the period. Pre-strip is expected to occur in the central part of the ore body later in 2010. Early indications are that mining in the transitional zone is seeing higher internal dilution than expected and, in the short term, the resultant head grades are proportionately lower. Weathering in the transitional zone was found to be more pervasive than anticipated, particularly down the two main structures in the pit where alteration products have been found. Investigations continue to determine the likely extent and depth of the alteration materials currently being encountered in the transition zone of the north pit.

During the three month period ended March 31, 2010 the majority of ore was mined from the North Pit transitional ore zone, with limited access to primary ore benches. A total of 653,000 tonnes of ore was mined at an average nickel grade of 0.56% during the period. Waste removal increased substantially with the focus on opening up the North Pit ore access and pre-stripping the South pit.

Mining operations continue to ramp up and all the necessary equipment to meet current nameplate capacity of 4.6 million tonnes per annum is now on site: six CAT 777 trucks, nine CAT 785 trucks, three RH 120 excavators, one RH 90 excavator, one CAT 992 front end loader, one PV 271 drill rig and three L8 drill rigs, two CAT D10 dozers as well as other ancillary equipment.

The additional mining fleet equipment required for next year will start to arrive shortly and includes three CAT 785 trucks and one CAT 994 front end loader, which are expected to be delivered during the second quarter, and one PV 271 drill rig, which is expected to be delivered during the third quarter 2010.

Processing and production

The processing plant continued to perform well, with improving recovery performance and production levels. During the three month period ended March 31, 2010 a total of 778,000 tonnes of ore was milled at an average recovery of 48%. Recovery was improved through the introduction of a new reagent regime, designed to control the altered material present in the ore. Recovery improved each month and averaged 52% for March 2010.

The plant ran at an average of 68% nameplate capacity compared with 42% for the three month period ended December 31, 2010. The restricted mining fleet capacity and subsequent limited ore available for processing continued to be the limiting factor.

During the three month period ended March 31, 2010 a total of 1,991 tonnes of contained nickel in concentrate, 721 tonnes of contained copper in concentrate, and 35 tonnes of contained cobalt in concentrate were produced. All production was within contract specifications.

Sale of concentrate

During the quarter, a total of 15,175 tonnes of concentrate was sold to Mirabela's domestic customer, Votorantim Metais Niquel S.A ("**Votorantim**"), comprising 1,987 tonnes of contained nickel in concentrate pursuant to an offtake agreement wherein Votorantim agreed to purchase 50% of all production from January 1, 2010 to December 31, 2014. All concentrate sold was within contract specifications. As at 31 March, 2010, 684 dry metric tonnes of concentrate were available as inventory.

During the quarter Mirabela was granted an environmental licence by the Municipal Council for Environmental Defence of Ilheus - Condema for the loading, storage and up-loading of nickel concentrate in the town of Ilheus. The granting of this licence clears the way for Mirabela to commence export operations through the Ilheus port, located approximately 136 kilometres from Mirabela's Santa Rita mine.

Exports of nickel concentrate to Norilsk Nickel Harjavalta Oy ("**Norilsk**") pursuant to an offtake agreement wherein Norilsk agreed to purchase 50% of all production from the Santa Rita Project from January 1, 2010 to December 31, 2014, are expected to commence in the second quarter of 2010 or early in the third quarter of 2010.

Outlook

Production guidance for the full year 2010 is between 10,500 and 12,500 tonnes of nickel in concentrate.

Whilst excellent progress has been achieved in ramping up all aspects of the operation during the three month period ended March 31, 2010, the mining ramp up is currently four weeks behind schedule. The operations team continues working towards achieving a sustainable throughput rate of 4.6Mtpa, on an annualized basis, during the second quarter of 2010.

Exploration

Mirabela 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 infill drilling to convert Inferred resources into the Measured & Indicated categories, followed by successful completion of a Pre-Feasibility Study.

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

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)

As at March 31, 2010 a total of 1,243,634 tonnes of ore had been mined from Reserves at an average nickel grade of 0.55%

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)

Cash and available facilities

The Company held balances of cash on hand and on deposit as at 31 March 2010 of A$44.3 million (US$40.7 million). The Company also has US$10 million held in the contingency reserve account (the “CRA”) established and maintained pursuant to the Company’s Senior Credit Facility (as defined below).

On January 11, 2010 the Company completed a private placement of 5.5 million special warrants at a price of C$2.23 (A$2.30) per special warrant primarily to Canadian investors, raising gross proceeds of C$12.27 million (A$12.65 million). On February 9, 2010 the Company issued 5,500,000 ordinary shares upon the conversion of said special warrants.

On January 21, 2010, the Company completed a share purchase plan pursuant to which shareholders resident in those jurisdictions where the Company was lawfully permitted to do so in reliance on exemptions from applicable prospectus and registration requirements, were granted the opportunity to subscribe for ordinary shares at a price of $2.30 per share, raising gross proceeds of $10.28 million.

In March, 2010 the Company completed a private placement with (i) Mr Craig Burton (Chairman) consisting of the purchase and sale of 400,000 ordinary shares of the Company at a price of A$2.30 per share for gross proceeds to the Company of A$0.92 million; and (ii) with Lancaster Park S.A, an entity associated with Mr Colin

Steyn (Director), consisting of the purchase and sale of 1.7 million ordinary shares of the Company for gross proceeds to the Company of A$3.90 million.

These placements formed part of a larger offering of 18.5 million ordinary shares, the balance of which was completed in December 2009 pursuant to a private placement of 16.4 million ordinary shares to purchasers primarily resident in Australia, and raised gross proceeds of A$37.72 million.

In addition, in the three month period ended March 31, 2010, US$15.0 million was released from the US$25 million CRA established under the Senior Credit Facility to fund historical construction cost overruns at the Santa Rita Project.

As at 31 March 2010, the Company also has A$15.5 million (U$14.2 million) available to it under its Leasing Facility (as defined below) with Caterpillar Financial Services Corporation.

Executive and Board Changes

Mirabela strengthened its executive team during the quarter with the appointment of Mr Luis Nepomuceno as Managing Director Brazil, effective immediately and Mr Bill Bent, VP Business Development, effective 1 June 2010.

Mr Nepomuceno has over 25 years of international and Brazilian experience in the mining sector. Mr Nepomuceno has held senior executive roles at Vale, MHAG Iron Ore Mining and Magnesita and has a strong track record in successful operational management, reducing and optimizing costs, environmental management and implementing best practice across operational divisions. Mr Nepomuceno has a BS degree in Agronomic Engineering from the University of Rio de Janerio and two post-graduate degrees in Environmental Control from the University of Ghent and the Japan International Cooperation Agency.

Mr Bent joins Mirabela from PriceWaterhouseCooopers, where he has been Director of Strategy. Mr Bent has over 12 years industry and consulting experience focusing on strategy development, revenue growth, change management and performance improvement. Prior to joining PricewaterhouseCoopers Advisory (formerly Mainsheet Corporate), Bill worked as a Senior Consultant with the Corven Group in the UK both in the Consulting & Corporate Finance divisions, for Genesis Oil & Gas as a Consultant and for Anglo American Corp South Africa. Mr Bent has a degree in BSc Chemical Engineering from the University of Cape Town and an MBA from Cranfield University in the UK.

Also during the three month period ended march 31, 2010, Mr Nick Poll resigned as a director of Mirabela in order to focus on new business ventures.

SELECTED FINANCIAL INFORMATION

The following sets out the selected financial information relating to the Company's results of operations for the three month period ended March 31, 2010. This financial data is derived from the Company's unaudited consolidated interim financial statements for the three month period ended March 31, 2010 which are prepared in accordance with IFRS.

	31-Mar-10 A$000	31-Mar-09 A$000
Sales revenue	45,870	-
Treatment , refining and transport charges	(7,408)	-
Net sales revenue	**38,462**	**-**
Direct costs	(23,683)	-
Royalties	(1,863)	-
Depreciation, amortization and depletion	(7,661)	-
Cost of sales	**(33,207)**	**-**
Gross profit	**5,255**	**-**
Expenses		
General and administration	(2,300)	(2,395)
Financing (costs)/ income	(5,679)	64
Derivative loss	(17,296)	(4,367)
Foreign exchange (loss)/ gain	(5,031)	309
Other income/ (expense)	(115)	(1,244)
	(30,421)	(7,633)
(Loss)/ Profit before income tax	(25,166)	(7,633)
Income tax benefit/ (expense)	-	(6,382)
Loss for the period	**(25,166)**	**(14,015)**
EARNINGS PER SHARE		
Basic and diluted loss per share (cents per share)	(6.93)	(10.80)
Weighted basic average number of shares outstanding (000's)	363,139	129,791

The Company did not pay any dividends during the period ended March 31, 2010.

RESULTS OF OPERATIONS

The Company recorded a loss for the three month period ended March 31, 2010 of $25.17 million, representing ($0.0693) per share, in comparison to a loss for the corresponding period ended 31 March, 2009 of $14.02 million, representing ($0.1080) per share.

Gross Profit

The Santa Rita mine achieved a gross profit of $5.26 million for the three month period ended March 31, 2010. This is due to sales of 1,987t of nickel in concentrate at an average nickel price of US$9.70/lb resulting in gross nickel revenue of $41.78 million, copper revenue of $3.40 million and cobalt revenue of $0.69 million. Net nickel sales were $38.46 million after treatment, refining and transports costs (A$7.41 million) which were offset by direct costs of production ($23.68 million), royalties on nickel sales ($1.86 million) and indirect costs ($7.66 million) comprising depreciation of operational assets.

Mineral Sales and Operating Costs

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

Gross nickel sales for the three month period ended March 31, 2010 of $45.87 million included significant sales adjustments ($10.87 million) as a result of the increase in the relevant nickel price after the issue of provisional invoices to Votorantim.

The unit cash cost of production of US$8.12/lb for the period was lower than management's target for the period due to a stronger ramp up production result. Management does not believe that the unit cash cost for the three month period ended March 31, 2010 will be reflective of the unit cash cost once the operation is at full capacity.

Unit mining, processing and administration costs are all expected to decrease as production volumes increase. Unit transport and shipping costs however are expected to increase once export deliveries to Norilsk commence.

Depreciation and amortization of A$7.66 million reflects the Company's use of its assets based on units of production calculation.

Expenses

Expenses for the three month period ended March 31, 2010 were $30.42 million, compared to $7.63 million for the three month period ended March 31, 2009. Expenses mainly comprised (i) general and administration expenditures (ii) financing costs, (iii) financial derivatives, and (iv) foreign exchange.

General and administration expenditures ($2.30 million) consists of corporate overhead costs, including salaries and superannuation (Australian pension equivalent), the vesting of share based incentive options, travel, professional fees and general expenditure.

Financing costs ($5.68 million) represent interest bearing deposits on cash held ($0.16 million), offset by interest expense ($5.84 million) relating to (i) the Senior Credit Facility, (ii) the Leasing Facility, (ii) the offtake prepayment facility with Votorantim; and (iv) the offtake loan with Norilsk; the proceeds of which were used to fund the Santa Rita Project.

Financial derivatives ($17.30 million) included the following items:

- a gain of $0.26 million being the fair value adjustment of the derivative liability recognised at the execution of the option agreement between the Company and Norilsk pursuant to which Norilsk was granted the option to convert up to US$40 million of the Norilsk Loan into ordinary shares of the Company at a price of US$8.00 per share;
- an expense of $16.10 million being the aggregate fair value adjustment in respect of the nickel and copper call options sold during the period;

- an expense of $2.75 million being the fair value adjustment in relation to a US$100 million interest rate swap, reflecting the reduction in USD interest rates; and
- a gain of $1.29 million being the realised adjustment foreign exchange hedges exercised during the period

Foreign exchange ($5.03 million) comprises net realised and unrealised foreign exchange gains for the three month period ended March 31, 2010. The realised items relate to transactions undertaken during the period and unrealised items relate to the strengthening of the Australian dollar against the US dollar denominated loans during the period.

Unit cash costs

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

Unit cash cost is not a GAAP measure and may not be directly comparable to other nickel producers.

By-product credits, in particular copper (7% of sales volume) and cobalt (1.7% of sales volume), are an important factor in determining cash costs. The Company's cost per pound will be positively affected by increases in the prices for copper and cobalt, and adversely affected with decreases in those prices.

The unit cash cost of production of US$8.12/lb for the period was lower than management's target for the period due to a stronger ramp up production result. Management does not believe that the unit cash cost for the three month period ended March 31, 2010 will be reflective of the unit cash cost once the operation is at full capacity.

The following table reflects the Company's unit cash cost for the three month period ended 31 March 2010:

Unit Cash Costs	Measure	Three months ended 31-Mar-10
Payable Nickel Production*	lbs	3,906,565
Mining Cost	USD/lb	3.45
Processing Costs	USD/lb	2.84
Administration Cost	USD/lb	1.06
Transport/Shipping Cost	USD/lb	0.12
By-Product Credit**	USD/lb	(0.95)
Operating Unit Cash Cost	USD/lb	6.52
Smelter Charges	USD/lb	1.60
Unit Cash Cost* **	**USD/lb**	**8.12**
Realised Nickel Price**	USD/lb	9.70

*Average Payability of 89%
** Including prior period QP (Quotational Period) adjustments and excluding hedging
*** Excludes royalty (5.5%)
**** Average exchange rates for the period A$/USD 0.905

The following table reflects a reconciliation of the Company's unit cash cost to an income statement prepared in accordance with GAAP, converted to US dollar using an exchange rate of A$1.00 to US$0.905:

	Three months ended 31-Mar-10
Costs as reported in the income statement (A$'000):	
Gross profit	5,255
Add back:	
- Royalties	1,863
- Depreciation, amortization and depletion	7,661
Less:	
- Nickel sales revenue	(41,783)
- Direct stockpile movement	(8,062)
	(35,066)
Exchange rate conversion from A$ to US$	0.905
Total cash operating cost of production *(US$'000)*	**(31,725)**
Payable nickel (pounds)	3,906,565
Unit Cash Cost (US$) per pound of payable nickel	**(8.12)**

DISCUSSION OF CASH FLOWS

The following sets out the Company's cash flows for the three months period ended March 31, 2010 as compared to the three months ended March 31, 2009:

Cash Flows from:	Three months ended 31-Mar-10	Three months ended 31-Mar-09
Operating activities	(21,443)	(641)
Investing activities	(4,978)	(11,921)
Financing activities	23,517	(654)

Net cash outflows from operating activities for the three month period ended March 31, 2010 of $21.44 million as compared to $0.64 million for three month period ended March 31, 2009 are primarily attributable to the Company transition from development to production. Cash receipts of $20.78 million reflect the sale of 1,987 tonnes of nickel in concentrate to Votorantim. This was, however, offset by cash outflows of $42.38 million, reflecting payments made for construction and commissioning expenditures incurred during 2009, together with first fill inventory and operating expenditures incurred during the ramp up period to March 31, 2010.

Net cash outflows from investing activities for the period were $4.98 million, compared to $11.92 million for the corresponding three month period ended March 31, 2009. Cash outflows reflect the purchase and leasing of mining equipment during the period, as the Company ramps up to full production. Leased equipment was acquired pursuant to the Leasing Facility, with the cash component paid by the Company, comprising 10% of the value of the equipment.

The net cash inflows from financing activities of $23.52 million mainly reflects net proceeds from capital raisings ($27.15 million), offset by interest paid ($2.59 million) on the Senior Credit Facility and Leasing Facility, together with a principal repayment to Caterpillar Financial Services Corporation there under ($1.05 million).

FINANCIAL POSITION

	31-Mar-10	31-Dec-09
Assets		
Cash and cash equivalents	55,198	59,123
Trade and other receivables	36,677	11,691
Inventories	18,178	-
Derivative asset - hedge	7,248	7,724
Total current assets	**117,301**	**78,538**
Deferred tax asset	-	6,951
Property, plant and equipment	934,845	979,618
Exploration and evaluation expenditure	180	179
Derivative asset – hedge	7,183	10,140
Total non-current assets	**942,208**	**996,888**
Total assets	**1,059,509**	**1,075,426**
Liabilities		
Trade and other payables	46,522	39,559
Provisions	1,249	980
Borrowings	64,388	44,914
Derivative liability - hedge	47,503	5,571
Derivative liabilities – options and swaps	24,586	12,294
Total current liabilities	**184,248**	**103,318**
Borrowings	285,078	313,717
Derivative liability - option	2,400	2,660
Provision for rehabilitation	20,162	21,041
Derivative liability - hedge	105,755	32,737
Derivative liabilities – options and swaps	32,564	28,950
Total non-current liabilities	**445,959**	**399,105**
Total liabilities	**630,207**	**502,423**
Net assets	**429,302**	**573,003**

As at March 31, 2010 the Company had a net working capital deficit of $66.95 million as compared to a net working capital deficit as at December 31, 2009 of $24.78 million. If the unrealised mark to market valuation of the derivatives is excluded, the Company would have reported a net working capital deficit of $2.11 million. The increase in current assets was driven by trade and other receivables ($36.68 million), and a build up of broken ore and concentrate stocks ($18.18 million). This was offset by an increase in current liabilities, driven by an unfavourable movement in hedge, option and swap derivatives ($72.09 million).

Cash and cash equivalents

The Company held cash balances (in cash and term deposits) of $55.20 million as at March 31, 2010, as compared to $59.12 million as at December 31, 2009. Cash on hand at December 31, 2009 includes the US$10 million held in the CSA, established pursuant to the Senior Loan.

Trade and other receivables

Trade and other receivables comprise trade receivables ($29.06 million) and other receivables ($7.62million). Trade receivables consist of nickel sales to Votorantim and are initially recognised at the time of sale and subsequently adjusted based on the movement in the quoted market price of nickel between the date of delivery and the date of final pricing. The mark to market is recorded as an adjustment to sales revenue. Trade receivables settlement terms include 90% of the invoice to be settled within 15-70 days from the month of sale or Bill of Lading, with the remaining 10% of the invoice settled within 15 days of presentation of the final invoice at the end of the quotation period (normally 2 to 4 months following the month of sale). Other receivables consist primarily of Brazilian federal and state taxes previously paid on construction and commissioning expenditures. It is anticipated these taxes will be offset against future federal and state taxes payable.

Inventory

Inventory of $18.18 million comprises broken ore stocks ($2.0 million), concentrate stocks ($8.78 million) and stores, spares and consumables ($7.45 million). Broken ore stocks reflect ore in an intermediate state that has not yet passed through all production stages, whilst concentrate stock is product that has passed through all production stages. Stores, spares and consumables represent materials and supplies consumed in the production process. All inventories have been calculated as the lower of cost and net realisable value, with net realisable value representing the estimated selling price in the ordinary course of business less any further costs expected to be incurred is respect of such and disposal.

Property, plant and equipment

The decrease in property, plant and equipment to $934.85 million as at March 31, 2010, as compared to $979.62 million as at December 31, 2009 primarily reflects movements in exchange rates from Reais to Australian dollars ($45.80 million) and depreciation ($7.46 million). This was marginally offset by the acquisition of additional mining equipment ($8.74 million) during the ramp up of operations to full production.

Trade payables and accrued liabilities

Trade payables of $46.52 million at as March 31, 2010 are primarily operational in nature, whilst trade payables as at 31 December, 2009 reflected, in material part, amounts due to suppliers during the commissioning phase, together with payables on equipment and operational consumables acquired during the ramp up of mining and processing operations.

Derivatives

As at March 31, 2010, the Company had a negative net hedge position of $138.83 million, compared to a negative position of $20.44 million as at December 31, 2009 reflecting the negative mark-to-market value of commodity hedges (nickel and copper) and the positive mark-to-market of foreign exchange forward contracts.

	31-Mar-10	31-Dec-09
Current asset		
Foreign exchange - forward contracts	7,248	7.724
	7,248	7,724
Non-current asset		
Foreign exchange - forward contracts	7,183	10,140
	7,183	10,140
Current liability		
Nickel hedges	47,503	5,571
	47,503	5,571
Non-current liability		
Nickel hedges	93,250	21,733
Copper hedges	12,505	11,004
	105,755	32,737

Derivative liabilities – options and swaps, aggregated $57.47 million as at March 31, 2010 ($41.24 million as at December 31, 2009), reflecting nickel and copper call options sold with a fair value of $53.39 million (December 31, 2009: $38.81 million), and an interest rate swap with a fair value of $4.08 million (December 31, 2009: $2.43 million).

Loans and borrowings

The following interest-bearing loans entered into for the financing of the Santa Rita Mine (non-current and current) were outstanding as at March 31, 2010:

	Norilsk Loan (i)	Votorantim Loan (ii)	Senior Credit Facility (iii)	Caterpillar finance lease facility (iv)	Total
Current borrowings	14,648	22,580	17,933	9,227	64,388
Non-current borrowings	41,539	25,553	184,550	33,436	285,178
	56,187	**48,133**	**202,483**	**42,663**	**349,466**

The Votorantim Loan and the Norilsk Loan are subordinated to the Senior Credit Facility and may only be repaid on satisfaction of certain conditions. The Votorantim Loan comprises $22.58 million of current borrowings, reflecting accelerated principal repayments during the initial period of the loan.

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

LIQUIDITY AND CAPITAL RESOURCES

Financial position

At March 31, 2010 the Company held balances of cash on hand and on deposit of A$44.3 million (US$40.7 million), plus US$10 million held in the CSA established under the Senior Credit Facility. The Company also reported a net working capital deficit of $66.95 million, however, if the unrealised mark to market valuation of the derivatives is excluded, the Company would have reported a net working capital deficit of $2.11 million.

As at March 31, 2010 the Company also has $15.5 million (US$14.2 million) available for financing of mining equipment under the Leasing Facility with Caterpillar Financial Services Corporation.

The Company’s contractual commitments as at March 31, 2010 are as follows:

		Payments due by period			
As at March 31, 2010	**Total**	**Within 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating leases	3,824	654	1,408	1,553	209
Exploration	291	291	-	-	-
Purchase obligations	69,700	55,796	13,904	-	-
Loans and borrowings	349,466	64,388	173,260	98,576	13,242
Provision for rehabilitation	20,162	-	-	-	20,162
Total	**443,443**	**121,129**	**188,572**	**100,129**	**33,613**

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

Purchase obligations reflect contracts entered into during the ramp up of the Company’s operations and consist primarily of mining contracts ($60.56 million) including fuel, pre-stripping, preventive maintenance and explosives and administration ($4.66 million) and security, food and transportation contracts. The remainder of the contracts relate to plant maintenance ($3.73 million), health and safety ($0.67 million) and finance ($0.09 million).

As at March 31, 2010 the Company had a net working capital deficit, including the short term portion of loans and borrowings, together with the short term contractual commitments. 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 settle debts and obligations in the ordinary course of business. The cash flow forecast depends upon the successful operation of mining and production activities in accordance with the ramp up schedule and nickel price assumptions to enable cash flow forecasts to be 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, equity or a combination of the two.

Management’s Report on Internal Control over Financial Reporting

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

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

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

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

During the period ended March 31, 2010, no material changes were made to the Company’s disclosure and internal controls over financial reporting.

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

SUMMARY OF QUARTERLY RESULTS

Selected financial data for each of the eight most recently completed quarters ended March 31, 2010 is included in the table below.

For the three months ended	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08	Jun-08
Sales revenue	45,870							
Treatment, refining and transport	(7,408)							
Net sales revenue	**38,462**							
Cost of Sales	(33,207)							
Operating Profit	**5,255**							
General and administration	(2,300)	(3,063)	(1,610)	(2,784)	(2,395)	(8,684)	(2,193)	(3,178)
Financing (costs)/income	(5,679)	(5,933)	43	(19)	64	507	627	573
Derivative (loss)/gain	(17,296)	(8,122)	(11,739)	(10,207)	(4,367)	436	8,694	23,188
Foreign exchange (loss)/gain	(5,031)	14,977	18,750	36,397	309	(43,426)	(18,515)	(2,261)
Other income/(expense)	(115)	1,524	(3,617)	(2,241)	(1,244)	(118)	(339)	351
Net income/(loss)	**(25,166)**	**(617)**	**1,827**	**24,783**	**(14,015)**	**(36,691)**	**(11,726)**	**9,054**
Basic profit/(loss) per share (cents)	(6.93)	(0.18)	0.58	25.2	(10.8)	(28.3)	(9.0)	7.2
Diluted profit/(loss) per share (cents)	(6.93)	(0.18)	0.58	25.2	(10.8)	(28.3)	(9.0)	6.8

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

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

OUTSTANDING SHARE INFORMATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Derivative Financial Instruments

The Company uses metal and foreign exchange forward contracts to manage financial risks associated with its underlying business activities and the financing of those activities. All of the Company's forward contracts as at March 31, 2010 are recorded using hedge accounting, under which the effective portion of the forward contract is recognised in equity and the ineffective portion is recognised in the income statement. The financial statements entries have been prepared on the assumption that hedges existing as at March 31, 2010 will continue to be highly effective (80% - 125%) on a prospective and retrospective basis.

Rehabilitation Provision

The rehabilitation provision is an estimate of the value of future costs for the dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita Project site. The Company relies on estimates from third parties to estimate these costs. The estimate is subject to change over the life of the mine as more data becomes available. As of March 31, 2010 the Company has recognised a liability of $21 million (present value) for rehabilitation costs at the Santa Rita Project and will accrete costs through periodic charges to the income statement. In addition, the rehabilitation obligation has been recognised and will be amortised over the life of the mine. Future changes to the rehabilitation obligation will be prospectively reflected in the year the estimates change.

Share Based Payments

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

CHANGES IN ACCOUNTING POLICIES

Transition from commissioning to operations

During the period to March 31, 2010 the Company achieved operating status. All mining revenues and associated costs are no longer capitalised, but treated as operational costs through profit or loss.

FINANCIAL INSTRUMENTS

The Company is exposed to fluctuations in metal prices (principally nickel and copper), fluctuations in foreign currency and interest rates, in each case, in relation to its future operational cash flows and its ability to service existing and planned borrowings for the Santa Rita Mine. The Company's strategy is to mitigate these risks by entering into metals hedging and foreign exchange hedges that underwrite the full value of expected operating costs during the debt service period of its various borrowings. In respect of interest rates risk, the Company has entered into a US$100 million USD interest rate swap.

Nickel and copper hedging in support of the Senior Loan was completed in September 30, 2008. The metals hedging position as at December 31, 2009 comprises 19,402t of nickel forward sold at an average price of US$7.82/lb in the period from July 2010 to March 2014, and 8,952t of copper forward sold at an average price of US$2.73/lb in the period from April 2011 to March 2015. The negative mark-to-market value of these hedges was US$140.66 million as at March 31, 2010 (compared to US$34.50 million negative mark-to-market value of hedges as at December 31, 2009).

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

On March 20, 2009 the Company sold nickel and copper call options for premium income of US$6.740 million. The 2,400 tonne nickel call option had a strike price of US$6.50/lb for metal deliveries of 100 tonnes/ month over the 24 month period between 1 July 2010 and 29 June 2012. The 6,300 tonne copper call option had a strike price of US$1.80/lb for metal deliveries of 300 tonnes/ month over the 21 month period between 1 July 2010 and 30 March 2012. The call option liability of $53.39 million represents the fair value of the options as at March 31, 2010 (compared to a $38.81 million liability as at December 31, 2009).

The production costs for the Santa Rita Project will be largely denominated in Brazilian Real (BRL). As metal prices are fixed under the nickel and copper hedging arrangements referred to above, the Company has undertaken currency hedging to improve the certainty of operating costs in USD (by protecting against an adverse strengthening of the BRL) over the repayment period of the USD denominated Senior Loan.

Mirabela has entered into forward contracts to sell US$144.13 million/buy BRL at an average BRL/USD exchange rate of 2.15 over the period between January 2010 and July 2013. These agreements had a positive mark-to market value of US$13.24 million as at March 31, 2010 (US$16.07 million positive mark-to-market value as at December 31, 2009).

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

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

$4.08 million (compared to $2.43 million negative mark-to-market as at December 31, 2009), which was recognised as a financial expense in the Company's income statement.

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

OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2010 there were no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

During the three month period ended March 31, 2010, Mitchell River Group Pty Ltd invoiced the Company for A$0.03 million for technical services provided during the period (three month period ended March 31, 2009 : A$0.03 million). The services were provided at normal market rates and on usual commercial terms. Mitchell River Group Pty Ltd is a related entity associated with Mr Craig Burton, an executive director of the Company. These arrangements are ongoing but are not subject to any contractual or other commitments.

RISKS AND UNCERTAINTIES

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

Decreases in the Price of Nickel

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

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

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

Negative Operating Cash Flow

For the three month period ended March 31, 2010 the Company had a negative operating cash flow. The Company will continue to have a negative operating cash flow until the Santa Rita Project itself becomes cash flow positive.

If and to the extent, the Santa Rita Project is not cash flow positive by the time the Company has exhausted all cash reserves, the Company will be required to seek additional sources of financing. As set out below under "*Additional Funding may be Required*", there can be no assurance that additional financing will be secured if and when required or on favourable terms to the Company.

Additional Funding may be Required

If the Company exhausts its cash reserves prior to the Santa Rita Project becoming cash flow positive, the Company 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 success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and upon the ability of a company without a significant project already in production and with significant amounts of existing indebtedness to attract additional significant amounts of debt and/or equity. There is no assurance that such financing will be obtained or on terms satisfactory to the Company.

Failure to obtain sufficient financing, as and when required, could cause the Company to suspend operation of the Santa Rita Project as currently planned and may require the Company to realize assets and extinguish liabilities other than in the normal course of business and not be able to continue as a going concern.

Foreign Exchange Risk

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

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

Concentrate Specifications

The Company's concentrate is subject to risks of process upsets and equipment malfunctions. Head grade, mill throughput recovery rates, or anticipated metallurgical recoveries may ultimately be lower than expected. Concentrate produced by Mirabela until 2014 is subject to off-take agreements and must meet certain specifications. Failure to meet such specifications could entitle purchasers to refuse delivery or seek price adjustments, which in either case, could have a material adverse effect on the Company's financial condition.

Increases in Operating Cost Estimates

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

Material increases in operating costs at the Santa Rita Project could cause the Company to suspend operation of the Santa Rita Project as currently planned, either temporarily or permanently.

Production Estimates

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

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

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

Environmental Risks and Regulations

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

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

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

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

Interest Rate Risk

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

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

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

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

Hedging Policies

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

Changes in the terms of the Senior Loan

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

any of their rights, as set out above and that such exercise will not have a material adverse effect on the Company and its financial condition.

Changes in the terms of the Leasing Facility

Mirabela Brazil, as lessee, and Mirabela, as guarantor, entered into a master funding and lease agreement dated March 23, 2009 with Caterpillar Financial SARL, as arranger, and Caterpillar Financial Services Corporation, as lender (together with the arranger, "**Caterpillar Financial**"), pursuant to which Caterpillar Financial agreed to extend a master funding and lease facility in the principal amount of not more than US$55 million (the "**Leasing Facility**") for the purpose of lease financing up to 90% of the purchase price of Caterpillar mobile equipment from Marcosa SA and Sotreq SA, Brazil.

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

TECHNICAL DISCLOSURE

The scientific and technical information about the Santa Rita Project contained in this MD&A was provided by Mirabela management and prepared under the supervision of Bryan Hyde, Managing Director of Santa Rita, a "qualified person" within the meaning ascribed to that term in National Instrument 43-101 – Standards of Disclosure for Mineral Projects".

For the effective date of mineral resource and reserve estimates set out herein, details of the key assumptions, parameters and methods used to estimate said mineral reserves and resources, a general discussion of the extent to which the estimate of mineral resources or mineral reserves may be materially affected by any environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues, please refer to the technical report for the Santa Rita Project, Bahia, Brazil dated February 2009 prepared by Brett Gossage, senior principal, Coffey Mining Pty Ltd ("Coffey Mining"); Carlos Guzman, director, NCL Brasil Ltda; Rod Smith, principal, Coffey Mining and Nigel Spicer, senior principal, Coffey Mining which is available under the Company's profile at www.sedar.com.