



# MIRABELA NICKEL LTD

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29 January 2010

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## QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009

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### HIGHLIGHTS

- Appointment of Ian Purdy as Chief Executive Officer
- Santa Rita processing plant successfully commissioned
- Production and sales commence to domestic customer
- Equity raising of A\$65 million successfully completed

### SANTA RITA PROJECT

#### *Operations Update*

Commissioning of the Santa Rita processing plant was successfully completed during the quarter with all electrical and mechanical components tested to the plant's current installed nameplate capacity of 4.6 million tonnes per annum.

Production ramp up and optimisation is well underway with the operation on track to achieve its interim target of 4.6 million tonnes of ore per annum, on an annualised basis, during the second quarter of 2010.

With the plant commissioning now successfully completed and mining operations ramping up, management has commenced a review of the mine plan and associated operations budgets. It is expected this will be completed during the first quarter of 2010. Management will provide production guidance for 2010 in the next quarterly report.

At the end of December 2009, staffing levels were 90 per cent of budgeted manning with a total of 464 employees on site. The project's safety performance has improved significantly since the handover from construction to operations with the lost time injury frequency rate falling from 8.5 during construction to 1.4 during operations. The implementation of safety training and safety improvement programs continues to be a key focus at the operation.

## ***Mining***

The mining operations are currently in the northern end of the ore body with pre-stripping at the southern end of the ore body expected to commence later in the first quarter of 2010. 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. With the staged pre-stripping of the ore body a proportion of the mined ore for the next twelve months will be from the transitional zone.

During the December quarter the majority of ore was mined from the North Pit transitional ore zone, with limited access to primary ore benches. A total of 591,000 tonnes of ore was mined at an average nickel grade of 0.53% for the quarter. As at 31 December the ROM and crushed ore stockpiles contained 121,000 tonnes of ore at an average nickel grade of 0.49%. The average nickel head grade for the life of mine is 0.60%.

The mining operations continue to ramp up with the following major equipment now on site: six CAT 777 trucks, nine CAT 785 trucks, two RH 120 excavators, one RH 90 excavator, one CAT 992 front end loader, two CAT D10 dozers and other ancillary equipment. All of the equipment is expected to be commissioned and operating by the end of March 2010.

## ***Processing***

The processing plant has performed well, with commissioning completed ahead of schedule and the consistent production of high quality concentrate despite the challenges associated with early production. Only minor remediation works have been identified to date, with early indications that the grinding circuit will operate above its name plate capacity.

During the quarter a total of 487,000 tonnes of ore was milled producing 880 tonnes of contained nickel in concentrate, 342 tonnes of contained copper in concentrate, and 14 tonnes of contained cobalt in concentrate. Average concentrate grade for the quarter was: 12.1% nickel, 4.7% copper, 0.20% cobalt, and 10.5% MgO.

Nickel recovery for the quarter averaged 35% compared to the operational target of 40% for the first six weeks of operation. Recoveries for December were restricted due to the prevalence of weathering in the transitional ore and the "stop – start" nature of the plant operations as optimisation campaigns were carried out. During the periods of steady state production with primary ore, recoveries continued to be in line with feasibility expectations. Optimisation work continues on the treatment of transitional ore.

Management is confident of steadily improving the recovery levels in the short term, and achieving full feasibility recovery levels when mining has passed through the transitional ore zone.

During the quarter 4,900 dry metric tonnes of concentrate was sold to Mirabela's domestic customer, Votorantim Metais Niquel S.A., with concentrate meeting required specifications. Concentrate stocks as at 31 December 2009 were 2,000 dry metric tonnes. The Company expects to commence export sales to Norilsk Nickel during the second quarter of 2010 and has applied for an environmental licence to export nickel concentrates through the port of Ilheus.

## **CORPORATE**

### ***Executive and Board Changes***

Ian Purdy was appointed Chief Executive Officer and Managing Director on 1 November 2009. Mr Purdy was previously Managing Director of Norilsk Nickel Australia, and prior to that Director Finance and Strategy of LionOre Australia, where he led the management of five operating nickel projects. He has a strong track record in operations management, sales and logistics, and financial control – all important skills for the Company as it enters production. He is a Chartered Accountant and Fellow of the Australian Institute of Company Directors.

During the quarter Craig Burton replaced Bill Clough as Chairman of the Board, with Mr Clough remaining as a non-executive director, and former Chief Executive Officer Nick Poll moved to a non-executive director role from 1 January 2010.

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

### ***Financing & Cash Position***

In December 2009 Mirabela announced the following fundraising initiatives which have now been successfully completed:

- A\$37.720 million share placement to Australian institutional investors – completed on 21 December 2009;
- C\$12.265 million special warrant placement to Canadian investors – completed on 11 January 2010; and
- A\$10.275 million share purchase plan – completed 21 January 2010.

In addition, the Company has also agreed to private share placements with Mr Craig Burton (Chairman) (A\$0.920 million) and Lancaster Park, an entity associated with Mr Colin Steyn (Director) (A\$3.910 million). In accordance with the Listing Rules, these placements are subject to shareholder approval, a general meeting will be called shortly to seek such approval.

All of the shares issued (or agreed to be issued) above were priced at A\$2.30 per share (or in the case of the special warrants, which convert to shares, at C\$2.23 being the Canadian dollar equivalent on 15 December 2009).

The Company intends to use the proceeds of the equity raising for working capital purposes and as a working capital buffer.

The Company held balances of cash on hand and on deposit as at 31 December 2009 of A\$70.245 million (US\$63.190 million), including US\$25 million held in a Santa Rita project contingency reserve account. Subsequent to the year end the Company received C\$12.265 million and A\$10.275 million from the fundraisings referred to above. This places the Company in a strong working capital position during the production ramp up period.

***Available facilities***

As at 31 December the Company has A\$20.0 million (U\$18.0.million) available for financing of mining equipment under the US\$55 million master funding and lease agreement with Caterpillar Financial Services Corporation.

***Share Capital***

As at 31 December the Company's issued share capital consisted of 354,694,375 ordinary shares, and a balance of 13,700,900 unlisted options were outstanding.

During the quarter 16,400,000 ordinary shares were issued pursuant to the share placement to Australian institutional investors described above. The sum of 8,000 ordinary shares was also issued upon exercise of options.

Subsequent to the quarter end, 5,500,000 special warrants and 4,467,450 share purchase plan shares were issued in January 2010.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MIRABELA NICKEL LIMITED

ABN

23 108 161 593

Quarter ended ("current quarter")

31 DECEMBER 2009

	Current quarter \$A'000	Financial Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for	-	-
(a) exploration and evaluation	(4)	(18)
(b) development	-	-
(c) production	-	-
(d) administration	(880)	(2,670)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	83	125
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(9)
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(801)</b>	<b>(2,572)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:	-	-
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(62,369)	(138,835)
1.9 Proceeds from sale of:	-	-
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Cash acquired in subsidiary	-	-
<b>Net investing cash flows</b>	<b>(62,369)</b>	<b>(138,835)</b>
<b>1.13 Total operating and investing cash flows (carried forward)</b>	<b>(63,170)</b>	<b>(141,407)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	45,953	155,578
1.15 Costs of the issue	(1,741)	(7,051)
1.16 Proceeds from borrowings	27,263	27,263
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (Settlement of foreign exchange forward contracts)	-	-
<b>Net financing cash flows</b>	<b>71,475</b>	<b>175,790</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Net increase (decrease) in cash held</b>	<b>8,305</b>	<b>34,383</b>
1.2 Cash at beginning of quarter/year to date	62,555	42,094
1.21 Exchange rate adjustments to item 1.20	(615)	(6,232)
1.22 <b>Cash at end of quarter</b>	<b>70,245</b>	<b>70,245</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	(224)
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The aggregate amount of payments in 1.23 includes directors fees, salaries and services.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The Company did not enter into any FX or commodity contracts during the quarter.

Mining equipment with a value of US\$29.50 million acquired during the quarter was financed to US\$26.55 million by drawdown under the US\$55 million Caterpillar Finance Facility.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	378,188	358,156
3.2 Credit standby arrangements	0	0

Unused loan facility consists of a balance of US\$18 million (A\$20 million) available under the US\$55 million Caterpillar Finance Facility.

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	75
4.2 Development	33,000
<b>Total</b>	<b>33,075</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter	Previous quarter
		\$A'000	\$A'000
5.1	Cash on hand and at bank	42,453	34,130
5.2	Deposits at call	27,792	28,425
5.3	Bank overdraft	0	0
<b>Total: cash at end of quarter</b> (item 1.22)		<b>70,245</b>	<b>62,555</b>

Deposits at call include a balance of US\$25 million held in a contingency account in accordance with the undertakings given by the Company as guarantor of the Senior Loan facility for the Santa Rita Project. The 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.

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			
	831.807/2008	Exploration Permit	-	100%
	831.813/2008	Exploration Permit	-	100%
	831.815/2008	Exploration Permit	-	100%
	831.816/2008	Exploration Permit	-	100%
	831.817/2008	Exploration Permit	-	100%
	831.818/2008	Exploration Permit	-	100%
	871.904/2009	Exploration Permit	-	100%
	871.905/2009	Exploration Permit	-	100%
	872.288/2009	Exploration Permit	-	100%
	872.289/2009	Exploration Permit	-	100%

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid per security (see note 3) (cents)
7.1	<b>Performance +securities</b> <i>Convert to ordinary securities on development of a commercial mining project</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.			
7.3	<b>354,694,375</b>	<b>354,694,375</b>		
7.4	Changes during quarter (a) Increases through issues			
	3,500,000	3,500,000	\$2.35	\$2.35
	16,400,000	16,400,000	\$2.30	\$2.30
	8,000	8,000	\$0.95	\$0.95
	(b) Decreases through returns of capital, buy-backs			

+ See chapter 19 for defined terms.

7.5	<b>+Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	<b>13,700,900</b> Convert on a 1:1 basis	<b>Nil</b>	<b>Exercise price</b> \$0.95 (0.4009m) \$5.60 (1.8m) \$6.20 (1.4m) \$6.20 (0.3m) \$6.20 (0.3m) \$6.20 (0.35m) US\$8.00 (5.0m)  \$3.00 (3.0m) \$3.00 (0.75m) \$3.00 (0.4m)	<b>Expiry date</b> 30 Apr 2010 23 Feb 2011 30 June 2011 07 Sep 2011 30 Sep 2011 31 Dec 2011 final repayment of the Norilsk loan(scheduled expiry 31 Dec 2012) 07 Jul 2013 07 Jul 2013 30 Jun 2014
7.8	Issued during quarter	750,000 400,000		\$3.00 \$3.00	07 Jul 2013 30 Jun 2014
7.9	Exercised during quarter	8,000		\$0.95	30 Apr 2010
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>	0	0		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	0	0		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



**Chris Els**  
Company Secretary

Date: 29 January 2010



## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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