MIRABELA NICKEL LTD

Annual Report 2010

Mirabela Nickel Limited is a nickel producer, operating one of the world's largest open pit nickel sulphide mines, located in Brazil. The Company is listed on the Australian Securities Exchange (ASX: MBN) and the Toronto Stock Exchange (TSX: MNB).

The Santa Rita deposit is the largest nickel sulphide discovery in over a decade and the aggressive development schedule, from discovery to first production in five years, is testament to the deposit's location close to essential infrastructure (power, rail, road and port), the simple process flowsheet and the pro-mining environment of Brazil.

The Santa Rita operation is a world class asset, producing a high quality metal concentrate via a state of the art nickel flotation processing plant and supported by an open pit with a current mine life of 23 years, all underpinned by a strong, globally experienced management team. Mirabela Nickel Limited also has a number of near-mine and regional exploration prospects that have the potential to provide additional, organic growth.

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2010 highlights

- 10,375 tonnes of nickel concentrate produced
- 9,956 tonnes of nickel concentrate sold
- Quarter on quarter reduction in cash costs
- Successfully delivered the first phase of the project ramp-up with mined material movements, plant throughput and plant recovery targets achieved
- Outstanding safety performance – Lost Time Injury Frequency Rate of 1.05 for the year was well below Brazilian mining average
- Board and management team strengthened with new appointments

Managing Director’s address

This year’s Annual Report reflects a successful first year of ramp-up at our Santa Rita operation. We are on track to achieve our full production capacity of between 23,000 to 25,000 tonnes per annum of contained nickel in concentrate during 2012.

IAN PURDY
CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Mr Purdy joined Mirabela Nickel Limited as Chief Executive Officer and Director on 2 November 2009. Prior to joining the Company, Mr Purdy had held a number of senior positions in the Australian mining industry, including Managing Director of Norilsk Nickel Australia and 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, which are all critical skills for Mirabela as it grows into a sustainable, long-term nickel business.

Whilst 2010 was not without its challenges, the strong performance delivered by the Santa Rita mine and plant in the latter half of the year is testament to the capability and hard work of the Mirabela team. I am extremely pleased with our results, which give us an excellent platform to move through 2011 and beyond.

Perhaps our most outstanding result for the year was our strong safety performance. In a year that saw our workforce increase by 50%, the development of a culture of prevention and sustainable occupational safety has been paramount. I am proud of the fact that since commencing operations, Mirabela’s safety performance indicators have remained well below the Brazilian mining average.

On the operational front, we successfully delivered the first phase of the project ramp-up with mined material movements, plant throughput and plant recovery targets achieved. We produced a total of 10,375 tonnes of nickel in concentrate for the year, ahead of management’s guidance. Our mining team made strong gains during the year in their effort to open up the strike length of the pit and increase the total material movement rate, as evidenced by the run rate for the fourth quarter of 36.6 million tonnes per annum (Mtpa). Particularly pleasing this year was the breakthrough in our plant performance, which delivered both a throughput beyond nameplate capacity and a step change in nickel recoveries. Our unit cash costs for 2010, averaging US$7 per pound, are not reflective of the operation’s life of mine costs as we are still in ramp-up. At full production, we expect to be within the industry’s second quartile of costs.

During the year we strengthened our working capital position, with the successful raising of US$179 million completed during September to October. Mirabela appreciates the excellent support from our shareholders. As at 31 December 2010, cash on hand and on deposit totalled US$102 million.

We strengthened our Board in January 2011 with the appointment of two new Non-executive Directors who bring the necessary capabilities and experience to drive the future success of Mirabela, Mr Geoffrey Handley and Mr Ian McCubbing. Nick Poll and Joe Hamilton resigned as Non-executive Directors during 2010 and, on behalf of the Board, I would like to thank them for the support they have provided to Mirabela during their tenure.

The principles of good corporate governance, prudent financial management and solid community and environmental citizenship are firmly implanted as business imperatives at Mirabela. Our focus on preserving the bio-physical environment has seen us implement sound environmental practices and in 2010 we delivered many initiatives to enrich the lives of the Company's employees, their families and members of the local community. We are proud to be an integral member of the local community in which we operate.

We start 2011 with much optimism. We remain cautiously confident that current nickel prices are sustainable. The market's appreciation of the tightness of supply and the step change that has occurred in costs are two factors that are providing a floor to the nickel price.

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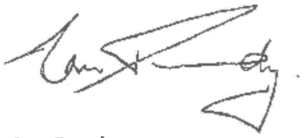
Our first and foremost goal in 2011 is to successfully deliver the 7.2Mtpa expansion project, whilst continuing to maximise production. This has two components, the first being the completion of the open pit pre-strip and the second being the upgrade of the processing plant to achieve a throughput of 7.2Mtpa, which will equate to between 23,000 to 25,000 tonnes of annual nickel production. This year, we are targeting production of between 14,000 to 16,500 tonnes of nickel in concentrate.

As we report on a successful 2010, I would like to thank my fellow Directors and shareholders for their support and dedication during a year that saw Mirabela cement its place as a nickel producer. I would also like to congratulate our operating, mining and corporate teams on overcoming the challenges that presented during 2010 to deliver an overall strong performance for the year. Our employees' hard work and attention to safety has been outstanding.



Ian Purdy
Chief Executive Officer & Managing Director

Operational review

Mirabela's primary focus in 2010 was ramping-up the mining operations to hit a sustainable throughput rate of 4.6Mtpa and the optimisation of plant recoveries to 60% at its Santa Rita mine. Production for the year was 10,375 tonnes of nickel in concentrate.

The Company's operational performance was underpinned by a strong safety culture and expanded organisational capabilities.

The plant exceeded its target, achieving an annualised throughput rate of 5Mtpa for the fourth quarter, 108% above nameplate capacity and 62% recoveries in December.

Safety

Since commencing operations, the mine's strong safety performance has continued with a Lost Time Injury Frequency Rate of 1.05 for 2010. This remains well below the Brazilian mining average and is testament to the high priority and commitment given to safety by the operational team. Health and safety training programs remain ongoing to prevent complacency.

Mining

A total of 29.1 million tonnes of material was mined for the year, producing 3.1 million tonnes of ore at an average nickel grade of 0.55%. During the fourth quarter, the run rate was between 36 to 42 million tonnes on an annualised basis, which is a great achievement.

Mining at Santa Rita has been focused on a phased opening up of the 1.8km strike length of the open pit, which will provide more mining flexibility and is critical for the ongoing ramp-up to the targeted full mining production capacity of 50Mtpa material moved.

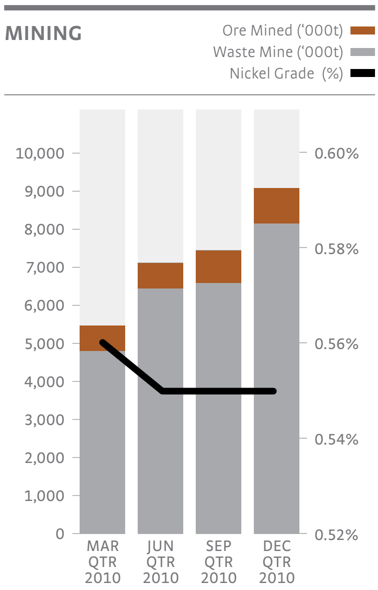
During the first half of the year all ore production came from the northern end of the ore body. Mining in the transitional zone saw higher than expected internal dilution resulting in lower than expected head grades.

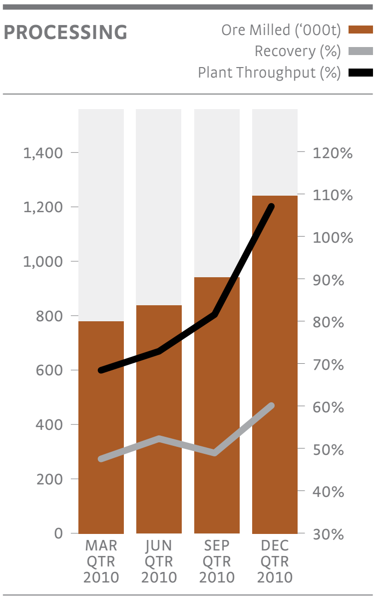
This North Pit ore contained a chloritic alteration which hampered nickel recoveries. However the successful implementation of a two-pronged strategy saw Mirabela overcome this challenge to improve recoveries during the second half of the year, ending the year with a 62% recovery rate for December. Improved blasting and stockpile control is one part of the strategy whilst the use of dispersants in the

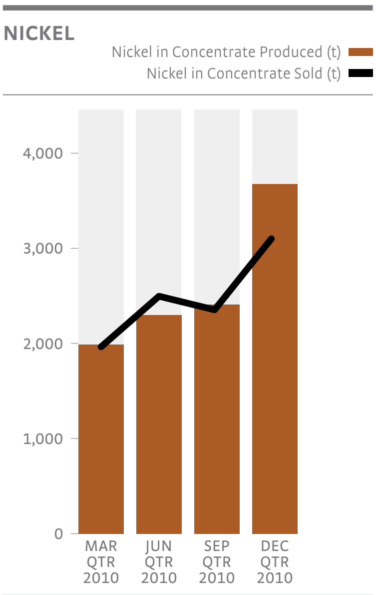
processing plant is the other. The full benefits of improved blasting and the extensive studies of ore characterisation undertaken in 2010 are expected to be realised in 2011, when a further mechanical separation component is added to the plant as part of the 7.2Mtpa expansion project. Over the long term, Mirabela is targeting between 65-70% recoveries for the life of mine.

The first ore production from the South Pit occurred in September. The quality of the South Pit ore has been good with minimal fines. Pre-stripping was accelerated in the Central Zone.

The majority of the mining mobile fleet capacity is installed for full production levels at 50Mtpa and management's improvements to the fleet's maintenance performance and operator productivity during the year provided a breakthrough in mining performance. Early teething problems associated with equipment and maintenance availability have been resolved and truck fleet availability is on target and maintenance supplier arrangements are now working well.







Processing

Santa Rita is a conventional nickel sulphide flotation plant. The well designed and constructed plant was commissioned in October 2009.

Production for the 12 months to 31 December 2010 was 10,375 tonnes of nickel concentrate, 3,239 tonnes of contained copper in concentrate and 179 tonnes of contained cobalt in concentrate. Importantly, all production was within contract specifications. 9,956 tonnes of nickel concentrate was sold, under offtake agreements, to the domestic customer, Votorantim Metais Niquel. Exports to Norilsk Nickel commenced in early 2011.

A total of 3.8 million tonnes of ore was milled at an average recovery rate of 0.53%, despite the feeding of low grade ore into the mill feed. Plant throughput increased quarter on quarter, ending the year with a 108% capacity above nameplate, an excellent achievement.

A planned major shutdown was completed on time and on budget during August and resulted in the significant optimisation of the SAG mill and ball mill circuit, increasing throughput and reducing costs.

Plant recovery improvement projects are providing short-term and long-term solutions to the processing of chloritic altered fines. Advancements in reagents, grinding and the flotation regimes have resulted in improved performance when treating high levels of fines. The use of citric acid as a dispersant in the nickel flotation process was a significant development which has increased recoveries as well as reduced costs by replacing the sodium silicate previously used as a dispersant.

Over the longer term, a mechanical separation component, which effectively deslimes the ore, will be installed as part of the 7.2Mtpa expansion project in 2011. A pilot de-sliming plant was installed on site in late 2010 and the results will inform the final design specifications of the commercial scale unit.

Further improvements in recoveries will accrue from a mining ramp-up that will facilitate ore blending options and see a move from transitional ore to primary ore over time.

Costs

Costs were a major focus of the management team during 2010 and a number of initiatives were introduced to rationalise costs at the mine. Unit cash costs decreased quarter on quarter and averaged out to US$7.00 per pound of nickel for the year. Unit cash costs are expected to continue to fall as production levels increase in 2011. At full commercial production levels, Mirabela expects to be a low cost producer.

Plant throughput increased quarter on quarter, ending the year with a 108% capacity above nameplate, an excellent achievement.

Exploration

With the ramp-up of the mining and processing operations during 2010, Mirabela did not undertake any exploration activity. The Company does have a number of exciting exploration prospects and these will be reviewed once full commercial production levels have been reached.

The Santa Rita mineralisation is open at depth and, over the medium term, significant work is planned to fully understand the underground potential at Santa Rita. There are two principal targets: open-pit mineralisation beneath the existing Northern Zone down to 650m deep (the depth of the current open-pit reserve) and underground mineralisation to the north, south and below the current underground resource.

Growth strategy

Mirabela has defined a growth strategy to maximise the potential of the Santa Rita deposit and its position as a leading nickel producer in Brazil. The two-pronged strategy is focused on delivering production growth and organic brownfields growth.

In the near term the ramp-up of mining operations and optimisation of plant recoveries at Santa Rita remain the focus. Completion of the open pit pre-strip and the expansion of the processing plant are planned for 2011. This will see the ramp-up of open pit operations to 50Mtpa (annualised) total movement of material and the delivery of the plant expansion to 7.2Mtpa (annualised). At full commercial production, the mine is expected to reach an annualised capacity of between 23,000 to 25,000 tonnes of contained nickel in concentrate per annum from 2012.

In the near term the ramp-up of mining operations and optimisation of plant recoveries at Santa Rita remain the focus.

Near-mine and regional exploration programs are medium term targets which will commence once full production has been achieved. At Santa Rita, there are plans to increase the in-pit resource and better define the underground resource through drilling programs, whilst two near-mine exploration targets, Palestina and Peri Peri, require more detailed assessment.

Nickel market

The nickel price continued to be volatile during 2010 with a price range of US$8 to US$12 per pound. The nickel price achieved a peak of US$12.50/lb in mid-April 2010, but subsequent concerns over the worsening debt crisis in Greece and the potential for the economic fallout to affect other European countries resulted in a sharp price decrease, declining to a low of US$8.14/lb in early June 2010. The resolution of the strike at Vale S.A.'s Sudbury operations relieved supply constraints and assisted in sustaining these low prices throughout most of July 2010, before expectations of an improvement in stainless steel demand combined with concerns about production constraints in the Chinese nickel pig iron industry resulted in price increases to US$10.61/lb in late September 2010. The strong movements in the nickel price continued into November 2010 and early December 2010, which is indicative of uncertainty over market strength and price direction.

Looking forward to the coming year, the market outlook is bullish as nickel demand is expected to exceed supply, although volatility is expected to remain. A strong nickel price outlook is supported by an uncertainty of supply, as a number of new nickel laterite projects continue to experience start-up issues. On the demand side there is evidence of improvements in stainless steel orders in early 2011 and the recent reduction in Chinese import demand has been forecast as temporary. Furthermore OECD restocking has the potential to boost demand levels.

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	16.7	0.57%	0.14%	0.016%	101
Probable	142.6	0.52%	0.13%	0.015%	85
Total	**159.3**	**0.52%**	**0.13%**	**0.015%**	**86**

(Contained Ni – 829,800t; Ni price - US$8.00/lb; Strip ratio – 5.0 to 1; Weighted average recovery – 68.7%Ni)

Santa Rita Inferred Resource – Underground

Further work on the underground resource has been deferred whilst the Company continues to focus on the ramp-up of its existing operations.

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)

COMPETENT PERSONS

The information in this report that relates to Mineral Resources for the Santa Rita Nickel Deposit is based on information compiled by Mr Neil Inwood in 2011. The information in this report that relates to metallurgical results for the Santa Rita Nickel Deposit is based on information compiled by Mr Rod Smith in 2011. Both Messrs Inwood and Smith are Members of The Australasian Institute of Mining and Metallurgy. Messrs Smith and Inwood are Principal Consultants with Coffey Mining Pty Limited, the independent mining consultants engaged by Mirabela Nickel Limited. Messrs Smith and Inwood qualify as both a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and as a Qualified Person in accordance with NI 43-101. Messrs Smith and Inwood consent to the inclusion in the presentation of the matters and defined Resources and metallurgical information based on their information in the form and context in which it appears.

The information in this report that relates to pre-mining ore reserves, mining production and cost estimation for the Santa Rita Nickel Deposit is based on information compiled by Mr Carlos Guzmán who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Guzmán is a Mining Engineer, Principal and Project Director with NCL Brasil Ltda and is a consultant to Mirabela Nickel Limited. Mr Guzman qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and is a Qualified Person in accordance with NI 43-101. Mr Guzmán consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

Our people, environment and community

Mirabela Nickel Limited is committed to the principles and practices of good corporate and environmental citizenship, with sustainable development firmly implanted as an organisational imperative. Mirabela Nickel Limited recognises that its long-term success is dependent upon best practice environmental performance and strong community relations.

Our workforce

In 2010 Mirabela strengthened the Company's operational team with the appointment of new mining and maintenance managers. The operational capability of the Company increased significantly with a 50% growth in direct employees, recruited in line with the ramp-up of operations. At the end of 2010, the Company had 755 direct employees.

Almost 100% of the Company's workforce are Brazilian nationals, with the majority of employees recruited from nearby communities. Mirabela is one of the largest employers in the region, employing a significant percentage of the local community's working population.

In a year of significant recruitment, a robust training program was implemented to support the integration of new employees. Training occurred in the areas of safety and the handling of equipment as well as specific training to increase the qualifications of individuals. Over 545 employees undertook training during the year.

Mirabela engaged in a wage equalisation initiative during 2010 to ensure competitive salaries and equity across the organisation. Productivity programs were also introduced with key performance indicators linked to production safety and cost reduction.

Mirabela is an equal opportunity employer and in 2010 the Company employed people with disabilities through a program of social inclusion. Gender diversity is also important and at the end of 2010, 12.7% of the Company's employees were women.

Health and safety

Mirabela is committed to building a culture of prevention and sustainable occupational health and safety. Safety is a key business driver and continual improvements in safety performance at Santa Rita are a long-term strategic imperative.

The Company has a dedicated team of health and safety professionals who support safe practice right across the business through collaboration with internal and external stakeholders on the implementation of safety training and safety improvement programs.

Since commencing operations in late 2009, Santa Rita's safety performance has remained well below the Brazilian mining average. The Company's safety performance was measured against a Lost Time Injury Frequency Rate (LTIFR) target of less than or equal to two. The LTIFR for 2010 was 1.05 which is a great accomplishment in light of the workforce expanding by 50%.

Embedding occupational health and safety (OHS) in the Company's general management systems was a key focus in 2010. To this end, an OHS Management System has been structured based on global best practice in the mining and metallurgy sector.

The implementation of a strategy to address risk assessment saw the roll out of an issues-planned approach to daily OHS during 2010. Initiatives implemented under this strategy have been responsible for improving the risk perception of the workforce, developing effective risk prevention practices and increasing the knowledge base of risks across the business.

During the year Santa Rita hosted the International Week for Prevention of Accidents in Mining. This series of lectures and educational activities addressed a range of issues affecting health and safety, complementing the Company's ongoing training program.

To ensure that ongoing improvement in the Company's health and safety occurs across the business, Mirabela will continue to implement initiatives targeted at both employees and contractors. The goal is to embed a culture of prevention and aim to eliminate hazards and practices that could cause accident and injury to people.

The LTIFR for 2010 was 1.05 which is a great accomplishment in light of the workforce expanding by 50%.

Environment

Mirabela is committed to preserving the bio-physical environment in which it operates for future generations. Throughout the development and ramp-up of operations at Santa Rita, maintaining biodiversity and preserving the environment has been a primary concern.

During 2010, Mirabela's environmental management programs focused on five key areas: air quality, water, noise, waste, and flora and fauna monitoring. Initiatives included:

- actions to control noise to the area of direct mine influence and to reduce noise and vibration to neighbouring farms located in the Japomirim district and Ipiaú municipality
- improvements to air quality through the use of water trucks on the access and mining areas
- monitoring the water quality of the aquatic ecosystems in the mining area
- developing waste management facilities and monitoring
- protection and conservation of the Atlantic forest fragments in the mine area
- rescue, rehabilitation and relocation of fauna.

Mirabela is committed to preserving the bio-physical environment in which it operates for future generations.

With future rehabilitation in mind, Mirabela is undertaking programs today that will assist in the revegetation of the future. Native forest seeds and seedlings are being cultivated in collaboration with external stakeholders.

For the year under review, Mirabela has had no environmental incidents to report and is not aware of any breaches of relevant environmental legislation. To promote transparency of compliance, Mirabela is periodically monitored by the Environment Institute – IMA. In addition Mirabela participates in the audits of the Technical Environmental Guarantee Commission.

Community

Mirabela is committed to the principles of good corporate citizenship and is an integral part of the local Bahia community. As the major employer in the region, Mirabela aims to make a long-term and sustainable difference to the lives of the Company's employees, their families and members of the local community.

Santa Rita receives strong support from the local community as well as regional, state and federal governments. Mirabela enjoys an open dialogue with stakeholders. This is facilitated by initiatives such as the Mirabela Monitoring Committee which provides a platform for the community to present concerns, as well as the Beautiful Mine Program that enables members of the community to observe operations on a fortnightly basis.

As an active member of the community, Mirabela contributes to regional development by way of pass-through taxes, donations and in-kind assistance. The Company's community investment policy provides for those areas of the community that require most support – education, health and public safety.

In 2010 Mirabela's contributions helped reform and expand 12 municipal schools. Assistance was also given to a number of other community projects ranging from the reforestation of surrounding communities to infrastructure for the supply centre in Ipiaú.

Mirabela's corporate social responsibilities extend beyond sponsorships and donations. The Company develops and participates in a series of events and activities with the aim of building capacity in the local community.

In 2010 Mirabela invested in environmental education projects geared towards the sustainable development of the region. The implementation of extensive community focused environmental education programs assisted more than 6,200 local students in 2010. These programs addressed issues such as flora conservation, general environmental awareness and environmental legislation as well as day to day concerns relating to dengue fever, water quality and waste disposal.

In addition, Mirabela is building capacity in local communities through a Sustainable Actions Program which aims to develop skills not just for potential employment at Santa Rita, but also to support other regional sustainable businesses such as agriculture. A series of initiatives were implemented in 2010 to improve local farming practices, increase the marketability of local artisans, provide young people with an opportunity to learn a craft and support child sport development.

In 2011 Mirabela will be expanding its initiatives to include intern and apprentice programs which will also continue to develop the community's skill base.

Financial Report

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DIRECTORS' REPORT

The Directors of the Company present their report together with the financial report of Mirabela Nickel Limited (the Company) and of the Group, being the Company and its subsidiaries, for the financial year ended 31 December 2010 and the auditor's report thereon.

1 Directors and Company Secretary

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

1.1 DIRECTORS

Mr Craig Burton BJuris, LLB, MAICD Non-executive Chairman Appointed 5 March 2004	Mr Burton is an experienced and active investor in emerging projects and businesses, both publicly listed and private, with a focus on the base metals, oil and gas and mining services sectors. He is a co-founder of two ASX 200 companies – Mirabela Nickel Limited and Panoramic Resources Limited. Mr Burton is currently Non-executive Chairman of Everyday Mining Services Limited and Non-executive Director of Capital Drilling Limited. Mr Burton was appointed Chairman of the Mirabela Board on 4 October 2009.
Mr Ian Purdy BCom, FCA, FAICD Chief Executive Officer & Managing Director Appointed 1 November 2009	Mr Purdy has held a number of senior positions in the Australian mining industry, including Managing Director of Norilsk Nickel Australia and Director of Finance and Strategy of LionOre Australia, where he led the management of sulphide and laterite nickel operations. He has a strong track record in operations management, sales and logistics, and financial control. Mr Purdy previously worked for WMC Limited and North Limited in senior financial and commercial roles.
Mr William Clough BSc (Geol), BCom (Hons) Non-executive Director Appointed 5 March 2004	Mr Clough has many years experience in mining, engineering and logistics businesses, with a more recent focus upon resource opportunities in developing countries. Since 1999, Mr Clough has pursued mining projects in Brazil, and was the founding investor and current Director of AIM listed Serabi Mining plc. Also in Brazil, Mr Clough founded Comomi Iron Mineração, which is currently exploring for iron ore in a private partnership with Vale. He is also the founder of Twinza Oil Limited, which has oil and gas interests in Thailand, Myanmar, Papua New Guinea and Australia. Mr Clough identified and negotiated the acquisition of the Santa Rita Project.
Mr Geoffrey Handley BSc (Hons, Geology and Chemistry), MAusIMM, FAICD Non-executive Director Appointed 1 January 2011	Mr Handley is a geologist with more than 30 years experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Limited, as a chemist and geologist for Placer Exploration Limited, and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Limited as a senior geologist and was responsible for exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Subsequently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development, and strategic planning. Mr Handley is currently a Non-executive Director of Eldorado Gold Corp, PanAust Limited and Endeavour Silver Corp.
Mr Ian McCubbing BCom (Hons), MBA (Ex), CA, MAICD Non-executive Director Appointed 1 January 2011	Mr McCubbing is a Chartered Accountant with more than 25 years corporate experience, principally in the areas of corporate finance and mergers and acquisition. He has spent more than 13 years working with ASX-listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in industrial and mining companies. Mr McCubbing is also the Non-executive Chairman of Eureka Energy Limited and a Non-executive Director of Swick Mining Services Limited and Territory Resources Limited.
Mr Nicholas Sheard Fellow AIG, RPGeo Non-executive Director Appointed 20 March 2007	Mr Sheard has a long history of involvement in nickel sulphide exploration and development. Up until 2007 Mr Sheard was the Vice President of Exploration of Inco, based in Toronto. Mr Sheard managed an exploration team of 250 people with nine offices and 11 mines worldwide. Under Mr Sheard's leadership, the Inco team discovered the Reid Brook nickel sulphide deposit in Labrador, Canada. Prior to joining Inco, Mr Sheard held various senior management positions with MIM Exploration Pty Ltd in Australia from 1990 to 2003, including General Manager of Worldwide Exploration and Chief Geophysicist. Mr Sheard is also Executive Chairman of Carpentaria Exploration Limited which has discovered a large magnetite resource in NSW.

DIRECTORS' REPORT

Mr Colin Steyn BCom, MBA Non-executive Director Appointed 29 October 2009	Mr Steyn has over 30 years experience in the resources sector with particular expertise in the development of integrated nickel mining operations. Mr Steyn was previously President and Chief Executive Officer of LionOre Mining International from 1999 to 2007, when it was acquired by Norilsk Nickel. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international nickel producer. From 1996 to 2000, Mr Steyn was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto, where he started his career in 1979.
Mr Joseph Hamilton BSc (Hons), MSc App, PGeo, CFA Non-executive Director Appointed 26 March 2007	Mr Hamilton has more than 25 years experience in the international mining industry. Mr Hamilton was employed as a precious metals research analyst with Dundee Securities Corporation from June 1997 to March 2003. He then held a similar position with RBC Capital Markets, Global Mining Division from March 2003 to December 2004. Subsequent to his time as a mining analyst, Mr Hamilton was CEO of African Copper Plc and was responsible for the development of their copper mine in Botswana. Most recently, Mr Hamilton was Interim CEO of Noront Resources and was responsible for the restructuring of that company. Mr Hamilton ceased to be a Non-executive Director of the Company effective 31 December 2010.
Mr Nicholas Poll BSc (Hons), MSc (Geology), MSc (Business), AUSIMM Non-executive Director Appointed 5 March 2004	Mr Poll was the founding Managing Director of Mirabela Nickel and led the discovery and development of the Santa Rita Project. He is a geologist with more than 20 years experience in the development of exploration and mining projects internationally. A large part of his career was with WMC Limited as well as several years in corporate advisory services in the City of London. Mr Poll ceased to be a Non-executive Director of the Company effective 6 April 2010.

1.2 COMPANY SECRETARY

Mr Christiaan Els BCom, BCom (Hons), CA Chief Financial Officer & Company Secretary Appointed 1 August 2009	Mr Els is a finance executive with over 20 years experience in mining, manufacturing, agribusiness, business services and fast moving consumer goods sectors in Australia and South Africa. Previously, he was Chief Financial Officer of Norilsk Nickel Australia, where he managed finance, accounting and IT services. Most importantly, Mr Els brings a wealth of operating experience in nickel sulphide projects and in the reporting requirements for the Toronto and Australian stock exchanges. Mr Els is also an associate member of the Chartered Institute of Management Accountants and a member of the Certified Practicing Accountants of Australia. Mr Els was appointed as Company Secretary on 7 January 2010.

1.3 DIRECTORS' MEETINGS

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

DIRECTOR	BOARD OF DIRECTORS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	PRESENT	HELD	PRESENT	HELD	PRESENT	HELD
Craig Burton	6	7	-	-	-	-
Ian Purdy	7	7	-	-	-	-
William Clough[(a)]	7	7	2	3	1	1
Joseph Hamilton	7	7	5	5	1	1
Nicholas Poll	2	2	-	-	-	-
Nicholas Sheard	7	7	5	5	1	1
Colin Steyn[(b)]	7	7	2	2	1	1

(a) William Clough resigned as an audit committee member on 31 March 2010.
(b) Colin Steyn was appointed as an audit committee member on 31 March 2010.

1.4 CORPORATE GOVERNANCE

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

DIRECTORS' REPORT

2 Operating and financial review

2.1 OPERATING REVIEW

The Santa Rita Project successfully achieved operational status during early 2010. Ramp-up of operations continued throughout the year, with all key production parameters improving quarter on quarter. Significant progress was made during the year in mining operations with improved mine operating procedures and mobile fleet maintenance performance resulting in increasing productivity. Breakthrough plant performance was achieved during the fourth quarter with throughput and recovery records achieved.

2.1.1 Safety

Since commencing operations, strong safety performance has continued. The Lost Time Injury Frequency Rate for the year was 1.05, an outstanding result for the first year of operations and well ahead of the Brazilian mining average. The implementation of safety training and safety improvement programs continues.

2.1.2 Mining

During the year, a total of 3,086,000 tonnes of ore was mined at an average nickel grade of 0.55%. The mining operations were predominantly in the northern end of the ore body during the first half of 2010, with pre-stripping at the southern end of the ore body completed during the third quarter and first ore production occurring in September. Pre-strip of the Central pit commenced during the fourth quarter of 2010.

During the second half of the year, mining in the north pit moved through a major fault structure resulting in higher than average levels of fine, chloritic altered material being mined. Mirabela implemented an effective two-pronged strategy to improve recoveries – firstly, the use of dispersants and a secondary collector in the processing plant reagent regime and secondly, improved blasting and stockpile control. Mining in the south pit resulted in good quality ore with minimal fines. The mining team is continuing their focus on waste removal to open up the strike length of the open pit, which will provide more mining flexibility and is critical for the ongoing ramp-up to the targeted full mining production capacity.

The ramp-up to full production necessitated an increase in mining fleet which was completed by the end of 2010. Total purchased equipment included three AtlasCopco L8 drill rigs, six CAT 777F trucks, 12 CAT 785D trucks, two CAT D9 dozers, two CAT D10 dozers, two CAT 834H dozers, three CAT 16M graders, three RH 120 excavators, a PV 271 drill rig, CAT 992 front end loader, CAT 994 front end loader, RH 90 excavator, and a DML drill rig. Hired equipment included six CAT 777 trucks, two Bucyrus 37HR drill rigs and two CAT D9 Dozers. An order was also placed for four Komatsu dozers and a CAT 994 front end loader for delivery in the first half of 2011.

2.1.3 Processing

The processing plant performed well during the year, running for extended periods of time at and above the current nameplate capacity of 4.6Mtpa. Recovery performance and production levels improved quarter on quarter, largely attributable to operational and technical improvements in reagents, grinding and the flotation regime. Material which previously recovered poorly is now achieving acceptable levels of recoveries. A pilot plant test program was completed during the year to provide further improvements to nickel recovery. The results have confirmed the opportunity to achieve higher recovery rates through mechanical separation of the fines and the Company is planning to install a de-sliming circuit by the end of 2011.

During the year, a total of 3,805,000 tonnes of ore was milled at an average recovery of 53%. Full year production was above recent guidance with a total of 10,375 tonnes of contained nickel in concentrate, 3,239 tonnes of contained copper in concentrate, and 179 tonnes of contained cobalt in concentrate produced. All production was within offtake contract specifications.

2.1.4 Sale of concentrate

During the year, a total of 9,956 tonnes of contained nickel in concentrate was sold to Mirabela's domestic customer, Votorantim Metais Niquel S.A. pursuant to an offtake agreement.

During the year, Mirabela was granted an environmental licence by the Municipal Council for Environmental Defence of Ilheus – Condema for the loading, storage and uploading of nickel concentrate in the town of Ilheus. The granting of this licence cleared the way for Mirabela to commence export operations through the Ilheus port, located approximately 136 kilometres from Mirabela's Santa Rita mine. Exports to Norilsk Nickel Harjavalta Oy commenced through the port during January 2011.

2.1.5 Outlook

Mirabela's current focus is the continued ramp-up of operations to achieve full production levels in 2012. The immediate focus for 2011 will be the completion of the open pit pre-strip, the expansion of the processing plant and crusher to 7.2Mtpa, and the installation of a de-sliming circuit.

2.1.6 Exploration

The focus during 2010 was the ramp-up of the Santa Rita operation and as a result, exploration expenditure incurred during the year was the minimum required to maintain the tenements in good standing.

2.2 RESOURCES AND RESERVES

In 2011, the Company issued an updated Technical Report independently prepared by Coffey Mining Pty Ltd and NCL Brasil Ltda.

Key parameters of the Technical Report included a 32% increase in nickel reserves to 159Mt at 0.52%, an extension to the Life of Mine to 23 years including 2011, a decrease in the strip ratio from 7.2 to 5.0, a 10% reduction in total material mined to 50 million tonnes per annum post 2012 and a lower head grade as expected.

The total updated Mineral Reserve for the Santa Rita Project is summarised in the table below:

Santa Rita Proven and Probable Reserves – Open Pit

CATEGORY	Mt	Ni	Cu	Co	Pt (ppb)
Proven	16.7	0.57%	0.14%	0.016%	101
Probable	142.6	0.52%	0.13%	0.015%	85
Total	**159.3**	**0.52%**	**0.13%**	**0.015%**	**86**

(Contained Ni – 829,800t; Ni price - US$8.00/lb; Strip ratio – 5.0 to 1; Weighted average recovery – 68.7%Ni)

Santa Rita Inferred Resource – Underground

Further work on the underground resource has been deferred whilst the Company continues to focus on the ramp-up of its existing operations.

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)

2.3 EXECUTIVE AND BOARD CHANGES

2.3.1 Board changes

Mr Geoffrey Handley and Mr Ian McCubbing were appointed as Non-executive Directors of Mirabela Nickel Limited, effective from 1 January 2011.

Mr Handley is a geologist with more than 30 years experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Limited, as a chemist and geologist for Placer Exploration Limited, and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Limited as a senior geologist and was responsible for exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Subsequently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development, and strategic planning. Mr Handley is currently a Non-executive Director of Eldorado Gold Corp, PanAust Limited and Endeavour Silver Corp.

Mr McCubbing is a Chartered Accountant with more than 25 years corporate experience, principally in the areas of corporate finance and M&A. He has spent more than 13 years working with ASX-listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in industrial and mining companies. Mr McCubbing is also the Non-executive Chairman of Eureka Energy Limited and a Non-executive Director of Swick Mining Services Limited and Territory Resources Limited. Mr McCubbing will assume the role of Audit Committee Chairman for Mirabela Nickel Limited.

In addition, Mr Craig Burton moved from Executive Chairman to the role of Non-executive Chairman, effective 1 January 2011.

Former Managing Director and Non-executive Director, Mr Nicholas Poll resigned as a Director on 6 April 2010 and Mr Joseph Hamilton resigned effective 31 December 2010.

2.3.2 Executive changes

Mirabela Nickel Limited strengthened its executive team with the appointment of Mr Luis Nepomuceno as Managing Director Brazil on 28 April 2010. Mr William Bent, VP Business Development, joined the Company on 1 June 2010.

Mr Bryan Hyde resigned as Managing Director Santa Rita Project on 16 June 2010, after the successful commissioning of the project. Mr Paulo Oliva resigned as Country Manager for Brazil and from the Company on 6 June 2010.

2.4 FINANCIAL REVIEW

The Group has changed its presentation currency for financial reporting from Australian dollars (A$) to US dollars (US$) in order to better align the presentation of the Group's financial position and financial performance with its operations. Refer notes 1(c) and 3 in the notes to the consolidated financial statements for further details.

2.4.1 Income Statement

The Company recorded a net loss for the year ended 31 December 2010 of US$47.618 million, representing (US$0.1209) per share, in comparison to a net profit for the six months ended 31 December 2009 of US$0.960 million or US$0.0029 per share.

Despite the Company incurring a net loss for the year, the Santa Rita operation achieved a gross profit of US$7.847 million. Sales generated during the period comprised 9,956 tonnes of nickel in concentrate at an average nickel price of US$9.27/lb including realised hedges. This resulted in gross nickel revenue of US$189.674 million, copper revenue of US$15.166 million, cobalt revenue of US$2.980 million, platinum revenue of US$2.325 million, gold revenue of US$0.519 million and other revenue of US$0.311 million.

The gross profit was offset by expenses of US$49.134 million, mainly driven by financing costs and derivative losses on call options, offset by favourable foreign exchange movements. Net financing costs included interest expense of US$21.200 million relating to the long-term loans, the proceeds of which were used to fund the construction and commissioning of its Santa Rita Project. Financial derivative losses comprised an unfavourable movement on nickel and copper call options (US$18.769 million) and interest rate swaps (US$4.014 million). The foreign exchange gain of US$6.608 million comprised realised and unrealised movements primarily related to conversion of functional currency on cash held and borrowings.

2.4.2 Balance Sheet

Total assets increased by US$155.751 million to US$1,120.301 million from 31 December 2009. The increase in total assets were driven by increased cash and cash equivalents (US$49.107 million) arising from proceeds from capital raisings during 2010, together with an increase in trade and other receivables (US$66.342 million), and buildup of broken ore, concentrate and consumable inventories (US$34.509 million), reflective of the Company's transition from commissioning to operations.

Total liabilities were US$500.966 million, an increase of US$50.342 million from 31 December 2009. The increase in total liabilities were driven by unfavourable hedge, option and swap derivatives (US$108.703 million), which was mainly offset by a reduction in borrowings (US$59.131 million) arising from prepayment of the 2011 instalments of the Senior Loan and repayment of the Votorantim Loan.

Total equity of US$619.335 million increased by US$105.409 million from 31 December 2009 mainly due to the raising of net US$204.248 million through equity, offset by an increase in accumulated losses of US$47.618 million and a decrease in reserves of US$51.221 million.

2.4.3 Cash Flow

During the period cash and cash equivalents increased by US$49.107 million to US$102.134 million. Included in the cash movement from 31 December 2009 is a positive foreign currency adjustment of US$7.151 million on cash held during the year.

Cash outflows from operating activities of US$74.489 million are primarily attributable to the Company's transition from development to production. Cash receipts of US$157.537 million reflect the sale of 9,956 tonnes of nickel in concentrate, and associated by-products, to Votorantim. This was offset by cash outflows of US$233.022 million, reflecting operating expenditure incurred during the period, pre-stripping and deferred waste removal costs, first fill inventory, and payments made for commissioning expenditure incurred during 2009.

Net cash outflows from investing activities for the period were US$33.065 million, reflecting the purchase and leasing of mining equipment, as the Company ramps up to full production. Leased equipment was acquired pursuant to the Caterpillar Leasing Facility, with the cash component paid by the Company, comprising 10% of the value of the equipment.

The net cash inflow from financing activities of US$149.510 million mainly reflects net proceeds from capital raisings during 2010 (US$204.248 million), offset by principal repayments (US$44.889 million) and interest paid (US$13.663 million) on the Senior Credit Facility and Caterpillar Leasing Facility. The repayment on the Senior Credit Facility (US$38.100 million) was pursuant to covenant waiver conditions negotiated with the Senior Lenders in quarter three of 2010.

2.4.4 Financing

On 11 January 2010 the Company completed a private placement of 5.5 million special warrants at a price of C$2.23 (US$2.08) per special warrant primarily to Canadian investors, raising gross proceeds of C$12.265 million (US$11.455 million). On 9 February 2010 the Company issued 5,500,000 ordinary shares upon the conversion of said special warrants.

On 21 January 2010, the Company completed a share purchase plan pursuant to which shareholders resident in those jurisdictions where the Company was lawfully permitted to do so in reliance on exemptions from applicable prospectus and registration requirements, were granted the opportunity to subscribe for ordinary shares at a price of A$2.30 (US$2.08) per share, raising gross proceeds of A$10.275 million (US$9.304 million).

In March 2010 the Company completed a private placement approved by shareholders with (i) Mr Craig Burton (Chairman) consisting of the purchase and sale of 400,000 ordinary shares of the Company at a price of A$2.30 per share for gross proceeds to the Company of A$0.918 million (US$0.832 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 (US$3.542 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 (US$34.350 million).

On 8 September 2010 the Company launched an institutional share placement to raise a minimum of US$135 million and a maximum of US$165 million ("Global Offer") at the exchange rate of A$1 = US$0.9163. The share placement consisted of:

- an unconditional placement of ordinary shares on the Company's Australian register in respect of those shares issuable without prior shareholder approval ("Unconditional Placement");
- a placement of ordinary shares to settle on the Company's Australian register in respect of those shares issuable only upon shareholders approval pursuant to ASX Listing Rule 7.1 (relating to the issuance of more than 15% of the issuers share capital) ("Conditional Offer"); and
- a placement to settle on the Company's Canadian register consisting of (i) ordinary shares; and (ii) subscription receipts, each entitling the holder thereof (without the payment of additional consideration) to one ordinary share of the Company upon satisfaction of certain conditions ("Release Conditions"), including shareholder approval to the issue of those underlying shares ("TSX Offer").

On 20 September 2010 the Company completed a private placement of 48,896,905 ordinary shares at a price of A$1.60 (US$1.45) per share in Australia and 6,177,500 million ordinary shares at a price of C$1.52 (the Canadian dollar equivalent of US$1.45) to Canadian investors, raising A$88.119 million (US$79.792 million) and placed 6,472,500 subscription receipts at a price of C$1.52 per subscription receipt.

On 26 October 2010, A$110.919 million (US$108.824 million) was raised from 69,324,107 shares at A$1.60 (US$1.57) per share as part of the conditional component of the offer, after all resolutions were passed at a shareholders' meeting held on October 19, 2010 as follows:

- 57,704,466 shares pursuant to the Global Offer, which includes 6,472,500 shares following conversion of the Subscription Receipts;
- 4,784,558 shares to related parties, which includes 3,895,997 shares to Lancaster Park SA and 888,561 shares to Mr Craig Burton; and
- 6,835,083 shares consisting of 3,439,342 shares pursuant to a Share Purchase Plan to eligible shareholders and a further 3,395,741 shares, representing the shortfall of the Share Purchase Plan, placed by Macquarie Capital Advisers Limited and UBS AG.

Following completion of the capital raising, the Company prepaid US$38.100 million in principal under its existing US$190 million Senior Credit Facility, together with the transfer of an additional US$15 million to Mirabela's Contingent Support Account. Subsequently, on November 5, 2010 the lenders to the Senior Credit Facility confirmed crystallisation of a waiver to certain covenants of the Senior Credit Facility during 2011.

2.5 COMPETENT PERSON STATEMENT

The information in this report that relates to pre-mining Ore Reserves, Mining Production and Cost Estimation for the Santa Rita Nickel Deposit is based on information compiled by Mr Carlos Guzmán who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Guzmán is a Mining Engineer, Principal and Project Director with NCL Brasil Ltda and is a consultant to Mirabela Nickel Limited. Mr Guzman qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and is a Qualified Person in accordance with NI 43-101. Mr Guzmán consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Santa Rita Nickel Deposit is based on information compiled by Mr Neil Inwood in 2011. The information in this report that relates to Metallurgical Results for the Santa Rita Nickel Deposit is based on information compiled by Mr Rod Smith in 2011. Both Mr Inwood and Mr Smith are Members of The Australasian Institute of Mining and Metallurgy. Mr Inwood and Mr Smith are Principal Consultants with Coffey Mining Pty Limited, the independent mining consultants engaged by Mirabela Nickel Limited. Mr Inwood and Mr Smith qualify as both a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and as a Qualified Person in accordance with NI 43-101. Mr Inwood and Mr Smith consent to the inclusion in the presentation of the matters and defined Resources and metallurgical information based on their information in the form and context in which it appears.

3 Remuneration report - audited

3.1 PRINCIPLES OF COMPENSATION

Remuneration is referred to as compensation throughout this report.

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

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

Over the past five years the Company has engaged in the exploration and development of the Santa Rita deposit in Bahia, Brazil. Historically Mirabela has had a largely informal long-term and short-term incentive plan in place, with bonuses paid and share options granted via more informal individual agreements and contracts for discrete activities such as to reward construction completion. The issue of share options has also been suspended due to the recent changes in the Australian taxation legislation.

Mine construction and infrastructure are now complete and the Company's focus has shifted to the transition from construction to production. In that regard, the Company recently successfully recruited an experienced management team and key operational staff to lead this transition.

Mirabela appointed an independent remuneration consultant, Egan Associates, to provide advice on the structure of new incentive schemes and to benchmark executive and Directors' remuneration. Based on this advice, taking into account Mirabela's current business priorities and to support the Company's recruitment and retention strategy, the Board decided to implement the following schemes:

- a cash based Short-Term Incentive Plan (STIP) paid annually and focused on achieving or exceeding annual targets; and
- a share based Long-Term Incentive Plan (LTIP) targeting implementation of the Company's long-term strategy and retention of key staff over the next three years.

The Board considers the combined STIP and LTIP a strong, attractive incentive package that requires strong, high level performance to achieve full payments. Executives have an overriding mandate to achieve sustainable and viable business outcomes in the best interest of shareholders.

The *"Mirabela Nickel Limited Performance Rights Plan"*, the LTIP, was approved at a shareholders' meeting held on 13 September 2010.

3.1.1 Fixed compensation

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

3.1.2 Performance-linked compensation

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group.

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

Details of performance linked compensation

In 2010 the Company implemented the STIP which included cash rewards for achieving targets for contained nickel produced, safety, cost performance and achievement of personal objectives.

The STIP is based on achieving "Base" and "Stretch" targets and a maximum bonus percentage ("Maximum Bonus Percentage") of Total Employment Cost (TEC) for the year. Achieving the "Base" target attracts 50% of the Maximum Bonus Percentage and achieving the "Stretch" target, or better, attracts 100% of the Maximum Bonus Percentage. No bonus will be paid for results below the Base target. The STIP ranges from 40% - 75% depending on the position held by the key management. The STIP also includes a provision, whereby the CEO can recommend a discretionary payment to the Board for exceptional individual performance.

Recommendation for payment of STIP bonuses was presented by management to the Remuneration & Nomination Committee for approval by the Board. Following the review by the Remuneration & Nomination Committee and the Board, payments were made to key management personnel and employees. Consideration was given to the recognition of achieving targets for contained nickel produced, safety, cost performance and achievement of personal objectives.

3.1.3 Long-term incentive

On the advice of Egan Associates, the Company decided to adopt the LTIP in the form of the *"Mirabela Nickel Limited Performance Rights Plan"*, a performance rights plan to reward employees and Directors for long-term performance. Shareholders approved the LTIP in September 2010 at a general meeting of shareholders. The Board considers the LTIP a crucial mechanism to encourage and reward long-term executive and employee performance.

A performance right is a right to be issued a share upon satisfaction of certain performance conditions as determined by the Board. The adoption of the Plan is consistent with the current trend in the Company's Australian industry peer group to replace employee share option plans with performance rights plans.

The LTIP, which consists of three cycles, provides for the issue of performance rights which, upon a determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the Plan, converts into shares.

Performance rights will be offered to eligible participants based on a predefined formula. The performance rights issued will be subject to achieving the performance conditions set by the Board at the commencement of each cycle.

For the first cycle, the performance conditions will involve achieving strategic milestones including achieving a sustainable 4.6Mtpa operation by December 2010, achieving a sustainable 6.4Mtpa operation by December 2011, and achieving a total shareholder return milestone for 2011.

For subsequent cycles, the performance conditions will include an equally weighted combination of strategic milestones and a total shareholder return milestone (i.e. 50% each). The total shareholder return milestone will measure the performance of the Company's share price against that of a selected group of peer companies.

At the end of each review period and/or three months later the Board will review whether the performance conditions have been achieved, or partially achieved. Performance rights will lapse to the extent the relevant performance conditions have not been achieved.

In December 2010, the Board determined that the performance conditions related to the 2010 targets were achieved and have granted the performance rights that relates to it. The performance conditions related to 2011 will be assessed in January 2012.

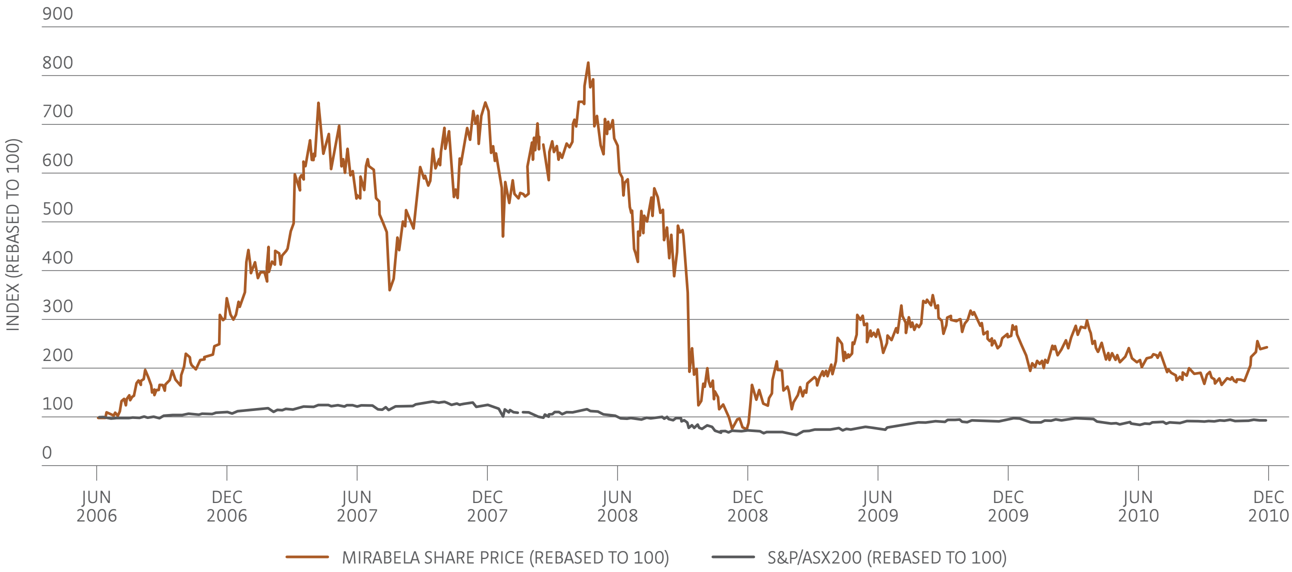
Performance rights issued by the Board will not vest (i.e. cannot be converted to shares) until the expiry of the 12 month vesting period which commences at the end of the relevant review period. If an employee resigns during that period unvested performance rights will lapse.

During 2009 share options committed to Mr Purdy (CEO) and Mr Els (CFO) were suspended due to the change to the Australian taxation legislation for share options. A commitment was made to issue equivalent value securities once appropriate taxation advice was received. The Board granted performance rights to the CEO and CFO in lieu of the outstanding options. The number of performance rights granted is equal to that which would have accrued to the CEO and CFO up to 30 June 2010 if the LTIP was implemented when they commenced employment with the Company.

The performance rights granted were accrued as at 1 July 2010 and are subject to a 12 month vesting period.

3.1.4 Consequences of performance on shareholder wealth

The value of the key management personnel remuneration component which is composed of performance rights and options is directly linked to the performance of the Company's share price, and as a consequence is directly aligned with shareholder wealth. This relationship is demonstrated by comparison of the cumulative total shareholder return of A$100 invested in the Company's ordinary shares, with the cumulative shareholder return of the S&P/ASX200 over a similar period to the shares.



3.1.5 Service contracts

The Company has entered into service contracts with the Chief Executive Officer & Managing Director, Chief Financial Officer & Company Secretary, VP - Business Development and Managing Director - Brazil.

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

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

Mr William Bent, VP - Business Development, entered into an employment contract effective 1 June 2010. The contract is unlimited by term but capable of termination upon three months notice by either party. As part of the contract Mr Bent is entitled to participate in any Company incentive schemes.

Mr Luis Nepomuceno, Managing Director - Brazil, entered into an employment contract on 1 May 2010. The contract is unlimited by term but capable of termination upon three months notice by either party. As part of the contract Mr Neopumenco is entitled to participate in any Company incentive schemes.

Mr Bryan Hyde, Managing Director - Santa Rita Project, entered into a service contract with the Company on 2 November 2009. The contract is limited to 18 months from commencement date but capable of termination upon three months notice by either party. As part of the contract, My Hyde is entitled to participate in the Company's incentive schemes. Mr Hyde resigned from the Company on 16 June 2010.

Mr Paulo Oliva, Country Manager, entered into a service contract with the Company on 1 January 2004. The contract is unlimited by term, but capable of termination upon 30 days notice by either party. Mr Oliva resigned from the Company on 6 June 2010.

3.1.6 Non-executive Directors

Total aggregate remuneration payable to Non-executive Directors may not exceed US$280,920 per annum (excluding committees). Non–executive Directors' base fees for 2010 were US$65,548 per annum and US$4,682 per sub-committee.

3.2 DIRECTORS AND EXECUTIVE OFFICERS' REMUNERATION

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

NON-EXECUTIVE DIRECTORS	EXECUTIVE DIRECTORS	EXECUTIVES
William Clough	Craig Burton	Christiaan Els - Chief Financial Officer & Company Secretary
Joseph Hamilton	Ian Purdy	William Bent - Vice President, Business Development
Nicholas Poll (resigned on 6 April 2010)		Luis Nepomuceno - Managing Director, Mirabela Mineração do Brasil Ltda
Nicholas Sheard		Bryan Hyde - Managing Director, Santa Rita Project (resigned on 16 June 2010)
Colin Steyn		Paulo Oliva - Country Manager, Mirabela Mineração do Brasil Ltda (resigned on 6 June 2010)

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

TWELVE MONTHS ENDED 31 DECEMBER 2010	SHORT-TERM SALARIES AND FEES US$	SHORT-TERM CASH BONUS US$	POST-EMPLOYMENT SUPER CONTRIBUTIONS US$	EQUITY SHARE BASED PAYMENTS US$	TERMINATION PAYMENTS US$	TOTAL US$	PERFORMANCE RELATED PROPORTION OF REMUNERATION %	VALUE OF PERFORMANCE RIGHTS AND OPTIONS AS PROPORTION OF REMUNERATION %
Directors								
Executive Directors								
Craig Burton	320,679	-	-	-	-	320,679	-	-
Ian Purdy	553,657	623,522	23,002	175,444	-	1,375,625	58	13
Non-executive Directors								
William Clough	70,137	-	-	-	-	70,137	-	-
Joseph Hamilton[(a)]	73,610	-	-	-	-	73,610	-	-
Nicholas Poll[(b)]	15,445	-	-	-	-	15,445	-	-
Nicholas Sheard	73,609	-	-	-	-	73,609	-	-
Colin Steyn	71,347	-	-	-	-	71,347	-	-
Executives								
Christiaan Els	322,005	221,215	25,733	65,017	-	633,970	45	10
William Bent	153,174	182,177	13,786	16,841	-	365,978	54	5
Luis Nepomuceno	292,460	448,796	-	40,825	-	782,081	63	5
Bryan Hyde[(c)]	193,880	220,497	-	449,489	159,882	1,023,748	65	44
Paulo Oliva[(d)]	57,642	-	-	-	-	57,642	-	-
	2,197,645	**1,696,207**	**62,521**	**747,616**	**159,882**	**4,863,871**		

(a) Joseph Hamilton resigned from the Company on 31 December 2010.
(b) Nicholas Poll resigned from the Company on 6 April 2010.
(c) Bryan Hyde resigned from the Company on 16 June 2010.
(d) Paulo Oliva resigned from the Company on 6 June 2010.

SIX MONTHS ENDED 31 DECEMBER 2009	SHORT-TERM SALARIES AND FEES	SHORT-TERM CASH BONUS	POST-EMPLOYMENT SUPER CONTRIBUTIONS	EQUITY SHARE BASED PAYMENTS	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED PROPORTION OF REMUNERATION	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION
	US$	US$	US$	US$	US$	US$	%	%
Directors								
Executive Directors								
Craig Burton	174,331	-	-	99,796	-	274,127	36	36
Ian Purdy	91,331	-	3,794	-	-	95,125	-	-
Nicholas Poll	210,496	-	18,945	199,592	216,899	645,932	31	31
Non-executive Directors								
William Clough	34,868	-	-	-	-	34,868	-	-
Joseph Hamilton	34,868	-	-	75,588	-	110,456	68	68
Nicholas Sheard	34,868	-	-	75,588	-	110,456	68	68
Colin Steyn	11,382	-	-	-	-	11,382	-	-
Executives								
Christiaan Els	122,075	77,406	17,731	-	-	217,212	36	-
Bryan Hyde	235,355	250,318	-	111,221	-	596,894	61	19
Paulo Oliva	66,687	34,611	-	-	-	101,298	34	-
Raphael Bloise[(a)]	197,866	603,684	-	-	-	801,550	75	-
David Chapman[(b)]	119,953	-	10,796	9,020	144,599	284,368	3	3
Stephen Hills[(c)]	109,149	34,463	31,733	-	108,785	284,130	12	-
	1,443,229	**1,000,482**	**82,999**	**570,805**	**470,283**	**3,567,798**		

(a) Raphael Bloise resigned from the Company on 17 November 2009.
(b) David Chapman resigned from the Company on 31 December 2009.
(c) Stephen Hills ceased to be key management personnel on 7 January 2010 and resigned from the Company on 31 January 2010. This disclosure includes remuneration/compensation paid up to end of January 2010.

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

Remuneration payments to Mr Clough were made to a related entity, WM Clough Pty Ltd.

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

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

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

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

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

3.3 EQUITY INSTRUMENTS

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

3.3.1 Options granted as compensation

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

TWELVE MONTHS ENDED 31 DECEMBER 2010	NUMBER OF OPTIONS GRANTED JAN-DEC 2010	GRANT DATE	FAIR VALUE OF OPTIONS AT GRANT DATE US$	EXERCISE PRICE PER OPTION US$	EXPIRY DATE	NUMBER OF OPTIONS VESTED JAN-DEC 2010
Directors						
Craig Burton	-	-	2.03	4.75	23 Feb 2011	-
Ian Purdy	-	-	-	-	-	-
William Clough	-	-	-	-	-	-
Joseph Hamilton(a)	-	-	2.49	5.52	7 Sep 2011	-
Nicholas Poll(b)	-	-	2.03	4.75	23 Feb 2011	-
Nicholas Sheard	-	-	2.49	5.52	7 Sep 2011	-
Colin Steyn	-	-	-	-	-	-
Key Personnel						
Christiaan Els	-	-	-	-	-	-
William Bent	-	-	-	-	-	-
Luis Nepomuceno	-	-	-	-	-	-
Bryan Hyde(c)	-	-	1.59	2.50	30 Jun 2014	400,000
Paulo Oliva(d)	-	-	-	-	-	-

(a) Joseph Hamilton resigned from the Company on 31 December 2010.
(b) Nicholas Poll resigned from the Company on 6 April 2010.
(c) Bryan Hyde resigned from the Company on 16 June 2010 and his options were fully vested.
(d) Paulo Oliva resigned from the Company on 6 June 2010.

SIX MONTHS ENDED 31 DECEMBER 2009	NUMBER OF OPTIONS GRANTED JUL-DEC 2009	GRANT DATE	FAIR VALUE OF OPTIONS AT GRANT DATE US$	EXERCISE PRICE PER OPTION US$	EXPIRY DATE	NUMBER OF OPTIONS VESTED JUL-DEC 2009
Directors						
Craig Burton	-	-	2.03	4.75	23 Feb 2011	600,000
Ian Purdy	-	-	-	-	-	-
William Clough	-	-	-	-	-	-
Joseph Hamilton	-	-	2.49	5.52	7 Sep 2011	150,000
Nicholas Poll	-	-	2.03	4.75	23 Feb 2011	1,200,000
Nicholas Sheard	-	-	2.49	5.52	7 Sep 2011	150,000
Colin Steyn	-	-	-	-	-	-
Key Personnel						
Christiaan Els	-	-	-	-	-	-
Bryan Hyde	400,000	25 Sep 2009	1.59	2.50	30 Jun 2014	-
Paulo Oliva	-	-	-	-	-	-
Raphael Bloise(a)	-	-	-	-	-	-
David Chapman(b)	-	-	-	-	-	-
Stephen Hills(c)	-	-	-	-	-	-

(a) Raphael Bloise resigned from the Company on 17 November 2009.
(b) David Chapman resigned from the Company on 31 December 2009.
(c) Stephen Hills ceased to be key management personnel on 7 January 2010 and resigned from the Company on 31 January 2010. This disclosure includes options held at end of January 2010.

No options have been granted during and since the end of the 2010 financial year.

The options were provided at no cost to the recipients.

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

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

3.3.2 Analysis of options over equity instruments granted as compensation

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

	NUMBER	DATE	% VESTED JAN-DEC 2010	% FORFEITED IN YEAR	FINANCIAL PERIOD END IN WHICH GRANT VESTS
Directors					
Craig Burton[a]	600,000	9 Aug 2007	-	-	31 Dec 2009
Ian Purdy	-	-	-	-	-
William Clough	-	-	-	-	-
Joseph Hamilton[a]	150,000	30 Nov 2007	-	-	31 Dec 2009
Nicholas Poll[a]	1,200,000	9 Aug 2007	-	-	31 Dec 2009
Nicholas Sheard[a]	150,000	30 Nov 2007	-	-	31 Dec 2009
Colin Steyn	-	-	-	-	-
Key Personnel					
Christiaan Els	-	-	-	-	-
William Bent	-	-	-	-	-
Luis Nepomuceno	-	-	-	-	-
Bryan Hyde[b]	400,000	25 Sep 2009	100	-	31 Dec 2010
Paulo Oliva[c]	150,000	9 Aug 2007	-	-	30 Jun 2009

(a) Options granted to Directors based on a two year service vesting condition. The options have a contractual life of four years.
(b) Options granted to employees based on a two year service vesting condition. The options have a contractual life of five years. However, the options vest at date of departure.
(c) Options granted to employees and consultants based on a vesting condition of commissioning of plant. The options have a contractual life of four years.

3.3.3 Exercise of options granted as compensation

There were no options exercised by key management personnel during the financial year.

3.3.4 Analysis of movements in options

There were no options granted, exercised and lapsed during the financial year held by key management personnel.

3.3.5 Performance rights issued

Details of performance rights issued as compensation to Directors and key management personnel during the financial year are as follows:

TWELVE MONTHS ENDED 31 DECEMBER 2010	NUMBER OF PERFORMANCE RIGHTS GRANTED DEC 2010	GRANT DATE	FAIR VALUE OF PERFORMANCE RIGHTS AT GRANT DATE A$	EXPIRY DATE[a]	NUMBER OF PERFORMANCE RIGHTS VESTED JAN-DEC 2010
Directors					
Craig Burton	-	-	-	-	-
Ian Purdy	350,859	13 Sep 2010	$1.84	1 Apr 2011	-
William Clough	-	-	-	-	-
Joseph Hamilton	-	-	-	-	-
Nicholas Poll	-	-	-	-	-
Nicholas Sheard	-	-	-	-	-
Colin Steyn	-	-	-	-	-
Key Personnel					
Christiaan Els	122,906	13 Sep 2010	$1.84	1 Apr 2011	-
William Bent	47,688	13 Sep 2010	$1.84	1 Apr 2011	-
Luis Nepomuceno	115,603	13 Sep 2010	$1.84	1 Apr 2011	-
Bryan Hyde	-	-	-	-	-
Paulo Oliva	-	-	-	-	-

(a) The performance rights are subjected to both service conditions and performance conditions (Refer note 11).

The Group will measure the fair value of a share based payment award issued to eligible employees at grant date and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. At grant date, the closing price of the Company's share was A$1.84 based on 10 September 2010 rate as this was the last trading day before the scheme was approved by shareholders on 13 September 2010.

The performance rights are subjected to both service conditions and performance conditions. The service conditions are not included in estimating the fair value at grant date. The performance condition is non-market vesting as it does not take into account the vesting conditions in estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

4 Directors' interests

As at the date of this report, the interests of the Directors in the shares, options and performance rights of Mirabela Nickel Limited were:

DIRECTORS	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES	PERFORMANCE RIGHTS
Craig Burton	7,888,561	-	-
Ian Purdy	-	-	350,859
William Clough	6,000,000	-	-
Nicholas Sheard	-	150,000	-
Colin Steyn	30,095,997	-	-
Geoffrey Handley	-	-	-
Ian McCubbing	-	-	-

5 Share options/performance rights

5.1 UNISSUED SHARES UNDER OPTION

As at 23 March 2011, unissued shares of the Company under option are:

EXERCISE PRICE	EXPIRY DATE	NUMBER OF OPTIONS
A$6.20	30 Jun 2011	1,400,000
A$6.20	7 Sep 2011	300,000
A$6.20	31 Dec 2011	350,000
A$6.20	11 Sep 2012	300,000
US$8.00	31 Dec 2012	5,000,000
A$3.00	7 Jul 2013	3,750,000
A$3.00	30 Jun 2014	400,000
Balance		**11,500,000**

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

5.2 SHARES ISSUED ON EXERCISE OF OPTIONS

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

NUMBER OF SHARES	DATE OF EXERCISE	AMOUNT PAID ON EACH SHARE
12,000	2 Feb 2010	A$0.95
50,000	16 Feb 2010	A$0.95
12,000	15 Mar 2010	A$0.95
20,000	7 Apr 2010	A$0.95
18,000	12 Apr 2010	A$0.95
225,000	16 Apr 2010	A$0.95
63,900	30 Apr 2010	A$0.95

5.3 UNISSUED SHARES UNDER PERFORMANCE RIGHTS

During or since the end of the financial year, the Company issued performance rights subjected to service and performance conditions (refer note 11(c)) as follows:

VESTING DATE	NUMBER OF PERFORMANCE RIGHTS
1 Jul 2011	220,000
31 Dec 2011	784,138
	1,004,138

6 Indemnification and insurance of officers

6.1 INDEMNIFICATION

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

6.2 INSURANCE

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

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

Premiums totalling US$36,884 were paid in respect of Directors' and officers' liability cover. The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

7 Principal activities

Mirabela is an international mineral resource company engaged in the mining, production and sale of nickel concentrate. 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's principal asset is the 100%-owned Santa Rita nickel sulphide mine in Bahia, Brazil, discovered by Mirabela in 2004 and brought into commercial production in 2010. Santa Rita is the largest nickel sulphide discovery worldwide in over a decade, and is expected to be the second largest open-cut nickel sulphide mine in the world. The Santa Rita mine also has an underground mineral resource which may extend the expected life of the operation. The Santa Rita mine is located approximately 360 kilometres south-west of Salvador and approximately six kilometres from the town of Ipiau, having a population of 40,000 people. Mirabela also has a portfolio of prospective nickel targets in Brazil, including an underground mineral resource at Santa Rita.

8 Audit Committee

The Audit Committee has a documented charter, approved by the Board. All members are Non-executive Directors. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Committee during the period were:

- Mr Joseph Hamilton, BSc (Hons), MSc App, PGeo, CFA - Chairman; Non-executive Director (Resigned 31 December 2010)
- Mr William Clough, BSc (Geol), BCom (Hons) - Non-executive Director (Resigned 31 March 2010)
- Mr Nicholas Sheard, Fellow AIG, RPGeo - Non-executive Director
- Mr Colin Steyn, BCom, MBA - Non-executive Director (Member from 31 March 2010)
- Mr Ian McCubbing, BCom (Hons), MBA (Ex), CA, MAICD - Chairman; Non-executive Director (Appointed 1 January 2011)

The Audit Committee met five times during the year and the committee members' attendance record is disclosed in the table of Directors' meetings in section 1.3 of the Directors' Report.

9 Dividends

No dividends have been paid or declared by the Company during the period ended 31 December 2010 (31 December 2009: Nil; 30 June 2009: Nil).

10 Earnings per share

The basic loss per share for the Group for the period was 12.09 cents per share (31 December 2009: 0.29 cents profit per share). The diluted loss per share for the period was 12.09 cents per share (31 December 2009: 0.29 cents profit per share).

11 Events subsequent to reporting date

Since the end of the financial year, the Directors are not aware of any other matter or circumstances not otherwise dealt with in this report that has significantly or may significantly affect the operations of the Company and the results of those operations or the state of affairs.

12 Corporate structure

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

13 Non-audit services

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

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

	NOTE	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$	SIX MONTHS ENDED 31 DECEMBER 2009 US$
Auditors of the Company			
KPMG Australia:			
Audit fees	9	317,975	178,131
Other assurance services	9	158,645	323,004
KPMG Brazil:			
Audit fees	9	125,558	139,031
Other assurance services	9	42,610	-
Taxation services	9	17,044	-
		661,832	**640,166**

14 Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 35 and forms part of the Directors' Report for the financial year ended 31 December 2010.

Rounding

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

Dated at Perth this 23rd day of March 2011.

Signed in accordance with a resolution of the Directors.

Craig Burton
Non-executive Chairman

Ian Purdy
Chief Executive Officer & Managing Director

DIRECTORS' DECLARATION

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

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

i. Giving a true and fair view of the financial position of the Company and the Group as at 31 December 2010 and of their performance, for the financial period ended on that date; and

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

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

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

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2010.

Dated at Perth this 23rd day of March 2011.

Signed in accordance with a resolution of the Directors.

Craig Burton
Non-executive Chairman

Ian Purdy
Chief Executive Officer & Managing Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Mirabela Nickel Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in section 3 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Mirabela Nickel Limited for the year ended 31 December 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth
23 March 2011

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

To: the directors of Mirabela Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2010 there have been:

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

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

KPMG

KPMG

Graham Hogg
Partner

Perth
23 March 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009[(a)] US$000
Sales revenue		210,975	-
Treatment, refining and transport charges		(31,816)	-
Net sales revenue		**179,159**	-
Direct costs		(123,820)	-
Royalties		(10,314)	-
Depreciation, amortisation and depletion		(37,178)	-
Cost of sales		**(171,312)**	**-**
Gross profit		**7,847**	**-**
Expenses			
General and administration		(9,280)	(4,128)
Financial income	7	996	149
Financial expense	7	(22,113)	(5,513)
Net derivative loss	8	(21,318)	(17,167)
Net foreign exchange gain		6,608	29,243
Other expenses		(4,027)	(1,624)
		(49,134)	960
(Loss)/profit before income tax		(41,287)	960
Income tax expense	12	(6,331)	-
(Loss)/profit for the period		**(47,618)**	**960**
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Foreign currency translation differences		30,560	46,431
Effective portion of changes in fair value of cash flow hedges		(86,696)	(38,761)
Net change in fair value of cash flow hedges transferred to profit or loss		3,639	-
Other comprehensive (expense)/income for the period		**(52,497)**	**7,670**
Total comprehensive (expense)/income for the period		**(100,115)**	**8,630**
(LOSS)/EARNINGS PER SHARE			
Basic (loss)/earnings per share (cents per share)	13	(12.09)	0.29
Diluted (loss)/earnings per share (cents per share)	13	(12.09)	0.29
Weighted basic average number of shares outstanding (000's)		393,991	326,071
Weighted diluted average number of shares outstanding (000's)		393,991	326,877

(a) The Group has changed its financial year end from 30 June to 31 December, and its presentation currency for financial reporting to US dollars. Refer to Notes 2(f) and 3 for further details.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 41 to 86.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP					
TWELVE MONTHS ENDED 31 DECEMBER 2010	ISSUED CAPITAL US$000	TRANSLATION RESERVE US$000	SHARE BASED PAYMENTS RESERVE US$000	HEDGING RESERVE US$000	ACCUMULATED LOSSES US$000	TOTAL EQUITY US$000
Balance at 1 January 2010 [a]	**477,024**	**56,248**	**11,904**	**(17,967)**	**(13,283)**	**513,926**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR						
Loss for the year	-	-	-	-	(47,618)	(47,618)
Other comprehensive income/(expense)						
Foreign currency translation differences	-	30,560	-	-	-	30,560
Effective portion of changes in fair value of cash flow hedges	-	-	-	(86,696)	-	(86,696)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	3,639	-	3,639
Total other comprehensive income/(expense)	-	30,560	-	(83,057)	-	(52,497)
Total comprehensive income/(expense) for the year	-	30,560	-	(83,057)	(47,618)	(100,115)
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	204,248	-	-	-	-	204,248
Share based payment transactions	-	-	1,276	-	-	1,276
Total transactions with equity holders	204,248	-	1,276	-	-	205,524
Balance at 31 December 2010	**681,272**	**86,808**	**13,180**	**(101,024)**	**(60,901)**	**619,335**

(a) The Group has changed its financial year end from 30 June to 31 December, and its presentation currency for financial reporting to US dollars. Refer to Notes 2(f) and 3 for further details.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 41 to 86.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP					
SIX MONTHS ENDED 31 DECEMBER 2009	ISSUED CAPITAL US$000	TRANSLATION RESERVE US$000	SHARE BASED PAYMENTS RESERVE US$000	HEDGING RESERVE US$000	ACCUMULATED LOSSES US$000	TOTAL EQUITY US$000
Balance at 1 July 2009[(a)]	**350,208**	**9,817**	**10,029**	**20,794**	**(14,243)**	**376,605**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD						
Profit for the period	-	-	-	-	960	960
Other comprehensive income/(expense)						
Foreign currency translation differences	-	46,431	-	-	-	46,431
Effective portion of changes in fair value of cash flow hedges	-	-	-	(38,761)	-	(38,761)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	-
Total other comprehensive income/(expense)	-	46,431	-	(38,761)	-	7,670
Total comprehensive income/(expense) for the year	-	46,431	-	(38,761)	960	8,630
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	126,816	-	-	-	-	126,816
Share based payment transactions	-	-	1,875	-	-	1,875
Total transactions with equity holders	126,816	-	1,875	-	-	128,691
Balance at 31 December 2009[(1)]	**477,024**	**56,248**	**11,904**	**(17,967)**	**(13,283)**	**513,926**

(a) The Group has changed its financial year end from 30 June to 31 December, and its presentation currency for financial reporting to US dollars. Refer to Notes 2(f) and 3 for further details.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 41 to 86.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	NOTE	31 DECEMBER 2010 US$000	31 DECEMBER 2009[a] US$000	1 JULY 2009[a] US$000
ASSETS				
Cash and cash equivalents	14	102,134	53,027	34,155
Trade and other receivables	15	43,024	10,485	1,763
Inventories	16	34,509	-	-
Derivative financial instruments	17	15,774	6,928	-
Total current assets		**195,441**	**70,440**	**35,918**
Trade and other receivables	15	33,803	-	-
Deferred tax asset	12	-	6,234	-
Property, plant and equipment	19	883,621	878,620	659,687
Exploration and evaluation assets	18	550	161	133
Derivative financial instruments	17	6,886	9,095	41,201
Total non-current assets		**924,860**	**894,110**	**701,021**
Total assets		**1,120,301**	**964,550**	**736,939**
LIABILITIES				
Trade and other payables	20	32,660	35,480	46,816
Provisions	21	3,680	879	231
Borrowings	22	16,418	40,284	20,009
Derivative financial instruments	17	81,890	16,023	18,541
Provision for current tax	12	6,629	-	-
Total current liabilities		**141,277**	**92,666**	**85,597**
Provisions	21	14,405	18,872	16,984
Borrowings	22	246,108	281,373	240,759
Derivative liability - option	23	1,013	2,386	1,773
Derivative financial instruments	17	98,163	55,327	2,252
Deferred tax liability	12	-	-	12,969
Total non-current liabilities		**359,689**	**357,958**	**274,737**
Total liabilities		**500,966**	**450,624**	**360,334**
Net assets		**619,335**	**513,926**	**376,605**
EQUITY				
Contributed equity	25	681,272	477,024	350,208
Reserves	26	(1,036)	50,185	40,640
Accumulated losses		(60,901)	(13,283)	(14,243)
Total equity		**619,335**	**513,926**	**376,605**

(a) The Group has changed its financial year end from 30 June to 31 December, and its presentation currency for financial reporting to US dollars. Refer to Notes 2(f) and 3 for further details.

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 41 to 86.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009[a] US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		157,537	-
Cash paid to suppliers and employees		(233,022)	(6,058)
Interest received		996	149
Net cash used in operating activities	30	**(74,489)**	**(5,909)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(32,676)	(120,402)
Payment for exploration and evaluation expenditure		(389)	(13)
Net cash used in investing activities		**(33,065)**	**(120,415)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		214,094	133,154
Share issue costs		(9,846)	(6,338)
Interest paid		(13,663)	(5,519)
Proceeds from borrowings		3,814	25,207
Repayment of borrowings		(44,889)	(1,777)
Net cash from financing activities		**149,510**	**144,727**
Net increase in cash and cash equivalents		41,956	18,403
Cash and cash equivalents at the beginning of the period		53,027	34,155
Effect of changes in foreign currency		7,151	469
Cash and cash equivalents at end of the period	14	**102,134**	**53,027**

(a) The Group has changed its financial year end from 30 June to 31 December, and its presentation currency for financial reporting to US dollars. Refer to Notes 2(f) and 3 for further details.

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 41 to 86.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1 Reporting entity

Mirabela Nickel Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000. The consolidated financial statements of the Company for the year ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the production, development and exploration of mineral properties in Brazil.

2 Basis of preparation

(A) STATEMENT OF COMPLIANCE

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

The financial statements were approved by the Board of Directors on 23 March 2011.

(B) BASIS OF MEASUREMENT

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

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

The methods used to measure fair values are discussed further in note 5.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial report is presented in US dollars (US$), which is the Group's presentation currency (refer note 3(a) – change in presentation currency). The Company's functional currency is Australian dollars (A$) and the functional currency of the Company's foreign subsidiary is Brazilian Real (R$). 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 Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report has been rounded off to the nearest thousand dollars, unless otherwise stated.

(D) USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- Note 11 – measurement of share based payments
- Note 12 – accounting for income tax
- Note 19 – property, plant and equipment, including determination of reserves and resources
- Note 21 – provision for mine closure and restoration
- Note 27 – valuation of financial instruments.

(E) FINANCIAL POSITION

The Group held cash on hand and on deposit as at 31 December 2010 of US$102.134 million, including US$25 million held in the Santa Rita Project contingency reserve account. As at 31 December 2010 the Group has a net working capital surplus of US$54.164 million, which includes US$47.134 million of net commodity derivative liabilities that will be offset by sales of the underlying commodity. For the full year ended 31 December 2010 the Group incurred a loss of US$47.618 million. At 31 December 2010, the Group held net assets of US$619.335 million. Net cash outflows from operations and investing activities for 2010 were US$107.554 million.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. 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 Group may be required to source additional funds through debt or equity markets or a combination of the two.

(F) CHANGE OF FINANCIAL YEAR END

The financial year end of the Group was changed from 30 June to 31 December during the period ended 31 December 2009, to align the Company's financial year end with that of its subsidiary Mirabela Mineração do Brasil Ltda. This will improve the efficiency of the Group's financial reporting, allowing the Company to co-ordinate financial reporting and the audit and review process with that of its subsidiaries. The comparative figures for the statement of comprehensive income, cash flow and changes in equity and related notes are for the six months from 1 July 2009 to 31 December 2009. The results for the financial year are therefore not directly comparable with the results for the period ended 31 December 2009.

(G) TRANSITION FROM COMMISSIONING TO COMMERCIAL PRODUCTION

From 1 January 2010, the Company achieved operating status. All mining revenues and associated costs are no longer capitalised, but treated as operating costs through profit or loss.

(H) REMOVAL OF PARENT ENTITY'S FINANCIAL STATEMENTS

The Group has applied amendments that were made to the *Corporations Act (2001)* that remove the requirement for the Group to prepare parent entity's financial statements. Parent entity's financial statements have been replaced by the specific parent entity's disclosures in note 32.

3 Change in accounting policy

(A) CHANGE IN PRESENTATION CURRENCY

On 1 July 2010, the Group changed presentation currency from Australian dollars (A$) to US dollars (US$). The presentation currency of a Group is the currency in which the Group chooses to present its financial reports. The Group has changed its presentation currency for financial reporting in order to better align the presentation of the Group's financial position and financial performance with its operations. Refer note 2(c), functional and presentation currency.

In order to derive US$ equivalents for the consolidated financial statements, the Group has accounted for this change in presentation currency retrospectively which involves translation of equity, assets, liabilities, revenue and expenses as follows:

- revenue and expenses for the 12 months ended 31 December 2010 – rate A$1 = US$0.8826 to US$0.9949, approximating actual exchange rates for the date of the transactions;
- revenue and expenses for the 6 months ended 31 December 2009 – rate A$1 = US$0.7598 to US$0.9107, approximating actual exchange rates for the date of the transactions;
- balance sheet as at 31 December 2010 – rate A$1 = US$1.0178, being the exchange rate of 31 December 2010;
- balance sheet as at 31 December 2009 – rate A$1 = US$0.8969, being the exchange rate of 31 December 2009;
- balance sheet as at 1 July 2009 – rate A$1 = US$0.8114, being the exchange rate of 1 July 2009; and
- equity and reserves except translation reserve have been restated using historical rates, approximating the date of the transactions with rates in the range of A$1 = US$0.7598 to US$0.9107, with the translation differences recorded in the translation reserve.

The statements of comprehensive income and financial position in Australian dollars and US dollars are stated as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	STATEMENT OF COMPREHENSIVE INCOME			
		TWELVE MONTHS ENDED 31 DECEMBER 2010 A$000	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 A$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Sales revenue		228,883	210,975	-	-
Treatment, refining and transport charges		(34,441)	(31,816)	-	-
Net sales revenue		**194,442**	**179,159**	**-**	**-**
Direct costs		(134,571)	(123,820)	-	-
Royalties		(11,083)	(10,314)	-	-
Depreciation, amortisation and depletion		(40,289)	(37,178)	-	-
Cost of sales		**(185,943)**	**(171,312)**	**-**	**-**
Gross profit		**8,499**	**7,847**	**-**	**-**
EXPENSES					
General and administration		(9,927)	(9,280)	(4,673)	(4,128)
Financial income	7	1,048	996	170	149
Financial expense	7	(24,008)	(22,113)	(6,060)	(5,513)
Net derivative loss	8	(22,707)	(21,318)	(19,861)	(17,167)
Net foreign exchange gain		7,325	6,608	33,727	29,243
Other expenses		(4,090)	(4,027)	(2,093)	(1,624)
		(52,359)	(49,134)	1,210	960
(Loss)/profit before income tax	12	(43,860)	(41,287)	1,210	960
Income tax expense		(6,646)	(6,331)	-	-
(Loss)/profit for the period		**(50,506)**	**(47,618)**	**1,210**	**960**
OTHER COMPREHENSIVE EXPENSE					
Foreign currency translation differences		(44,505)	30,560	1,890	46,431
Effective portion of changes in fair value of cash flow hedges		(90,520)	(86,696)	(44,519)	(38,761)
Net change in fair value of cash flow hedges transferred to profit or loss		2,932	3,639	-	-
Other comprehensive (expense)/income for the period		**(132,093)**	**(52,497)**	**(42,629)**	**7,670**
Total comprehensive (expense)/income for the period		**(182,599)**	**(100,115)**	**(41,419)**	**8,630**
(LOSS)/EARNINGS PER SHARE					
Basic (loss)/earnings per share (cents per share)	13	(12.82)	(12.09)	0.37	0.29
Diluted (loss)/earnings per share (cents per share)	13	(12.82)	(12.09)	0.37	0.29
Weighted basic average number of shares outstanding (000's)		393,991	393,991	326,071	326,071
Weighted diluted average number of shares outstanding (000's)		393,991	393,991	326,877	326,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

		STATEMENT OF FINANCIAL POSITION AS AT					
	NOTE	31 DECEMBER 2010 A$000	31 DECEMBER 2010 US$000	31 DECEMBER 2009 A$000	31 DECEMBER 2009 US$000	1 JULY 2009 A$000	1 JULY 2009 US$000
ASSETS							
Cash and cash equivalents	14	100,346	102,134	59,123	53,027	42,094	34,155
Trade and other receivables	15	42,269	43,024	11,691	10,485	2,173	1,763
Inventories	16	33,905	34,509	-	-	-	-
Derivative financial instruments	17	15,497	15,774	7,724	6,928	-	-
Total current assets		**192,017**	**195,441**	**78,538**	**70,440**	**44,267**	**35,918**
Trade and other receivables	15	33,211	33,803	-	-	-	-
Deferred tax asset	12	-	-	6,951	6,234	-	-
Property, plant and equipment	19	868,151	883,621	979,618	878,620	813,023	659,687
Exploration and evaluation assets	18	540	550	179	161	164	133
Derivative financial instruments	17	6,765	6,886	10,140	9,095	50,777	41,201
Total non-current assets		**908,667**	**924,860**	**996,888**	**894,110**	**863,964**	**701,021**
Total assets		**1,100,684**	**1,120,301**	**1,075,426**	**964,550**	**908,231**	**736,939**
LIABILITIES							
Trade and other payables	20	32,088	32,660	39,559	35,480	57,697	46,816
Provisions	21	3,615	3,680	980	879	285	231
Borrowings	22	16,130	16,418	44,914	40,284	24,660	20,009
Derivative financial instruments	17	80,456	81,890	17,865	16,023	22,851	18,541
Provision for current tax	12	6,513	6,629	-	-	-	-
Total current liabilities		**138,802**	**141,277**	**103,318**	**92,666**	**105,493**	**85,597**
Provisions	21	14,153	14,405	21,041	18,872	20,932	16,984
Borrowings	22	241,799	246,108	313,717	281,373	296,720	240,759
Derivative liability - option	23	995	1,013	2,660	2,386	2,185	1,773
Derivative financial instruments	17	96,445	98,163	61,687	55,327	2,775	2,252
Deferred tax liability	12	-	-	-	-	15,983	12,969
Total non-current liabilities		**353,392**	**359,689**	**399,105**	**357,958**	**338,595**	**274,737**
Total liabilities		**492,194**	**500,966**	**502,423**	**450,624**	**444,088**	**360,334**
Net assets		**608,490**	**619,335**	**573,003**	**513,926**	**464,143**	**376,605**
EQUITY							
Contributed equity	25	817,236	681,272	600,500	477,024	452,307	350,208
Reserves	26	(136,897)	(1,036)	(6,154)	50,185	34,389	40,640
Accumulated losses		(71,849)	(60,901)	(21,343)	(13,283)	(22,553)	(14,243)
Total equity		**608,490**	**619,335**	**573,003**	**513,926**	**464,143**	**376,605**

4 Significant accounting policies

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

(A) BASIS OF CONSOLIDATION

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

(B) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions denominated in foreign currencies are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at year end and the gains or losses on retranslation are included profit or loss, with the exception of foreign exchange gains or losses on foreign currency provisions for site closure and rehabilitation, which are capitalised in property, plant and equipment for operating sites. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

Foreign operations translate their profit or loss items at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at year end. Exchange variations resulting from the retranslation at closing rate of the net investment in a foreign operation, together with differences between their profit or loss items translated at actual and closing rates, are disclosed in the foreign currency translation reserve and recognised in other comprehensive income.

(iii) Net investment in foreign operations

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

(C) FINANCIAL INSTRUMENTS

(i) Non-derivative financial instruments

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

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

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

Accounting for finance income and expense is discussed in note 4(q).

(ii) Derivative financial instruments

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

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

Cash flow hedges

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

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

Separable embedded derivatives

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

Other non-trading derivatives

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

(iii) Share capital

Ordinary shares

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

(D) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (note 4(m)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets and acquired assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Mining development assets include costs transferred from exploration and evaluation assets, once technical feasibility and commercial viability of an area of interest are demonstrable, and the subsequent costs required develop the mine to the production phase. Mine development assets are accounted for in terms of note 4(e) below.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as follows:

- plant and equipment 2.5 to 25 years or based on reserves on units of production basis
- mine properties based on reserves on units of production basis
- leased assets based on reserves on units of production basis.

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

(iv) Disposal

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

(v) Nickel reserves

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

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

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

- asset carrying values may be impacted due to changes in the estimated future cash flows;
- depreciation and amortisation charged through profit or loss may change where such changes are calculated using the units of production basis; and
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

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

(E) MINE PROPERTIES

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

Amortisation of capitalised mine properties is provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production.

Overburden removal costs

Overburden and other mine waste material are often removed during the initial development of a mine site in order to access the mineral deposit. The directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as mine properties within property, plant and equipment. Capitalisation ceases and depreciation of those costs commences at the time that commercial levels of saleable material begins to be extracted from the mine. Depreciation is determined on a unit of production basis for each area of interest.

(F) DEFERRED STRIPPING COSTS

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

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

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

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

(G) EXPLORATION AND EVALUATION ASSETS

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

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

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (note 4(m)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

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

(H) LEASED ASSETS

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

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

Lease payments

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

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

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

(I) 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.

Sales revenue includes realised gains and losses associated with nickel, copper and foreign exchange forward contracts.

(J) TRADE RECEIVABLES

Trade receivables are initially recognised on a provisional basis at the time of sale and subsequently adjusted based on the movements in the quoted market prices and assay results up to the date of final pricing (note 4(i)). The mark-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; and
- 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. An allowance 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.

(K) OTHER RECEIVABLES

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

(L) 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 incurred in bringing each product to its present location and condition.

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

Inventories are categorised as follows:

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

(M) IMPAIRMENT

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

(N) EMPLOYEE BENEFITS

(i) Share based payment transactions

The grant-date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

(ii) Wages, salaries and annual leave

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

(iii) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(O) PROVISIONS

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

Rehabilitation

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

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

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

(P) TRADE AND OTHER PAYABLES

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

(Q) FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested, dividend income, and gains on the disposal of available-for-sale assets. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise discounting of rehabilitation costs and interest expenses relating to borrowings.

(R) BORROWINGS

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

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

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

Borrowing costs

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

(S) INCOME TAX

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

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

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

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

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

(T) EARNINGS PER SHARE

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

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

(U) SALES TAX AND OTHER INDIRECT TAXES

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

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

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

(V) DETERMINATION AND PRESENTATION OF OPERATING SEGMENTS

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

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

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets including cash, property, plant and equipment, head office expenses, income tax assets and liabilities, consolidation and elimination adjustments.

Segment capital expenditure is the total cost incurred during the period to acquire loans and borrowings, property, plant and equipment.

(W) COMPARATIVES

Where applicable, comparatives have been adjusted to present them on the same basis as the current period figures.

(X) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: *Financial Instruments* and AASB 2009–11: *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1,3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]* (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    - the objective of the entity's business model for managing the financial assets; and
    - the characteristics of the contractual cash flows.

- AASB 2009–12: *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]* (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

5 Determination of fair values

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

(i) Derivative financial instruments

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

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

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

(ii) Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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

(iii) Share based payment transactions

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

The fair value of options and performance rights granted to employees at grant date is recognised as an employee expense, and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. The performance rights are subjected to both service conditions and performance conditions. Service conditions are not included in estimating the fair value at grant date. A performance condition can either be market vesting or non-market vesting. For market vesting conditions, the Group is required to take into consideration the probability of reaching the target shareholder return when estimating the fair value of the equity instruments at grant date. For non-market vesting conditions, the Group does not take into account the vesting conditions when estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

6 Segment information

During the year, Mirabela Nickel Limited operated in one business and operating segment, mineral exploration and development, and in one primary geographical area, Brazil, with one primary customer:

CUSTOMER SECTOR GROUP	PRINCIPAL ACTIVITIES
Base metals	Mining of nickel, copper, cobalt and platinum in Brazil

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

(a) Information on the reportable segments of the Group

US$000	BASE METALS	UNALLOCATED ITEMS/ ELIMINATION[c]	MIRABELA NICKEL GROUP
Twelve months ended 31 December 2010			
Net revenue			
Group production	179,159	-	179,159
Total net revenue	**179,159**	**-**	**179,159**
Underlying EBITDA[a]	**34,731**	**1,014**	**35,745**
Depreciation, amortisation and depletion	(37,062)	(116)	(37,178)
Underlying EBIT[b]	**(2,331)**	**898**	**(1,433)**
Net financial expense	(22,030)	913	(21,117)
Net derivative loss	(22,783)	1,465	(21,318)
Net foreign exchange gain	49,685	(43,077)	6,608
Other expenses	(4,027)	-	(4,027)
Loss before taxation	**(1,486)**	**(39,801)**	**(41,287)**
Capital expenditure	**36,447**	**43**	**36,490**
Total assets	**1,018,449**	**101,852**	**1,120,301**
Total liabilities	**977,912**	**(476,946)**	**500,966**

(a) Underlying EBITDA is underlying EBIT, before depreciation, amortisation and depletion.
(b) Underlying EBIT is earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation and other expenses.
(c) Unallocated items comprise mainly corporate assets including cash, property, plant and equipment, head office expenses, income tax assets and liabilities, consolidation and elimination adjustments.

US$000	BASE METALS	UNALLOCATED ITEMS/ ELIMINATION[c]	MIRABELA NICKEL GROUP
Six months ended 31 December 2009			
Net revenue			
Group production	-	-	-
Total net revenue	**-**	**-**	**-**
Underlying EBITDA[a]	**(3,939)**	**(189)**	**(4,128)**
Depreciation, amortisation and depletion	-	-	-
Underlying EBIT[b]	**(3,939)**	**(189)**	**(4,128)**
Net financial expense	(5,505)	141	(5,364)
Net derivative loss	(16,838)	(329)	(17,167)
Net foreign exchange gain	55,008	(25,765)	29,243
Other expenses	(1,397)	(227)	(1,624)
Profit before taxation	**27,329**	**(26,369)**	**960**
Capital expenditure	**148,284**	**43**	**148,327**
Total assets	**904,349**	**60,201**	**964,550**
Total liabilities	**741,589**	**(290,965)**	**450,624**

(a) Underlying EBITDA is underlying EBIT, before depreciation, amortisation and depletion.
(b) Underlying EBIT is earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation and other expenses.
(c) Unallocated items comprise mainly corporate assets including cash, property, plant and equipment, head office expenses, income tax assets and liabilities, consolidation and elimination adjustments.

7 Financial income/(expense)

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Interest received	996	149
Financial income	**996**	**149**
Interest expense	(21,200)	(5,513)
Discounting of rehabilitation costs	(913)	-
Financial expense	**(22,113)**	**(5,513)**

8 Net derivative gain/(loss) through profit or loss

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Derivative gain	1,465	-
Derivative gain	**1,465**	**-**
Derivative loss	-	(329)
Call option loss	(18,769)	(15,517)
Interest rate swap loss	(4,014)	(1,321)
Derivative loss	**(22,783)**	**(17,167)**
Net derivative loss	**(21,318)**	**(17,167)**

9 Auditor's remuneration

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Audit services		
KPMG Australia:		
Audit & review of financial reports	318	178
KPMG Brazil:		
Audit & review of financial reports	126	139
	444	**317**
Other services		
KPMG Australia:		
Other assurance services	159	323
KPMG Brazil:		
IFRS compliance	43	-
Taxation services	17	-
	219	**323**

10 Employee benefits

	NOTE	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Salaries and fees		12,386	1,805
Superannuation		160	82
Share based payments expense	11	1,276	882
		13,822	**2,769**

Prior period employee benefits reflect only head office expenditure. Site-based employee benefits have been capitalised as part of construction costs in the prior period.

11 Share based payments

(a) Expenses arising from share based transactions

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Equity-settled share options and performance rights granted during:		
Period ended 30 June 2006	14	21
Period ended 30 June 2008	116	645
Period ended 30 June 2009	185	108
Period ended 31 December 2009	449	108
Period ended 31 December 2010	512	-
Total expense recognised as employee costs	**1,276**	**882**

(b) Option plans

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

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

GRANT DATE	GRANTEES	NUMBER OF INSTRUMENTS OUTSTANDING AT 31 DEC 2010	VESTING CONDITIONS	CONTRACTUAL LIFE OF OPTIONS
9 Aug 2007	Directors' options	1,200,000	Two years of service	4 years
9 Aug 2007	Directors' options	600,000	Two years of service	4 years
9 Aug 2007	Employees' & consultant options	1,400,000	Commissioning of plant	4 years
30 Nov 2007	Directors' options	150,000	Two years of service	4 years
30 Nov 2007	Directors' options	150,000	Two years of service	4 years
17 Apr 2008	Consultants' options	350,000	Two years of service	4 years
9 Sep 2008	Offtaker options	5,000,000	No vesting conditions	4 years
11 Sep 2008	Consultants' options	300,000	Two years of service	4 years
24 Nov 2008	Bank options	3,000,000	No vesting conditions	5 years
25 Sep 2009	Employee options	400,000	Two years of service	5 years
5 Nov 2009	Bank options	750,000	No vesting conditions	4 years
	Total share options	**13,300,000**		

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

US$	BANK OPTIONS GRANTED ON 5 NOV 2009	EMPLOYEE OPTIONS GRANTED ON 25 SEP 2009
Fair value at measurement date	$1.16	$1.59
Share price	$2.06	$2.53
Exercise price	$2.73	$2.73
Expected volatility	75%	75%
(expressed as weighted average volatility used in the modelling under binomial option-pricing model)		
Option life	4 years	4.76 years
(expressed as weighted average life used in the modelling under binomial option-pricing model)		
Expected dividends	-	-
Risk-free interest rate	5.38%	5.05%
(based on national government bonds)		

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

Twelve months ended 31 December 2010

GRANT DATE	EXPIRY DATE	EXERCISE PRICE A$	EXERCISE PRICE US$	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	CANCELLED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
24/04/2006	30/04/2010	$0.95	$0.71	400,900	-	(400,900)	-	-	-
09/08/2007	23/02/2011	$5.60	$4.75	1,800,000	-	-	-	1,800,000	1,800,000
09/08/2007	30/06/2011	$6.20	$5.25	1,400,000	-	-	-	1,400,000	1,400,000
30/11/2007	07/09/2011	$6.20	$5.52	300,000	-	-	-	300,000	300,000
17/04/2008	31/12/2011	$6.20	$5.85	350,000	-	-	-	350,000	350,000
09/09/2008	31/12/2012	$8.89	$8.00	5,000,000	-	-	-	5,000,000	5,000,000
11/09/2008	11/09/2012	$6.20	$5.51	300,000	-	-	-	300,000	300,000
24/11/2008	07/07/2013	$3.00	$2.02	3,000,000	-	-	-	3,000,000	3,000,000
25/09/2009	30/06/2014	$3.00	$2.50	400,000	-	-	-	400,000	-
05/11/2009	07/07/2013	$3.00	$2.73	750,000	-	-	-	750,000	750,000
				13,700,900	-	(400,900)	-	13,300,000	12,900,000
Weighted average exercise price (US$)				**$5.16**	**-**	**$0.71**	**-**	**$5.29**	**$5.38**
Weighted average exercise price (A$)				**$5.98**	**-**	**$0.95**	**-**	**$6.13**	**$6.23**

Six months ended 31 December 2009

GRANT DATE	EXPIRY DATE	EXERCISE PRICE A$	EXERCISE PRICE US$	BALANCE AT START OF THE PERIOD NUMBER	GRANTED DURING THE PERIOD NUMBER	EXERCISED DURING THE PERIOD NUMBER	CANCELLED DURING THE PERIOD NUMBER	BALANCE AT END OF THE PERIOD NUMBER	EXERCISABLE AT END OF THE PERIOD NUMBER
24/04/2006	30/04/2010	$0.95	$0.71	808,900	-	(408,000)	-	400,900	400,900
09/08/2007	23/02/2011	$5.60	$4.75	1,800,000	-	-	-	1,800,000	1,800,000
09/08/2007	30/06/2011	$6.20	$5.25	1,400,000	-	-	-	1,400,000	1,400,000
30/11/2007	07/09/2011	$6.20	$5.52	300,000	-	-	-	300,000	300,000
17/04/2008	31/12/2011	$6.20	$5.85	350,000	-	-	-	350,000	-
09/09/2008	31/12/2012	$8.89	$8.00	5,000,000	-	-	-	5,000,000	5,000,000
11/09/2008	11/09/2012	$6.20	$5.51	300,000	-	-	-	300,000	-
24/11/2008	07/07/2013	$3.00	$2.02	3,000,000	-	-	-	3,000,000	3,000,000
25/09/2009	30/06/2014	$3.00	$2.50	-	400,000	-	-	400,000	-
05/11/2009	07/07/2013	$3.00	$2.73	-	750,000	-	-	750,000	750,000
				12,958,900	1,150,000	(408,000)	-	13,700,900	12,650,900
Weighted average exercise price (US$)				**$5.24**	**$2.65**	**$0.71**	**-**	**$5.16**	**$5.21**
Weighted average exercise price (A$)				**$6.09**	**$3.00**	**$0.95**	**-**	**$5.98**	**$6.06**

The options outstanding at 31 December 2010 have an exercise price in the range of US$0.71 to US$8.00 and a weighted average contractual life of 4 years.

During the 2010 financial year, 400,900 options issued under the plan were exercised for US$344,866 (31 December 2009: 408,000 options exercised for US$323,337).

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

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

(c) Performance rights

On 13 September 2010, the Group established the "Mirabela Nickel Limited Performance Rights Plan", a performance rights plan to reward employees and Directors for long-term performance.

The terms and conditions of the performance rights and the incentive rights issued during the year are as follows:

	INCENTIVE RIGHTS SUBJECTED TO PERFORMANCE CONDITIONS	INCENTIVE RIGHTS NOT SUBJECTED TO PERFORMANCE CONDITIONS
Performance condition	Achieve a sustainable 4.6Mtpa annualised business by the end of 2010	Nil
Market or non-market based	Non-market	N/A
Underlying spot price	A$1.84	A$1.84
Exercise price	$0.00	$0.00
Valuation date	13 Sep 2010	13 Sep 2010
Vesting date	31 Dec 2011	1 Jul 2011
Vesting period (days)	565	291
Number of rights	784,138	220,000
Valuation per right	A$1.84	A$1.84
Valuation per tranche	A$1,442,814	A$404,800
Entitled number of employees	29	2

The Group will measure the fair value of a share based payment award issued to eligible employees at grant date and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. At grant date, the closing price of the Company's share was A$1.84 based on 10 September 2010 rate as this was the last trading day before the scheme was approved by shareholders on 13 September 2010.

The performance rights are subjected to both service conditions and performance conditions. The service conditions are not included in estimating the fair value at grant date. The performance condition is non-market vesting as it does not take into account the vesting conditions in estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

12 Income tax expense

Major components of income tax expense for the year ended 31 December 2010 and period ended 31 December 2009 are:

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Statement of comprehensive income		
Current income		
Current income tax charge	6,331	-
Income tax expense reported in statement of comprehensive income	**6,331**	**-**

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

The reconciliation of the income tax expense/(benefit) arising on accounting (loss)/profit before income tax at the statutory income tax rate, to the prima facie income tax expense, as calculated at the Company's effective income tax rate, for the year ended 31 December 2010 and period ended 31 December 2009 are as follows:

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Accounting (loss)/profit before income tax	**41,287**	**960**
Tax on profit at the statutory income tax rate of 30% for Australia and 34% for Brazil		
(31 December 2009: 30% & 34% respectively)	(13,142)	303
Add:		
Non-deductible expenses	14,819	9,004
Non-deductible on financial instruments	6,154	(19,209)
Tax loss not recognised as a deferred tax asset	312	9,902
Capital raising costs charged to equity	(1,812)	-
Income tax expense	**6,331**	**-**

Current tax liabilities

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000	TWELVE MONTHS ENDED 30 JUNE 2009 US$000
Current liability			
Provision for current tax	**6,629**	**-**	**-**

The difference of US$0.298 million between the income tax expense and provision for current tax liability resulted from the foreign exchange translation of the closing tax position of the Group's foreign operation (refer to note 4(b)).

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

GROUP	ASSETS			LIABILITIES			NET		
	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Property, plant & equipment	-	-	-	-	-	-	-	-	-
Intercompany interest - assessable	-	-	-	6,527	1,352	1,259	6,527	1,352	1,259
Derivative asset - hedge	-	-	-	7,704	5,447	14,008	7,704	5,447	14,008
Trade and other payables	(459)	(59)	(49)	-	-	-	(459)	(59)	(49)
Provisions	(15)	(22)	(32)	-	-	-	(15)	(22)	(32)
Derivative liability - hedge	(42,052)	(11,681)	(1,039)	-	-	-	(42,052)	(11,681)	(1,039)
Exploration and evaluation assets	-	-	-	23	21	-	23	21	-
Capital raising costs	-	-	(238)	-	-	-	-	-	(238)
Deferred tax asset not recognised	34,348	-	-	-	-	-	34,348	-	-
Tax losses	(6,076)	(1,292)	(940)	-	-	-	(6,076)	(1,292)	(940)
Tax (assets)/liabilities	(14,254)	(13,054)	(2,298)	14,254	6,820	15,267	-	(6,234)	12,969
Tax set off	14,254	6,820	2,298	(14,254)	(6,820)	(2,298)	-	-	-
Net tax (assets)/ liabilities	**-**	**(6,234)**	**-**	**-**	**-**	**12,969**	**-**	**(6,234)**	**12,969**

Movement in temporary differences during the year ended 31 December 2010:

US$000	BALANCE 1 JANUARY 2010	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 31 DECEMBER 2010
Intercompany interest - assessable	1,352	5,175	-	6,527
Derivative asset - hedge	5,447	-	2,257	7,704
Trade and other payables	(59)	(400)	-	(459)
Provisions	(22)	7	-	(15)
Derivative liability - hedge	(11,681)	-	(30,371)	(42,052)
Exploration and evaluation assets	21	2	-	23
Deferred tax asset not recognised	-	-	34,348	34,348
Tax losses	(1,292)	(4,784)	-	(6,076)
	(6,234)	**-**	**6,234**	**-**

Movement in temporary differences during the six months ended 31 December 2009:

US$000	BALANCE 1 JULY 2009	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 31 DECEMBER 2009
Intercompany interest - assessable	1,259	92	-	1,352
Derivative asset - hedge	14,008	-	(9,744)	5,447
Trade and other payables	(49)	(11)	-	(59)
Provisions	(32)	11	-	(22)
Derivative liability - hedge	(1,039)	-	(10,224)	(11,681)
Exploration and evaluation assets	-	22	-	21
Capital raising costs	(238)	238	-	-
Tax losses	(940)	(352)	-	(1,292)
	12,969	**-**	**(19,968)**	**(6,234)**

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

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000	TWELVE MONTHS ENDED 30 JUNE 2009 US$000
Unrecognised deferred balances			
Capital raising costs	(5,345)	(3,512)	2,155
Temporary differences	(16,069)	(19,271)	-
Tax losses	(4,683)	(19,943)	(7,912)
Unrealised foreign exchange (gains)/losses and metal hedge losses	(52,675)	19,346	(4,033)
	(78,772)	**(23,380)**	**(9,790)**

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

Taxation of financial arrangements

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

13 Earnings per share

BASIC EARNINGS PER SHARE

The calculation of basic loss per share of 12.09 cents at 31 December 2010 (31 December 2009: 0.29 cents profit per share) was based on the loss attributable to ordinary shareholders of US$47.618 million (31 December 2009: US$0.960 million profit) and a weighted average number of ordinary shares outstanding during the financial year ended 31 December 2010 of 393,990,706 (31 December 2009: 326,070,853) calculated as follows:

	BASIC EARNINGS/(LOSS) PER SHARE		DILUTED EARNINGS/(LOSS) PER SHARE	
	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
(Loss)/profit attributable to ordinary shareholders	(47,618)	960	(47,618)	960
Issued ordinary shares at start of period	354,694,375	287,886,375	354,694,375	287,886,375
Effect of issue of shares	39,001,084	37,822,826	39,001,084	37,822,826
Effect of share options exercised	295,247	361,652	295,247	408,000
Effect of share options on issue	-	-	-	759,410
	393,990,706	326,070,853	393,990,706	326,876,611
(Loss)/profit per share in cents	**(12.09)**	**0.29**	**(12.09)**	**0.29**

The average market value of the Company's shares, for the purposes of calculating the dilutive effect of share options, was based on quoted market prices for the period that the options were outstanding. For the year ended 31 December 2010, there is no dilutive effect of share options.

14 Cash and cash equivalents

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Cash at bank and on hand	24,833	28,011	34,114
Call deposits	77,301	25,016	41
	102,134	**53,027**	**34,155**

The Group's exposure to currency risk, interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 27.

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

15 Trade and other receivables

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Current asset			
Trade receivables	30,793	-	-
Other receivables	144	9,839	726
Prepayments	12,087	646	1,037
	43,024	**10,485**	**1,763**
Non-current asset			
Other receivables	2,710	-	-
Prepayments	31,093	-	-
	33,803	**-**	**-**

Non-current prepayments consist primarily of claimable Brazilian federal and state taxes incurred during the construction and commissioning stages of the Santa Rita Project. It is anticipated these taxes will be offset against future federal and state taxes payable and will be classified into current based on their expected period of recovery.

Other non-current receivables consist of US$2.710 million relating to the guarantee of the electricity contract in Brazil.

16 Inventories

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Broken ore - cost	6,195	-	-
Concentrate - cost	10,506	-	-
Stores, spares and consumables - cost	17,808	-	-
	34,509	**-**	**-**

Inventories comprise broken ore stocks, concentrate stocks and stores, spares and consumables. Stores, spares and consumables represent materials and supplies consumed in the production process. All stocks have been calculated as the lower of cost and net realisable value, with net realisable value for broken ore stocks and concentrate representing the estimated selling price in the ordinary course of business less any further costs expected to be incurred in respect of such disposal.

17 Derivative financial instruments

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Current asset			
Foreign exchange - forward contracts[(a)]	15,774	6,928	-
	15,774	**6,928**	**-**
Non-current asset			
Foreign exchange - forward contracts[(a)]	6,886	9,095	-
Nickel - forward contracts[(a)]	-	-	33,178
Copper - forward contracts[(a)]	-	-	8,023
	6,886	**9,095**	**41,201**
Current liability			
Foreign exchange - forward contracts[(a)]	-	-	806
Nickel - forward contracts[(a)]	46,726	4,997	-
Copper - forward contracts[(a)]	408	-	-
Metal call options[(b)]	32,251	9,175	17,052
Interest rate swap[(c)]	2,505	1,851	683
	81,890	**16,023**	**18,541**
Non-current liability			
Foreign exchange - forward contracts[(a)]	-	-	2,252
Nickel - forward contracts[(a)]	61,592	19,491	-
Copper - forward contracts[(a)]	21,197	9,870	-
Metal call options[(b)]	13,485	25,637	-
Interest rate swap[(c)]	1,889	329	-
	98,163	**55,327**	**2,252**

(a) Forward contracts designated as hedges

As at 31 December 2010, the Group had a net hedge liability position of US$107.263 million (31 December 2009: US$18.335 million; 30 June 2009: US$38.143 million net asset position) 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$2.19) maturing from January 2011 to July 2013, with total notional amount of US$98.531 million.

Metal hedges comprise of forward contracts for 15,600 tonnes of nickel at an average price of US$7.90/lb for the period January 2011 to March 2014 and 8,952 tonnes of copper at an average price of US$2.73/lb for the period April 2011 to March 2015.

(b) Metal call options

On 20 March 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 1 July 2010 to 30 June 2012. The 6,300 tonne copper call option has a strike price of US$3,968.32/tonne (US$1.80/lb) for metal deliveries of 300 tonnes per month over the 21 month period 1 July 2010 to 31 March 2012. As at 31 December 2010, the fair value of the call option liability was US$45.736 million resulting in a loss from changes in the fair value including foreign exchange movements for the year of US$10.924 million excluding realised loss of US$9.428 million. As at 31 December 2009, the fair value of the liability was US$34.812 million and as at 1 July 2009, the fair value of the liability was US$17.052 million.

(c) Interest rate swap

The Group has an interest rate swap of US$100 million, to mitigate the risk of interest rate fluctuations, whereby the Company pays the fixed rate of 3.24% and receives US$ 3-month LIBOR. The facility commenced on 31 March 2010 and the facility value will decrease proportionately with planned repayments of the Senior Loan, to be completely amortised by 30 September 2015. As at 31 December 2010, the fair value of the interest rate swap liability was US$4.394 million resulting in a loss from changes in the fair value including foreign exchange movements for the year of US$2.214 million excluding a realised loss of US$2.816 million. As at 31 December 2009, the fair value of the interest rate swap liability was US$2.180 million and as at 1 July 2009, the fair value of the liability was US$0.683 million.

18 Exploration and evaluation assets

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Balance at the beginning of the period	161	133	4,597
Expenditure incurred during the period	376	90	10,446
Transfer to development expenditure	(9)	(76)	(11,796)
Expenditure written off during the period[a]	-	-	(3,494)
Effect of movements in foreign exchange	22	14	380
Balance at the period end	**550**	**161**	**133**

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

The Company will continue to spend the minimum required to maintain all exploration and mining tenements in good standing. The recoverability of the carrying amounts of exploration and evaluation assets is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

19 Property, plant & equipment

31 DECEMBER 2010 US$000	PLANT & EQUIPMENT	LEASED ASSET	LAND	MINE PROPERTIES[a]	CONSTRUCTION & DEVELOPMENT EXPENDITURE	TOTAL
COST						
Balance at 1 January 2010	185,981	-	12,305	-	685,358	883,644
Additions	8,623	3,814	-	24,053	-	36,490
Disposals	(2)	-	-	-	-	(2)
Reclassification[b]	-	-	-	(36,584)	-	(36,584)
Transfers	222,592	32,367	936	429,463	(685,358)	-
Effect of movement in exchange rates	19,861	3,273	637	23,905	-	47,676
Balance at 31 December 2010	**437,055**	**39,454**	**13,878**	**440,837**	**-**	**931,224**
DEPRECIATION						
Balance at 1 January 2010	(5,024)	-	-	-	-	(5,024)
Depreciation charge for the year	(22,971)	(4,839)	-	(7,834)	-	(35,644)
Disposals	2	-	-	-	-	2
Transfers	912	(912)	-	-	-	-
Effect of movement in exchange rates	(4,524)	(943)	-	(1,470)	-	(6,937)
Balance at 31 December 2010	**(31,605)**	**(6,694)**	**-**	**(9,304)**	**-**	**(47,603)**
Net book value at 31 December 2010	**405,450**	**32,760**	**13,878**	**431,533**	**-**	**883,621**

31 DECEMBER 2009 US$000	PLANT & EQUIPMENT	LAND	CONSTRUCTION & DEVELOPMENT EXPENDITURE	TOTAL
COST				
Balance at 1 July 2009	89,642	11,046	561,683	662,371
Additions	86,705	-	61,622	148,327
Transfer from exploration assets	-	-	76	76
Effect of movement in exchange rates	9,634	1,259	61,977	72,870
Balance at 31 December 2009	**185,981**	**12,305**	**685,358**	**883,644**
DEPRECIATION				
Balance at 1 July 2009	(2,684)	-	-	(2,684)
Depreciation charge for the year	(1,449)	-	-	(1,449)
Effect of movement in exchange rates	(891)	-	-	(891)
Balance at 31 December 2009	**(5,024)**	**-**	**-**	**(5,024)**
Net book value at 31 December 2009	**180,957**	**12,305**	**685,358**	**878,620**

(a) Mining properties

Mining properties include deferred stripping costs of US$17.397 million.

(b) Reclassification

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

20 Trade and other payables

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Trade payables	19,737	30,857	40,492
Other payables and accrued expenses	12,923	4,623	6,324
	32,660	**35,480**	**46,816**

Trade and other payables are non-interest bearing liabilities stated at cost with a settlement period of less than 12 months. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

21 Provisions

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
CURRENT LIABILITY			
Provision for annual leave	**3,680**	**879**	**231**
NON-CURRENT LIABILITY			
Provision for rehabilitation	11,627	18,872	16,984
Other provision	2,778	-	-
	14,405	**18,872**	**16,984**
Reconciliation of movements in provisions			
ANNUAL LEAVE PROVISION			
Balance at beginning of period	879	231	122
Provision made during the financial period	2,682	623	109
Effect of movements in foreign exchange	119	25	-
Balance at period end	**3,680**	**879**	**231**
REHABILITATION PROVISION			
Balance at beginning of period	18,872	16,984	16,984
Effect of movements in foreign exchange	1,212	1,888	-
Reversal of provision	(8,457)	-	-
Balance at period end	**11,627**	**18,872**	**16,984**
OTHER PROVISION			
Balance at beginning of period	-	-	-
Provision made during the financial period	2,778	-	-
Balance at period end	**2,778**	**-**	**-**

The rehabilitation provision is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita Project site. The Group uses third parties to estimate these costs. The estimate will be reviewed over time as the operation develops. The Group has revised the estimate in the current period accordingly and has recorded a reduction of US$8.457 million. This change in estimate has been applied prospectively with no effect on the profit or loss recognised. The liability of US$11.627 million for rehabilitation costs at the Santa Rita Project has been accreted through periodic charges to the profit or loss. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine.

22 Borrowings

31 DECEMBER 2010 US$000	NORILSK LOAN (i)	VOTORANTIM LOAN (ii)	SENIOR LOAN (iii)	CATERPILLAR FINANCE LEASE FACILITY (iv)	TOTAL
Nominal interest rate	LIBOR + 3.50% to 4.50%	CDI RATE	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Loan term	2010 to 2013	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying value	**54,748**	**26,893**	**147,651**	**33,234**	**262,526**
Current borrowings	-	7,896	275	8,247	16,418
Non-current borrowings	54,748	18,997	147,376	24,987	246,108
	54,748	**26,893**	**147,651**	**33,234**	**262,526**

31 DECEMBER 2009 US$000	NORILSK LOAN (i)	VOTORANTIM LOAN (ii)	SENIOR LOAN (iii)	CATERPILLAR FINANCE LEASE FACILITY (iv)	TOTAL
Nominal interest rate	LIBOR + 3.50%	CDI RATE	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Loan term	2010 to 2013	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying value	**50,340**	**51,203**	**184,198**	**35,916**	**321,657**
Current borrowings	7,586	25,604	339	6,755	40,284
Non-current borrowings	42,754	25,599	183,859	29,161	281,373
	50,340	**51,203**	**184,198**	**35,916**	**321,657**

1 JULY 2009 US$000	NORILSK LOAN (i)	VOTORANTIM LOAN (ii)	SENIOR LOAN (iii)	CATERPILLAR FINANCE LEASE FACILITY (iv)	TOTAL
Nominal interest rate	LIBOR + 3.50%	CDI RATE	COF + 5.25% to 5.75%	COF + LIBOR + 2.75%	
Loan term	2010 to 2013	2009 to 2013	2011 to 2015	2009 to 2014	
Carrying value	**49,154**	**45,438**	**161,028**	**5,148**	**260,768**
Current borrowings	-	17,448	1,211	1,350	20,009
Non-current borrowings	49,154	27,990	159,817	3,798	240,759
	49,154	**45,438**	**161,028**	**5,148**	**260,768**

(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 (banking syndicate). Interest is payable at LIBOR plus a 3.50% margin. Overdue amounts incur a 1% per annum higher interest rate during the period of non-payment. Repayment of the subordinated loan is not permitted under the Senior Credit Facility until the Santa Rita Project reaches its completion date as defined under the Senior Credit Facility agreement, expected to be during 2012. As such, no repayments are forecast during the current period.

(ii) The facility is subordinated to the Senior Credit Facility with the banking syndicate. Interest is payable at the average rates for interbank deposits (CDI), as calculated by the Brazilian Custody and Settlement Chamber (CETIP). The R$ loan amount is repayable in monthly instalments from 30 September 2009 to 30 November 2013. 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 a Cost of Funds (COF) basis (determined as the weighted average cost of funds of each lender), plus a margin of 5.75% per annum prior to the completion (as defined in the Senior Loan documents) of the Santa Rita Project and thereafter 5.25% per annum (weighted average interest rate of 6.53%). The facility was fully drawn down to US$190 million during October 2009. In November 2010, following completion of the capital raising, the Company prepaid US$38.100 million in principal under its existing US$190 million Senior Credit Facility. Subsequently on 5 November 2010, the lenders to the Senior Credit Facility confirmed crystallisation of a waiver to certain covenants of the Credit Facility during 2011. The remainder of the loan is repayable in half yearly instalments from 31 March 2012 to 30 September 2015.

(iv) The US$55 million master funding and leasing agreement is for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn down to US$40.795 million as at 31 December 2010, with US$33.234 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. The Company does not intend to drawdown further on this facility. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3-month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 4.27%).

FINANCE LEASE LIABILITIES

	31 DECEMBER 2010			31 DECEMBER 2009			30 JUNE 2009		
US$000	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Less than one year	9,483	1,236	8,247	8,235	1,480	6,755	1,803	453	1,350
Between one and five years	26,672	1,685	24,987	32,486	3,325	29,161	4,412	614	3,798
	36,155	**2,921**	**33,234**	**40,721**	**4,805**	**35,916**	**6,215**	**1,067**	**5,148**

23 Derivative liability – option

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Norilsk option derivative liability	1,013	2,386	1,773
	1,013	**2,386**	**1,773**

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, expiring on 31 December 2012. This option is a derivative liability of the Company. As at 31 December 2010, the fair value of the liability was US$1.013 million, resulting in a gain from changes in the fair value including foreign exchange movements for the year of US$1.373 million.

24 Related parties

Key management personnel compensation

Compensation paid to key management personnel is as follows:

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Short-term employee benefits	4,054	2,914
Post-employment benefits	63	83
Equity compensation benefits	792	571
	4,909	**3,568**

Individual Directors' and executives' compensation disclosures

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

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

Other key management personnel transactions

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

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

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

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Craig Burton	21	5
Net revenue	**21**	**5**

During the year the Company was invoiced by Mitchell River Group Pty Ltd US$50,526 (31 December 2009: US$49,965) for provision of technical services including database administration, GIS services, geophysical services, geological and resource monitoring. Mitchell River Group Pty Ltd is a Director related entity associated with Mr Craig Burton. US$4,536 was received from Mitchell River Group Pty Ltd, for office rent and shared overheads for the year ended 31 December 2010 (31 December 2009: nil).

The Company charged Verona Capital Pty Ltd the total of US$55,891 (31 December 2009: US$20,640) for office rent and shared overheads. The Company was not invoiced by Verona Capital Pty Ltd during the year (31 December 2009: nil). Verona Capital Pty Ltd is a Director related entity associated with Mr Craig Burton.

The Company charged US$10,933 (31 December 2009: nil) to Nearfield Resources Limited, for the shared overheads and premises rent costs. Nearfield Resources Limited is a Director related entity associated with Mr Craig Burton.

All related party services provided and/or received were on commercial arms' length terms.

Assets and liabilities arising from the above transactions

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Current receivables			
Trade receivables	60	46	65
	60	**46**	**65**
Current payables			
Trade payables	-	-	111
	-	**-**	**111**

Movement in ordinary shares held by key management personnel

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

TWELVE MONTHS ENDED 31 DECEMBER 2010	HELD AT 1 JANUARY 2010	PURCHASES	EXERCISE OF OPTIONS	SALES	HELD AT 31 DECEMBER 2010
Directors					
Craig Burton	6,000,000	1,788,561	-	-	7,788,561
Ian Purdy	-	-	-	-	-
William Clough	6,000,000	-	-	-	6,000,000
Joseph Hamilton[a]	55,000	-	-	-	55,000
Nicholas Poll[b]	3,400,000	-	-	-	N/A
Nicholas Sheard	-	-	-	-	-
Colin Steyn	24,500,000	5,595,997	-	-	30,095,997
Executives					
Christiaan Els	17,500	-	-	-	17,500
William Bent	-	-	-	-	-
Luis Nepomuceno	-	412,500	-	-	412,500
Bryan Hyde[c]	144,500	-	-	-	N/A
Paulo Oliva[d]	270,000	-	-	-	N/A
	40,387,000	**7,797,058**	**-**	**-**	**44,369,558**

(a) Joseph Hamilton resigned from the Company on 31 December 2010.
(b) Nicholas Poll resigned from the Company on 6 April 2010.
(c) Bryan Hyde resigned from the Company on 16 June 2010.
(d) Paulo Oliva resigned from the Company on 6 June 2010.

SIX MONTHS ENDED 31 DECEMBER 2009	HELD AT 1 JULY 2009	PURCHASES	EXERCISE OF OPTIONS	SALES	HELD AT 31 DECEMBER 2009
Directors					
Craig Burton	6,000,000	-	-	-	6,000,000
Ian Purdy	-	-	-	-	-
William Clough	8,000,000	-	-	(2,000,000)	6,000,000
Joseph Hamilton	55,000	-	-	-	55,000
Nicholas Poll	3,400,000	-	-	-	3,400,000
Nicholas Sheard	-	-	-	-	-
Colin Steyn[d]	21,000,000	3,500,000	-	-	24,500,000
Executives					
Christiaan Els	-	23,000	-	(5,500)	17,500
Bryan Hyde[d]	144,500	-	-	-	144,500
Paulo Oliva	270,000	-	-	-	270,000
Raphael Bloise[a]	-	-	-	-	-
David Chapman[b]	-	-	-	-	-
Stephen Hills[c]	-	20,000	300,000	(300,000)	20,000
	38,869,500	**3,543,000**	**300,000**	**(2,305,500)**	**40,407,000**

(a) Raphael Bloise resigned from the Company on 17 November 2009.
(b) David Chapman resigned from the Company on 31 December 2009.
(c) Stephen Hills ceased to be key management personnel on 7 January 2010 and resigned from the Company on 31 January 2010. This disclosure includes shares held up to the end of January 2010.
(d) Colin Steyn's and Bryan Hyde's shareholdings at 1 July 2009 were held prior to their appointment as key management personnel.

Movement in options over ordinary shares held by key management personnel

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

TWELVE MONTHS ENDED 31 DECEMBER 2010	HELD AT 1 JANUARY 2010	GRANTED AS COMPENSATION	EXERCISED	HELD AT 31 DECEMBER 2010	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT 31 DECEMBER 2010
Directors						
Craig Burton	600,000	-	-	600,000	-	600,000
Ian Purdy	-	-	-	-	-	-
William Clough	-	-	-	-	-	-
Joseph Hamilton[a]	150,000	-	-	150,000	-	150,000
Nicholas Poll[b]	1,200,000	-	-	1,200,000	-	1,200,000
Nicholas Sheard	150,000	-	-	150,000	-	150,000
Colin Steyn	-	-	-	-	-	-
Executives						
Christiaan Els	-	-	-	-	-	-
William Bent	-	-	-	-	-	-
Luis Nepomuceno	-	-	-	-	-	-
Bryan Hyde[c]	400,000	-	-	N/A	-	N/A
Paulo Oliva[d]	150,000	-	-	N/A	-	N/A
	2,650,000	**-**	**-**	**2,100,000**	**-**	**2,100,000**

(a) Joseph Hamilton resigned from the Company on 31 December 2010.
(b) Nicholas Poll resigned from the Company on 6 April 2010.
(c) Bryan Hyde resigned from the Company on 16 June 2010.
(d) Paulo Oliva resigned from the Company on 6 June 2010.

SIX MONTHS ENDED 31 DECEMBER 2009	HELD AT 1 JULY 2009	GRANTED AS COMPENSATION	EXERCISED	HELD AT 31 DECEMBER 2009	VESTED DURING THE PERIOD	VESTED AND EXERCISABLE AT 31 DECEMBER 2009
Directors						
Craig Burton	600,000	-	-	600,000	50,000	600,000
Ian Purdy	-	-	-	-	-	-
William Clough	-	-	-	-	-	-
Joseph Hamilton	150,000	-	-	150,000	31,250	150,000
Nicholas Poll	1,200,000	-	-	1,200,000	100,000	1,200,000
Nicholas Sheard	150,000	-	-	150,000	31,250	150,000
Colin Steyn	-	-	-	-	-	-
Executives						
Christiaan Els	-	-	-	-	-	-
Bryan Hyde	-	400,000	-	400,000	66,667	-
Paulo Oliva	150,000	-	-	150,000	-	150,000
Raphael Bloise[a]	200,000	-	-	N/A	-	N/A
David Chapman[b]	350,000	-	-	350,000	25,000	333,333
Stephen Hills[c]	300,000	-	(300,000)	-	-	-
	3,100,000	**400,000**	**(300,000)**	**3,000,000**	**304,167**	**2,583,333**

(a) Raphael Bloise resigned from the Company on 17 November 2009.
(b) David Chapman resigned from the Company on 31 December 2009.
(c) Stephen Hills ceased to be key management personnel on 7 January 2010 and resigned from the Company on 31 January 2010. This disclosure takes into consideration compensation paid up to end of January 2010.

Movement in performance rights held by key management personnel

The movement during the financial year in the number of performance rights in Mirabela Nickel Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

TWELVE MONTHS ENDED 31 DECEMBER 2010	HELD AT 1 JANUARY 2010	GRANTED AS COMPENSATION	EXERCISED	HELD AT 31 DECEMBER 2010	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT 31 DECEMBER 2010
Directors						
Craig Burton	-	-	-	-	-	-
Ian Purdy	-	350,859	-	350,859	-	-
William Clough	-	-	-	-	-	-
Joseph Hamilton[(a)]	-	-	-	-	-	-
Nicholas Poll[(b)]	-	-	-	-	-	-
Nicholas Sheard	-	-	-	-	-	-
Colin Steyn	-	-	-	-	-	-
Executives						
Christiaan Els	-	122,906	-	122,906	-	-
William Bent	-	47,688	-	47,688	-	-
Luis Nepomuceno	-	115,603	-	115,603	-	-
Bryan Hyde[(c)]	-	-	-	-	-	-
Paulo Oliva[(d)]	-	-	-	-	-	-
	-	**637,056**	**-**	**637,056**	**-**	**-**

(a) Joseph Hamilton resigned from the Company on 31 December 2010.
(b) Nicholas Poll resigned from the Company on 6 April 2010.
(c) Bryan Hyde resigned from the Company on 16 June 2010.
(d) Paulo Oliva resigned from the Company on 6 June 2010.

25 Contributed equity

	NUMBER OF SECURITIES			VALUE IN US$		
	31 DECEMBER 2010	31 DECEMBER 2009	1 JULY 2009	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Net ordinary shares	491,561,237	354,694,375	287,886,375	681,272	477,024	350,208
	491,561,237	**354,694,375**	**287,886,375**	**681,272**	**477,024**	**350,208**

Movement in share capital for the year ended 31 December 2010

	ORDINARY SHARES	NUMBER OF SHARES	ISSUE PRICE US$	US$
1 Jan 2010	Opening balance	354,694,375		477,023,997
21 Jan 2010	Issue of ordinary shares fully paid (issued at A$2.30)	4,467,450	$2.08	9,304,163
5 Feb 2010	Options converted (issued at A$0.95)	12,000	$0.86	10,323
9 Feb 2010	Warrants converted to ordinary shares (issued at A$2.30)	5,500,000	$2.08	11,454,610
16 Feb 2010	Options converted (issued at A$0.95)	50,000	$0.86	43,011
15 Mar 2010	Options converted (issued at A$0.95)	12,000	$0.86	10,323
30 Mar 2010	Issue of ordinary shares fully paid (issued at A$2.30)	2,100,000	$2.08	4,373,578
7 Apr 2010	Options converted (issued at A$0.95)	20,000	$0.86	17,205
12 Apr 2010	Options converted (issued at A$0.95)	18,000	$0.86	15,484
16 Apr 2010	Options converted (issued at A$0.95)	225,000	$0.86	193,551
30 Apr 2010	Options converted (issued at A$0.95)	63,900	$0.86	54,969
20 Sep 2010	Issue of ordinary shares fully paid (issued at A$1.60)	48,896,905	$1.45	70,842,051
21 Sep 2010	Issue of ordinary shares fully paid (Canada) (issued at C$1.52)	6,177,500	$1.45	8,949,989
25 Oct 2010	Issue of ordinary shares fully paid (issued at A$1.60)	4,784,558	$1.57	7,510,761
25 Oct 2010	Issue of ordinary shares fully paid (issued at A$1.60)	3,439,342	$1.57	5,399,052
26 Oct 2010	Issue of ordinary shares fully paid (issued at A$1.60)	54,627,707	$1.57	85,754,137
26 Oct 2010	Issue of ordinary shares fully paid (Canada) (issued at C$1.52)	6,472,500	$1.57	10,160,479
	Closing balance	**491,561,237**		**691,117,683**
Less:	Share issue costs - current period			(9,845,890)
				681,271,793

Movement in share capital for the period ended 31 December 2009

	ORDINARY SHARES	NUMBER OF SHARES	ISSUE PRICE US$	US$
1 Jul 2009	Opening balance	287,886,375		350,208,283
9 Jul 2009	Options converted (issued at A$0.95)	300,000	$0.79	237,312
5 Aug 2009	Issue of ordinary shares fully paid (issued at A$2.35)	21,500,000	$1.96	42,070,768
17 Aug 2009	Issue of ordinary shares fully paid (Canada) (issued at A$2.35)	21,500,000	$1.96	42,070,768
20 Aug 2009	Options converted (issued at A$0.95)	100,000	$0.79	79,104
30 Sep 2009	Issue of ordinary shares fully paid (issued at A$2.35)	3,500,000	$1.96	6,848,730
6 Oct 2009	Issue of ordinary shares fully paid (issued at A$2.35)	3,500,000	$2.14	7,490,142
19 Nov 2009	Options converted (issued at A$0.95)	8,000	$0.87	6,921
21 Dec 2009	Issue of ordinary shares fully paid (issued at A$2.30)	16,400,000	$2.09	34,349,928
	Closing balance	**354,694,375**		**483,361,956**
Less:	Share issue costs - current period			(6,337,959)
				477,023,997

Options on issue at 31 December 2010

EXERCISE PRICE A$	EXERCISE PRICE US$	EXPIRY DATE	NUMBER OF OPTIONS
A$5.60	US$4.75	23 Feb 2011	1,800,000
A$6.20	US$5.25	30 Jun 2011	1,400,000
A$6.20	US$5.52	7 Sep 2011	300,000
A$6.20	US$5.85	31 Dec 2011	350,000
A$6.20	US$5.51	11 Sep 2012	300,000
A$8.89	US$8.00	31 Dec 2012	5,000,000
A$3.00	US$2.02	7 Jul 2013	3,000,000
A$3.00	US$2.73	7 Jul 2013	750,000
A$3.00	US$2.50	30 Jun 2014	400,000
Balance			**13,300,000**

Options on issue at 31 December 2009

EXERCISE PRICE A$	EXERCISE PRICE US$	EXPIRY DATE	NUMBER OF OPTIONS
A$0.95	US$0.71	30 Apr 2010	400,900
A$5.60	US$4.75	23 Feb 2011	1,800,000
A$6.20	US$5.25	30 Jun 2011	1,400,000
A$6.20	US$5.52	7 Sep 2011	300,000
A$6.20	US$5.85	31 Dec 2011	350,000
A$6.20	US$5.51	11 Sep 2012	300,000
A$8.89	US$8.00	31 Dec 2012	5,000,000
A$3.00	US$2.02	7 Jul 2013	3,000,000
A$3.00	US$2.73	7 Jul 2013	750,000
A$3.00	US$2.50	30 Jun 2014	400,000
Balance			**13,700,900**

26 Reserves

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Share based payments reserve	13,180	11,904	10,029
Translation reserve	86,808	56,248	9,817
Hedge reserve	(101,024)	(17,967)	20,794
	(1,036)	**50,185**	**40,640**
RECONCILIATION OF MOVEMENT IN RESERVES			
Share based payments reserve			
Balance at beginning of period	11,904	10,029	3,492
Equity-settled share based payment transactions	1,276	1,875	6,537
Balance at period end	**13,180**	**11,904**	**10,029**
Translation reserve			
Balance at beginning of period	56,248	9,817	53,773
Effect of translation of foreign currency operations to Group presentation currency	30,560	46,431	(43,956)
Balance at period end	**86,808**	**56,248**	**9,817**
Hedge reserve			
Balance at beginning of period	(17,967)	20,794	-
Effective portion of changes in fair value of cash flow hedges	(86,696)	(38,761)	20,794
Net change in fair value of cash flow hedges transferred to profit or loss	3,639	-	-
Balance at period end	**(101,024)**	**(17,967)**	**20,794**

Share based payments reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group where the functional currencies are different to the presentation currency for reporting purposes, including the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Hedge reserve

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

27 Financial instruments

FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments.

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

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

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

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

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's hedge counterparties and banks.

For the Company, the exposure to credit risk is influenced by characteristics of the customers. During the financial year, all of the Company's sales revenue was to a large mining company located in Brazil. Management limits its credit exposure by ensuring that the customer abides by the offtake agreement, which stipulates in the payment terms that 90% of the invoice value is settled 15 days after the month of sale and 10% of the invoice is settled within 15 days of presentation of the final invoice.

The Group has limited its exposure to credit risk by investing and transacting with banks that hold investment grade credit ratings.

Exposure to credit risk

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

Carrying Amount

	NOTE	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Current derivative assets	17	15,774	6,928	-
Non-current derivative assets	17	6,886	9,095	41,201
Trade and other receivables (excludes prepayments)	15	33,647	9,839	726
Cash and cash equivalents	14	102,134	53,027	34,155

Liquidity risk

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

As the Group is primarily engaged in the operation of the Santa Rita Project, the Group will continue to have a negative operating cash flow until the Santa Rita Project itself becomes cash flow positive. If the Group exhausts its cash reserves prior to the Santa Rita Project becoming cash flow positive, the Group 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 Group prepares detailed models as part of its system of budget planning, which are used to predict liquidity needs and to support the Company's funding activities. The progress of the ramp-up of production and subsequent successful operation of the Santa Rita Project are measured on a regular basis so as to determine the cash spent to date and the forecast cash requirement. Liquidity risk is managed by monitoring the actual and forecast cash flows for the Group, including operational costs, debt service obligations and working capital requirements.

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

31 DECEMBER 2010 US$000	CARRYING AMOUNT	CONTRACTUAL CASH (OUT)/ IN FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Secured bank loans	147,651	(180,271)	(5,261)	(5,069)	(54,942)	(114,999)	-
Secured offtaker loans	81,641	(86,192)	(2,955)	(4,940)	(69,179)	(9,118)	-
Finance lease liabilities	33,234	(36,827)	(5,107)	(4,646)	(9,046)	(18,028)	-
Trade and other payables	32,660	(32,660)	(32,660)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	4,394	(7,574)	(1,555)	(1,393)	(2,159)	(2,467)	-
Metal call options	45,736	(46,184)	(18,273)	(15,741)	(12,170)	-	-
Nickel and copper hedges	129,923	(132,820)	(29,697)	(14,668)	(37,137)	(51,318)	-
Options derivative	1,013	-	-	-	-	-	-
	476,252	**(522,528)**	**(95,508)**	**(46,457)**	**(184,633)**	**(195,930)**	**-**

31 DECEMBER 2009 US$000	CARRYING AMOUNT	CONTRACTUAL CASH (OUT)/ IN FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Secured bank loans	184,198	(231,016)	(6,467)	(6,230)	(49,127)	(139,435)	(29,757)
Secured offtaker loans	101,543	(110,829)	(18,622)	(15,500)	(34,313)	(42,394)	-
Finance lease liabilities	35,916	(40,720)	(3,877)	(4,359)	(8,467)	(24,017)	-
Trade and other payables	35,480	(35,480)	(35,480)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	2,180	(10,003)	(810)	(1,620)	(2,948)	(4,625)	-
Metal call options	34,812	(59,393)	-	(15,741)	(31,482)	(12,170)	-
Nickel and copper hedges	34,358	(38,260)	-	(4,846)	(7,355)	(26,059)	-
Options derivative	2,386	-	-	-	-	-	-
	430,873	**(525,701)**	**(65,256)**	**(48,296)**	**(133,692)**	**(248,700)**	**(29,757)**

1 JULY 2009 US$000	CARRYING AMOUNT	CONTRACTUAL CASH (OUT)/ IN FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities							
Secured bank loans	161,028	(223,928)	-	(13,892)	(29,183)	(126,032)	(54,821)
Secured offtaker loans	94,592	(113,844)	(9,218)	(12,364)	(37,862)	(54,400)	-
Finance lease liabilities	5,148	(7,221)	(869)	(777)	(1,512)	(4,063)	-
Trade and other payables	46,816	(46,816)	(46,816)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	683	(478)	-	(513)	(1,112)	1,147	-
Metal call options	17,052	19,796	-	-	9,043	10,753	-
Foreign exchange - forward contracts	3,058	7,351	-	(54)	3,615	3,790	-
Options derivative	1,773	-	-	-	-	-	-
	330,149	**(365,140)**	**(56,903)**	**(27,600)**	**(57,011)**	**(168,805)**	**(54,821)**

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

31 DECEMBER 2010 US$000	CARRYING AMOUNT	EXPECTED CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Nickel and copper hedges	(129,923)	(132,820)	(29,697)	(14,668)	(37,137)	(51,318)	-
Foreign exchange - forward contracts	22,660	37,153	13,385	13,574	7,555	2,639	-
	(107,263)	**(95,667)**	**(16,312)**	**(1,094)**	**(29,582)**	**(48,679)**	**-**

31 DECEMBER 2009 US$000	CARRYING AMOUNT	EXPECTED CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Nickel and copper hedges	(34,358)	(38,260)	-	(4,846)	(7,355)	(26,059)	-
Foreign exchange - forward contracts	16,023	17,888	5,738	5,898	7,309	(1,057)	-
	(18,335)	**(20,372)**	**5,738**	**1,052**	**(46)**	**(27,116)**	**-**

1 JULY 2009 US$000	CARRYING AMOUNT	EXPECTED CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Nickel and copper hedges	41,201	45,240	-	-	12,334	32,906	-
Foreign exchange - forward contracts	(3,058)	7,351	-	(54)	3,615	3,790	-
	38,143	**52,591**	**-**	**(54)**	**15,949**	**36,696**	**-**

Market risk

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

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

In 2009, the Company and the Group entered into the foreign exchange forward contracts to mitigate the impact of movement of the Brazilian Real (R$) against the US$ on its investment in the Santa Rita Project; R$ being the denomination currency for most of the Group's trade payables.

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 against sales to mitigate the impact of currency volatility of operating costs (by protecting against an adverse strengthening of the BRL against the USD) over the repayment period of the USD denominated Senior Loan. As at 31 December 2010, the Group had therefore entered into forward contracts to sell US$98.530 million/ buy R$ at an average R$/US$ exchange rate of 2.20 over the period January 2011 to July 2013 (refer note 17).

To mitigate the interest rate risk in respect of the US$152 million Senior Loan, the Group has entered into a US$100 million interest rate swap arrangement. The interest rate swap amortises proportionally as the outstanding loan principal is repaid.

Exposure to currency risk

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

31 DECEMBER 2010	NOTE	US$000	R$000	A$000	C$000	TOTAL
Cash	14	25,459	16,437	60,130	108	102,134
Trade and other receivables	15	2,710	30,591	346	-	33,647
Loans and finance leases	22	(235,633)	(26,893)	-	-	(262,526)
Trade and other payables	20	-	(29,557)	(3,103)	-	(32,660)
Balance sheet exposure		(207,464)	(9,422)	57,373	108	(159,405)
Foreign exchange - forward contracts		98,531	-	-	-	98,531

31 DECEMBER 2009	NOTE	US$000	R$000	A$000	C$000	TOTAL
Cash	14	25,071	10,339	17,596	21	53,027
Other receivables	15	-	9,359	480	-	9,839
Loans and finance leases	22	(270,453)	(51,204)	-	-	(321,657)
Trade and other payables	20	-	(33,388)	(2,092)	-	(35,480)
Balance sheet exposure		(245,382)	(64,894)	15,984	21	(294,271)
Foreign exchange - forward contracts		158,862	-	-	-	158,862

1 JULY 2009	NOTE	US$000	R$000	A$000	C$000	TOTAL
Cash	14	25,749	6,934	1,213	259	34,155
Other receivables	15	-	176	550	-	726
Loans and finance leases	22	(215,330)	(45,438)	-	-	(260,768)
Trade and other payables	20	-	(44,450)	(2,366)	-	(46,816)
Balance sheet exposure		(189,581)	(82,778)	(603)	259	(272,703)
Foreign exchange - forward contracts		120,011	-	-	-	120,011

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

	AVERAGE RATE			REPORTING DATE SPOT RATE		
	TWELVE MONTHS ENDED 31 DECEMBER 2010	SIX MONTHS ENDED 31 DECEMBER 2009	TWELVE MONTHS ENDED 30 JUNE 2009	TWELVE MONTHS ENDED 31 DECEMBER 2010	SIX MONTHS ENDED 31 DECEMBER 2009	TWELVE MONTHS ENDED 30 JUNE 2009
R$	1.7581	1.7983	2.0480	1.6662	1.7464	1.9406
A$	1.0869	1.1468	1.3399	0.9825	1.1150	1.2324
C$	1.0299	1.0755	1.1584	0.9977	1.0530	1.1554

Sensitivity analysis

A 10 percent strengthening of the US dollar against the following currencies at 31 December would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the periods ended 31 December 2009 and 1 July 2009.

US$000	EQUITY	PROFIT/(LOSS)
31 December 2010		
R$	-	856
A$	-	(5,216)
C$	-	(10)
31 December 2009		
R$	(14,442)	5,899
A$	-	(1,453)
C$	-	(2)
1 July 2009		
R$	10,910	7,525
A$	-	55
C$	-	24

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

INTEREST RATE RISK

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

CARRYING AMOUNT US$000	31 DECEMBER 2010	31 DECEMBER 2009	1 JULY 2009
Variable rate instruments			
Financial assets	102,134	53,027	34,155
Financial liabilities	(262,526)	(321,657)	(267,867)
	(160,392)	**(268,630)**	**(233,712)**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the period ended 31 December 2009 and 30 June 2009.

	PROFIT/(LOSS)		EQUITY	
US$000	100BP INCREASE	100BP DECREASE	100BP INCREASE	100BP DECREASE
31 December 2010				
Variable rate instruments	(1,604)	1,604	-	-
Cash flow sensitivity (net)	**(1,604)**	**1,604**	**-**	**-**
31 December 2009				
Variable rate instruments	(2,686)	2,686	-	-
Cash flow sensitivity (net)	**(2,686)**	**2,686**	**-**	**-**
1 July 2009				
Variable rate instruments	(2,337)	2,337	-	-
Cash flow sensitivity (net)	**(2,337)**	**2,337**	**-**	**-**

FAIR VALUES

Fair values versus carrying amounts

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

CONSOLIDATED		31 DECEMBER 2010		31 DECEMBER 2009		1 JULY 2009	
US$000	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Derivative liabilities - options and swaps	17	(50,130)	(50,130)	(36,992)	(36,992)	(17,735)	(17,735)
Trade and other receivables	15	33,647	33,647	9,839	9,839	726	726
Cash and cash equivalents	14	102,134	102,134	53,027	53,027	34,155	34,155
Nickel and copper hedges	17	(129,923)	(129,923)	(34,358)	(34,358)	41,201	41,201
Foreign exchange - forward contracts	17	22,660	22,660	16,023	16,023	(3,058)	(3,058)
Secured bank loans	22	(147,651)	(152,275)	(184,198)	(189,778)	(161,028)	(165,941)
Secured offtaker loans	22	(81,641)	(82,249)	(101,543)	(104,305)	(94,592)	(97,960)
Finance lease liabilities	22	(33,234)	(33,906)	(35,916)	(36,782)	(5,148)	(6,123)
Trade and other payables	20	(32,660)	(32,660)	(35,480)	(35,480)	(46,816)	(46,816)
		(316,798)	**(322,702)**	**(349,598)**	**(358,806)**	**(252,295)**	**(261,550)**

The basis for determining fair values is disclosed in note 5.

CAPITAL MANAGEMENT

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

The capital base is considered to include the total equity plus borrowings of the Group, which as at 31 December 2010, stood at US$881.861 million. In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of the gearing ratio on the ability of the Group to service loan interest and repayment schedules, lending facility compliance ratios and also to generate adequate free cash available for corporate and exploration activities. The debt to equity ratio was 42% as at 31 December 2010 (31 December 2009: 63%; 30 June 2009: 69%).

The payment of dividends from the subsidiary Mirabela Mineração do Brasil Ltda, which owns the Santa Rita Project assets, is subject to conditions under the terms of the Senior Loan agreement (refer note 22), and consequently the ability of the Company to pay dividends is subject to restriction. In addition, for the duration of a defined Completion Period for the Santa Rita Project, the Company is subject to certain covenants, restrictions and other obligations which include limitations on (i) encumbering assets, (ii) disposals of assets, (iii) incurring additional indebtedness, (iv) material change of business, merger, acquisition or similar corporate reorganisation, (v) maintaining a required contingency cash balance of US$25 million, and (vi) maintaining a tangible net worth of US$200 million.

28 Capital and other commitments

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Operating lease commitments			
Non-cancellable operating lease rentals:			
Within one year	687	587	531
One year or later and no later than five years	3,110	2,656	2,400
Greater than five years	-	374	645
	3,797	**3,617**	**3,576**
Exploration expenditure commitments			
Commitments for rental fees under exploration licence agreements:			
Within one year	4,898	261	85
	4,898	**261**	**85**
Contractual, capital and operating commitments			
Contracted but not provided for and payable:			
Within one year	83,716	66,873	43,765
One year or later and no later than five years	141,703	20,656	-
	225,419	**87,529**	**43,765**

29 Contingent liabilities

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

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Contingent liabilities considered remote:			
Compensation payable to CBPM[(a)] if the Company's acts or omissions result in the loss of mineral rights.	300	285	258
Penalty payable upon termination of the mining lease.	900	285	258
	1,200	**861**	**779**

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

30 Reconciliation of cash flows from operating activities

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Cash flows from operating activities		
(Loss)/profit for the year	(47,618)	960
Adjustments for:		
Depreciation and amortisation expense	35,644	1,449
Equity-settled share based payments expense	1,276	1,784
Operating (loss)/profit before changes in working capital	**(10,698)**	**4,193**
Increase in trade and other receivables	(29,756)	(8,140)
Increase in inventories	(34,509)	-
Decrease in trade and other payables	(18,206)	(8,934)
Increase in other liabilities	20,347	6,284
(Decrease)/increase in provisions	(1,667)	688
Net cash used in operating activities	**(74,489)**	**(5,909)**

During the year ended 31 December 2010, the Company leased mobile equipment through Caterpillar Financial Services Corporation. The leased component (non-cash) was 90% of the equipment value totalling US$3.429 million.

31 Consolidated entities

			OWNERSHIP INTEREST		
NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	TWELVE MONTHS ENDED 31 DECEMBER 2010 %	SIX MONTHS ENDED 31 DECEMBER 2009 %	TWELVE MONTHS ENDED 30 JUNE 2009 %
PARENT ENTITY					
Mirabela Nickel Limited	Australia	Ordinary			
SUBSIDIARIES					
Mirabela Mineração do Brasil Ltda	Brazil	Ordinary	100	100	100
Mirabela Investments Pty Ltd	Australia	Ordinary	100	100	100
EGF Nickel Pty Ltd	Australia	Ordinary	100	100	100

32 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2010 the parent entity of the Group was Mirabela Nickel Limited.

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Result of parent entity		
Loss for the year	(40,142)	(30,275)
Other comprehensive income	78,692	41,928
Total comprehensive income/(expense) for the period	**38,550**	**(11,653)**

	31 DECEMBER 2010 US$000	31 DECEMBER 2009 US$000	1 JULY 2009 US$000
Financial position of parent entity at period end			
Current assets	61,155	18,267	2,747
Total assets	724,368	480,660	339,964
Current liabilities	3,222	2,214	2,475
Total liabilities	4,234	4,600	4,248
Total equity of the parent entity comprising of:			
Contributed equity	681,272	477,024	350,208
Translation reserve	135,315	56,623	10,029
Share based payments reserve	13,180	11,904	14,695
Accumulated losses	(109,633)	(69,491)	(39,216)
	720,134	**476,060**	**335,716**

Parent entity capital and other commitments

	TWELVE MONTHS ENDED 31 DECEMBER 2010 US$000	SIX MONTHS ENDED 31 DECEMBER 2009 US$000
Operating lease commitments		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	687	587
One year or later and no later than five years	3,110	2,656
Greater than five years	-	374
	3,797	**3,617**

33 Subsequent events

Since the end of the financial year, the Group is not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly or may significantly affect the operations of the Group and the results of those operations or the state of affairs.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

ASX Recommendations

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

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

The statement is structured with reference to the ASX Recommendations.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board

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

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

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

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

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

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

Performance

The performance criteria against which Directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire. As Mirabela has commenced commercial production the Board determined that it would be in the best interest of the Company to enhance the competency of the Board by appointing Directors that have production and commercial experience to complement the current expertise on the Board. The Board reviewed its current composition and appointed Mr Handley and Mr McCubbing as new Directors, whilst Mr Hamilton resigned from the Board. Mr Hamilton's resignation was not performance related.

Performance evaluation of senior executives

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

Principles of compensation

Principles of compensation are set out in the remuneration report in section 3 in the Director's Report.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

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

The Company is currently engaged in the mining, production and sale of nickel concentrate from the Santa Rita Operation. The critical skills required by the Board in pursuing the Company's business plan at this stage of its development include expert geological exploration and evaluation skills, operational management skills, financial and commercial management skills and experience in financial markets. In addition, each Director is charged with having a thorough understanding of, and responsibility for, the protection of the rights of the Company and its shareholders.

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

Board composition

The Board currently comprises of seven Directors.

Chairman

The Chairman is appointed by the Directors and is responsible for chairing Board meetings and Company meetings, providing leadership to the Board and the Company, ensuring there are procedures and processes in place to evaluate the Board and its committees and individual Directors and that such evaluations are conducted. The Board decided that the Chairman of the Board will also assume the role as Chairman of the Remuneration and Nomination Committee.

Mr Burton is a founding Director and shareholder of the Company and was appointed as Executive Chairman on 4 December 2009. Mr Burton was appointed Non-executive Chairman on 1 January 2011 and Chairman of the Remuneration and Nomination Committee on 15 February 2011.

Due to his previous role in an executive capacity with the Company as a Director, the Chairman is not independent in terms of the ASX Corporate Governance Council's definition of an independent director and will not be considered independent for a period of 3 years. The Company is accordingly not in compliance with ASX Recommendation 2.2, in that the Chairman is not independent. However, the Board believes the Chairman brings quality and independent judgement to relevant issues falling within the scope of the role of a Chairman.

Director independence

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

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

The Company has four independent Non-executive Directors being Mr Clough, Mr Sheard, Mr Handley and Mr McCubbing, which constitutes a majority of the Board of seven Directors. Accordingly, the Company is in compliance with ASX Recommendation 2.1.

Mr Steyn is not independent within the ASX definition due to his association with Lancaster Park which holds a 6.12% shareholding in the Company and Mr Burton is not independent due to previously being employed by the Company in an executive capacity. Mr Purdy is not independent due to being a current executive of the Company in the role of Managing Director of the Company.

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

Retirement & re-election

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

Performance evaluation of Directors

As a result of the Board's process to review its performance, the composition of the Board was enhanced by the appointment of Mr Handley and Mr McCubbing.

Remuneration and Nomination Committee

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

The Remuneration and Nomination Committee comprises three Non-executive Directors, Mr Burton (Committee Chairman), Mr Steyn and Mr Handley.

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

In relation to the Board process for the selection and appointment of Directors, a whole of Board performance review was undertaken which included engaging an external consultant to recruit additional Board members.

The Committee is scheduled to meet at least annually and met once during the year. In accordance with the Constitution, all new appointees to the Board are subject to election at the Annual General Meeting following their appointment.

Professional advice

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

Terms, induction and Director education

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

Remuneration

Details of Directors' remuneration are set out in Section 3.2 of the Directors' Report.

Board meetings

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

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

Code of Conduct

The Company has adopted a Code of Conduct that sets out the standards of ethical behaviour required of the Board, senior executives and all employees. The Code of Conduct is posted to the corporate governance section of the Company's website. The Company's subsidiary in Brazil, Mirabela Mineração do Brasil Ltda has adopted a Code of Conduct that is closely aligned with that of the Company.

Securities trading policy

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

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

- whilst in possession of unpublished price sensitive information;
- where Designated Persons (as that term is defined in the Securities Trading Policy) are engaging in the business of active trading in the Company's shares;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or full year results to the ASX, TSX and Applicable Canadian Securities Regulator; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a Designated Person is applying for securities pursuant to that disclosure document.

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

The Securities Trading Policy was updated in December 2010 and is posted to the corporate governance section of the Company's website.

Conflict of interest

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

Health, safety, community, environment and heritage protection policy

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

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Audit Committee

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

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

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

The Audit Committee comprises three Non-executive Directors, Mr McCubbing, (Committee Chairman), Mr Steyn and Mr Sheard. The Audit Committee meets at least four times a year.

Mr McCubbing has over 13 years experience working with ASX-listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in industrial and mining companies.

Mr Sheard has a long history of involvement in the mineral exploration and development industry. In particular, in Mr Sheard's previous role as a Director, as a VP Exploration of Inco and as a senior management executive, Mr Sheard had responsibility for, and oversight of, the financial management and reporting of estimates, accruals and reserves and with the internal control environments.

Mr Steyn was formerly President and Chief Executive Officer of LionOre International Ltd (1999 – June 2007) and has extensive experience in raising funds for businesses and dealing with mergers and acquisitions.

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

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

The Audit Committee recommended to the Board that the financial reports for the period ended 31 December 2010 be approved. The Board has approved the Company's financial reports for the period ended 31 December 2010 and authorised a statement that they present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure Policy

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Communication with shareholders

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

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

Information is communicated to shareholders as follows:

- the Annual Report is distributed to shareholders who request a copy, including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- all ASX announcements (including financial reports and quarterly reports) are posted to the Company's website as soon as practicable following release; and
- all TSX reports including quarterly Management's Discussion and Analysis reports and the Annual Information Form are lodged in accordance with Canadian legislation and are available on SEDAR (www.sedar.com).

Website

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

Meetings

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

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

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

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

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

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

Internal control framework

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

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

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

Audit and compliance

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee

As noted in Principle 2 – Structure the Board to add value, the Company has established a Remuneration and Nomination Committee.

Remuneration policy and review

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

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

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the remuneration report in section 3 of the Directors' Report.

In relation to the payment of bonuses, options, performance rights and other incentive payments to executives, the Remuneration and Nomination Committee considers the overall performance of the Company and the performance of the individual during the period and recommends to the Board the incentive payments payable to executives in accordance with the Short-Term and Long-Term Incentive Plans.

Non–executive Directors' remuneration

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

ASX Recommendation 8.2 contains guidelines that Non-executive Directors' remuneration should be different to that of executives, should normally be remunerated by fixed fees and not receive options or bonus payments. The Company is in compliance with this Recommendation. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-executive Directors.

SHAREHOLDER INFORMATION

EXCHANGE LISTING

Mirabela Nickel Limited shares are listed on the Australian Securities Exchange (ASX). The Company's ASX code is MBN. The Company is also listed on the Toronto Stock Exchange (TSX). The TSX code is MNB.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 22 March 2011

NAME OF SHAREHOLDER	TOTAL NUMBER OF VOTING SHARES IN MIRABELA NICKEL LIMITED IN WHICH THE SUBSTANTIAL SHAREHOLDER AND ASSOCIATES HOLD RELEVANT INTERESTS PERCENTAGE OF TOTAL NUMBER OF VOTING SHARES	PERCENTAGE OF TOTAL NUMBER OF VOTING SHARES
Perpetual Limited and Subsidiaries	31,222,968	6.35%
Lancaster Park SA	30,095,997	6.12%

CLASS OF SHARES AND VOTING RIGHTS

At 22 March 2011 there were 2,647 holders of 491,561,237 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's constitution being that:

a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS

RANGE	HOLDERS	UNITS	PERCENTAGE
1-1000	705	322,310	0.07%
1,001-5,000	815	2,449,505	0.50%
5,001-10,000	521	3,966,209	0.81%
10,001-100,000	538	12,866,397	2.62%
100,001 and over	68	471,956,816	96.00%
Total	**2,647**	**491,561,237**	100.00%

The number of shareholders holding less than a marketable parcel is 269.

SHAREHOLDER INFORMATION

UNLISTED OPTIONS

SECURITIES	NUMBER OF SECURITIES ON ISSUE	NUMBER OF HOLDERS	NUMBER OF HOLDERS HOLDING MORE THAN 20%	NUMBER HELD
Options exercisable at A$6.20 on or before 30 June 2011	1,400,000	13	-	-
Options exercisable at A$6.20 on or before 7 September 2011	300,000	2	Mr Stuart Nicholas Sheard Mr Joseph Hamilton	150,000 150,000
Options exercisable at A$6.20 on or before 31 December 2011	350,000	3	Mr Edward John Anthony Knoblauch Mr Mark Richard Harris Arundell	200,000 100,000
Options exercisable at A$6.20 on or before 11 September 2012	300,000	2	Mr Adriano Viana Espeschit Mr Trevor Campbell Mulroney	200,000 100,000
Options exercisable at US$8.00 on or before 31 December 2012	5,000,000	1	Norilsk Nickel Harjavalta	5,000,000
Options exercisable at A$3.00 on or before 7 July 2013	3,000,000	2	Credit Suisse International Barclays Bank PLC	1,500,000 1,500,000
Options exercisable at A$3.00 on or before 7 July 2013	750,000	1	WestLB AG	750,000
Options exercisable at A$3.00 on or before 30 June 2014	400,000	2	Mr Bryan Hyde Mrs Susan Ann Hyde	200,000 200,000

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 22 MARCH 2011

	NAME OF ORDINARY SHAREHOLDER	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
1	Canadian Control Account	172,488,097	35.09%
2	J P Morgan Nominees Australia Limited (NSW)	64,149,657	13.05%
3	National Nominees Limited	57,172,793	11.63%
4	HSBC Custody Nominees (Australia) Limited	32,685,663	6.65%
5	Citicorp Nominees Pty Limited	21,567,707	4.39%
6	RBC Dexia Investor Services Australia Nominees Pty Limited	21,494,625	4.37%
7	J P Morgan Nominees Australia Limited (VIC)	19,863,361	4.04%
8	Bond Street Custodians Limited	13,748,060	2.80%
9	Cogent Nominees Pty Limited	13,242,158	2.69%
10	UBS Nominees Pty Ltd	9,240,773	1.88%
11	W M Clough Pty Ltd	6,000,000	1.22%
12	Craig Ian Burton	5,288,561	1.08%
13	Lancaster Park SA	3,895,997	0.79%
14	Queensland Investment Corporation	2,728,882	0.56%
15	Australian Reward Investment Alliance	2,701,700	0.55%
16	Dundee Resources Limited	2,200,000	0.45%
17	Mrs Claire Louise Poll & Mr Nicholas John Poll	2,000,000	0.41%
18	Katrina Lee Burton	2,000,000	0.41%
19	AMP Life Limited	1,901,789	0.38%
20	CS Fourth Nominees Pty Ltd	1,830,042	0.37%
		456,199,865	**92.81%**

OTHER INFORMATION

There is no current on-market buyback of the Company's securities and the Company does not have any securities on issue that are subject to escrow restriction.

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Corporate directory

BOARD OF DIRECTORS

Craig Burton
Non-executive Chairman

Ian Purdy
Chief Executive Officer & Managing Director

William Clough
Non-executive Director

Geoffrey Handley
Non-executive Director

Ian McCubbing
Non-executive Director

Nicholas Sheard
Non-executive Director

Colin Steyn
Non-executive Director

COMPANY SECRETARY

Christiaan Els

REGISTERED OFFICE

Level 21, Allendale Square
77 St Georges Terrace
Perth WA 6000

PO Box Z5184
St Georges Terrace
Perth WA 6831

Phone: +61 8 9324 1177
Fax: +61 8 9324 2171
Email: info@mirabela.com.au
Website: www.mirabela.com.au

BRAZIL OFFICE

Mirabela Mineração do Brasil Ltda
Rua Antônio de Albuquerque, 166, 13º andar
Funcionários
30112-010 Belo Horizonte, MG - Brasil

Phone: +55 31 3307 0902
Fax: +55 31 3307 0901

STOCK EXCHANGE LISTINGS

Australian Securities Exchange
(ASX code: MBN)

Toronto Stock Exchange
(TSX code: MNB)

SHARE REGISTRY (AUSTRALIA)

Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009

PO Box 1156
Nedlands WA 6909

Phone: +61 8 9389 8033
Fax: +61 8 9389 7871
Email: admin@advancedshare.com.au
Website: www.advancedshare.com.au

SHARE REGISTRY (CANADA)

Equity Financial Trust Company
200 University Avenue, Suite 400
Toronto ON M5H 4H1
Canada

Phone: +1 416 361 0152
Fax: +1 416 361 0470
Email: investor@equityfinancialtrust.com
Website: www.equityfinancialtrust.com

COMPANY AUDITORS

KPMG
235 St Georges Terrace
Perth WA 6000 Australia

Phone: +61 8 9263 7171
Fax: +61 8 9263 7129
Website: www.kpmg.com.au

www.mirabela.com.au