MIRABELA NICKEL LTD

ABN 23 108 161 593

Condensed Consolidated Interim Financial Report

For the half-year ended 30 June 2011

Incorporating Appendix 4D

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

CONTENTS

Reporting Period

The reporting period is the half-year ended 30 June 2011. The previous corresponding period is 30 June 2010.

Results for announcement to the market

		% change		30-Jun-11 US$000
Revenue from ordinary activities	Up	31%	To	**123,562**
Loss from ordinary activities after tax	Up	112%	To	**(37,243)**
Loss attributable to equity holders	Up	112%	To	**(37,243)**

No dividend was paid or proposed during the half-year ended 30 June 2011 (half-year ended 30 June 2010: Nil).

The Santa Rita Operation incurred a gross loss for the period of $16.046 million (30 June 2010: gross profit of $0.523 million) and a net loss for the period of $37.243 million (30 June 2010: net loss of US$17.545 million). Sales generated comprised 5,993 tonnes of nickel and 1,930 tonnes of copper, contributing to gross sales of $123.562 million, offset by treatment, refining and transport charges of $23.046 million and cost of sales of $116.562 million. The Company's net loss of $37.243 million for the period was primarily driven by financing costs, general & administration and other expenses, offset by favourable exchange movements.

Net tangible assets

The net tangible assets per ordinary share for the half-year ended 30 June 2011 was $1.34 (30 June 2010: $1.69).

Investments in controlled entities

During the period, there were no changes in control over Group entities.

Wholly owned subsidiaries of Mirabela Nickel Limited included the following:

- Mirabela Mineração do Brasil Ltda
- Mirabela Investments Pty Ltd
- EGF Nickel Pty Ltd

Mirabela Nickel Limited owns 100% of the Santa Rita nickel sulphide project in Bahia, Brazil, which is the Group's principal revenue-generating asset.

Investments in associates and joint ventures

Mirabela Nickel Limited does not have any interests in associates or joint venture entities.

Audit review and accounting standards

The report is based on the condensed consolidated interim financial report that has been subjected to a review by the Company's auditor. All entities incorporated into the consolidated Group's results were prepared under IFRS.

Directors' report

The Directors of the Company present their report, together with the condensed consolidated interim financial report of Mirabela Nickel Limited ('the Company'), for the half-year ended 30 June 2011.

Directors

The Directors of the Company at any time during, or since the end of the half-year are, unless otherwise stated:

Craig Burton	Non-Executive Chairman
Ian Purdy	Chief Executive Officer & Managing Director
William Clough	Non-executive Director
Geoffrey Handley	Non-executive Director (appointed 1 January 2011)
Ian McCubbing	Non-executive Director (appointed 1 January 2011)
Nicholas Sheard	Non-executive Director
Colin Steyn	Non-executive Director

Operating and financial review

Mirabela Nickel Limited 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 Australian Securities Exchange under the symbol "MBN" and on the Toronto Stock Exchange under the symbol "MNB".

Mirabela's principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil, discovered by Mirabela in 2004 and brought into commercial production in 2010. Mirabela also has a portfolio of prospective nickel targets in Brazil, including an underground mineral resource at Santa Rita.

OPERATING REVIEW

Ramp up of the Santa Rita operation continued during the six month period ended 30 June 2011. The primary focus for 2011 is the completion of the open pit pre-strip, which has now been achieved, and the upgrade of the processing plant to 7.2 Mtpa, which is currently ahead of schedule.

During the six month period, Mirabela published an updated NI 43-101 Independent Expert Technical Report, which is available on the company's website and on SEDAR. For 2011, Mirabela is targeting between 15,500 and 16,500 tonnes of nickel in concentrate. The lower end of the range is due to lower nickel grades at the top of the central zone ore contact, with the upper end of the range possible due to the accelerated plant upgrade schedule.

Safety

Since commencing operations, Santa Rita's strong commitment to safety has continued. Two LTI's occurred during the six month period. The 12 month moving average Lost Time Injury Frequency Rate was 0.85 at the end of the period. The implementation of safety training and safety improvement programmes is continuing.

Mining

Mirabela achieved another solid mining performance with 18.1 million tonnes of material movement during the six month period to 30 June 2011. A total of 2,270,550 tonnes of ore was mined at an average nickel grade of 0.48% and a strip ratio of 7:1. This is expected to fall during the second half of the year, as the full strike length of the pit is opened.

As planned, the focus for the period was on waste material movement and pre-stripping in the central zone of the pit in order to open up the full strike length and ensure future mining flexibility. First ore production from the central zone was achieved during March and pre-stripping of the central zone was completed during May and the full strike length of the pit is now open. Steady ore production is now coming from all parts of the open pit with the central zone contributing approximately 30% of the ore feed for May and June. With the completion of the pre-strip in May, June produced record ore production of 455,000 tonnes.

Mirabela strengthened the mining fleet during the period with the arrival of a CAT994 Front End Loader, four Komatsu dozers, and an Atlas Copco L8 drill rig. Equipment availability and utilisation was adversely affected by limited off road tyre supply which saw up to five trucks stood down for a week during May. The situation has now been rectified with the sourcing of adequate tyres for the full fleet. Mirabela continues working with its contractors to improve the drilling performance with the performance improving during June.

Processing

During the six months ended 30 June 2011 a total of 2,364,918 tonnes of ore, grading at an average of 0.47% was milled at an average recovery of 56%. The recovery result for the period was in line with the quality of ore presented to the plant.

Plant performance for the first quarter of 2011 was affected by non-recurring SAG mill motor failures during January and restricted ore production in the mine due to the planned focus on pre-stripping. The second quarter of 2011 achieved a record 1,294,550 tonnes of ore with June recoveries averaging 60% with the improvement in ore feed quality and consistency. A major SAG mill reline was completed in June during scheduled maintenance downtime. Monthly plant shutdowns are occurring to allow for routine maintenance and tie-in work to occur for the plant upgrade project to 7.2Mtpa.

During the period, a total of 6,220 tonnes of contained nickel in concentrate, 2,008 tonnes of contained copper in concentrate, and 118 tonnes of contained cobalt in concentrate were produced.

7.2Mtpa Processing Plant Upgrade

The processing plant upgrade is ahead of schedule and on budget. Installation of the second ball mill is underway, and with the successful installation of the second pebble crusher and Larox filter now complete, the plant is expected to be capable of running at the 7.2Mtpa nameplate during the fourth quarter.

The civil works and the installation of pumps and pipelines for the de-sliming plant are underway. Final detailed engineering for the crusher upgrade is expected during the third quarter. Both of these projects are currently on target to be completed by the end of 2011.

Pre-feasibility work for a further expansion of the open pit and processing plant has commenced. The study is considering an expansion of the open pit ore production and processing plant to 9Mtpa. Findings from the pre-feasibility study are expected to be announced by the end of 2011.

Sale of concentrate

During the six months ended 30 June 2011, a total of 5,993 tonnes of nickel in concentrate was sold to Mirabela's customers, Votorantim Metais Niquel S.A. ("Voto") and Norilsk Nickel Harjavalta OY ("Norilsk"). The first export shipment to Norilsk was completed during the first quarter of 2011 with a further one shipment completed during the second quarter. The next export shipment is expected to be completed during August 2011. Steady deliveries to Votorantim continued throughout the period.

Outlook

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

Exploration

The focus during the six month period ended 30 June 2011 was the ramp-up of the Santa Rita operation. As a result exploration expenditure incurred for the period was the minimum required to maintain the tenements in good standing.

Executive and Board Changes

Mr Geoffrey Handley and Mr Ian McCubbing were appointed as Non-Executive directors of the Company, effective 1 January 2011.

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

FINANCIAL REVIEW

Income statement

The Company recorded a net loss for the six month period ended 30 June 2011 of $37.243 million, representing (US$0.08) per share, in comparison to a net loss for the six month period ended 30 June 2010 of $17.545 million or (US$0.05) per share.

Santa Rita Operation incurred a gross loss for the period of $16.046 million (30 June 2010: gross profit of $0.523 million). Sales generated during the period comprised 5,993 tonnes of nickel in concentrate at an average nickel price of $10.72/lb including realised hedges, and 1,930 tonnes of copper in concentrate at an average copper price of $4.27/lb including realised hedges. This resulted in gross nickel revenue of $105.316 million, copper revenue of $13.738 million, cobalt revenue of $1.986 million, platinum revenue of $1.459 million and other revenue of $1.063 million. Treatment, refining and transport charges associated with the sale of concentrate totalled $23.046 million. Cost of sales for the period of $116.562 million comprised direct costs, royalties and indirect costs. The higher cost of sales during the period is mainly due to a stronger Real / USD exchange rate (period to 30 June 2011: US$1:R$1.63 vs period to 30 June 2010: US$1:R$1.80), as well as increased operational costs reflective of the Company's ramp-up to full production.

The Company's net loss of $37.243 million for the period was mainly driven by cost of sales as discussed above, as well as financing costs, general & administration and other expenses, offset by favourable exchange movements. Net financing costs included interest expense of $18.704 million on long term borrowings. The foreign exchange gain of $7.87 million comprised realised and unrealised movements on the conversion of functional currency on cash held and borrowings. Other expenses of $7.56 million comprised of Brazilian indirect taxes incurred on payout of the Norilsk Nickel loan, exploration expenditure, transaction fees and general expenditure.

Balance sheet

Total assets increased by $108.095 million to $1,228.396 million from 31 December 2010. The increase in total assets was driven by property, plant and equipment ($77.994 million), mainly due to the strengthening of the Real / USD exchange rate during the period from US$1:R$1.67 to US$1:R$1.56 ($59.712 million), together with the Company's continued ramp-up of operations, including strengthening of the mining fleet, upgrade of the processing plant to 7.2Mtpa, and completion of the pre-strip programme. Cash and cash equivalents increased by $15.939 million, associated with the re-financing of the Company's long terms debt during April 2011, together with an increase in trade and other receivables ($23.176 million), and a buildup of broken ore, concentrate and consumable inventories ($13.611 million) associated with the Company's ramp up to full production.

Total liabilities were $567.760 million, an increase of $66.794 million from 31 December 2010. The increase in total liabilities were driven by an increase in borrowings ($141.967 million) associated with the issue of $395 million of 8.75% senior unsecured notes due 2018 ("Notes") during April 2011, offset by the subsequent repayment of the Senior loan, Norilsk and Votorantim loans. This was further offset by a reduction in derivative financial instruments ($83.443 million), due to the termination of nickel and copper call options and interest rate swap, as well as movements in existing nickel and copper forward contracts.

Total equity of $660.636 million increased by $41.301 million from 31 December 2010 mainly due to an increase in reserves of $71.477 million, offset by an increase in accumulated losses of $30.980 million. The increase in reserves was attributable to an increase in the foreign currency translation reserve ($41.730 million) and hedging reserve ($34.909 million) as the Company continues to deliver into the hedge book, offset by a decrease in the share based payments reserve ($5.162 million).

Cash flow

During the six month period, cash and cash equivalents increased by $15.939 million. Included in the cash movement from 31 December 2010 is a positive foreign currency adjustment of $5.546 million on cash held during the period.

Cash outflows from operating activities for the period were $36.120 million. Cash receipts of $135.214 million reflect the sale of 5,993 tonnes of nickel in concentrate, and associated by-products, to Votorantim and Norilsk. This was offset by cash outflows of $173.261 million, driven by higher mining costs (due to off road tyre costs), plant maintenance costs, payments on nickel and copper hedges and call options, together with increased operational costs resulting from the Company's ramp-up to full production.

Net cash outflows from investing activities for the period were $44.784 million, reflecting the strengthening of the mining fleet with the arrival of a CAT994 Front End Loader, four Komatsu dozers and an Atlas Copco drill rig, together with the installation of the second crusher and Larox filter, deferred waste removal costs associated with pre-stripping of the central zone that was completed during May and critical spares.

The net cash inflow from financing activities of $91.297 million mainly reflects proceeds on the issue of the Notes, reduced by the subsequent pay down of Mirabela's senior and subordinated debt facilities, termination of its nickel and copper call options as well as interest rate and foreign exchange hedges.

Financial Position

The Group held cash on hand and on deposit as at 30 June 2011 of $118.073 million, including $25 million held as hedge collateral which will be released upon Companhia Bahiana de Pesquisa Mineral (CBPM) consent for security on the mineral rights being granted to the hedge financiers. In addition, a further $25 million is held as hedge collateral, within non-current receivables.

As at 30 June 2011 the Group has a net working capital surplus of $125.806 million, which includes $33.452 million of net commodity derivative liabilities that will be offset by sales of the underlying commodity. For the period ended 30 June 2011 the Group incurred a loss of $37.243 million. As at 30 June 2011 the Group held net assets of $660.636 million.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The meeting of 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. 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.

Financing

On 15 April 2011, Mirabela Nickel Ltd successfully issued US$395 million of 8.75% senior unsecured notes due 2018 in the international and United States Rule 144A debt capital markets. The notes are guaranteed by Mirabela Investments Pty Limited and Mirabela Mineração do Brasil Ltda.

The net proceeds from the Notes were used as follows:

- repurchasing the outstanding amount ($152.14 million) of the Senior Loan Agreement;
- repayment in full ($24.50 million) of the Votorantim Offtake Prepayment Agreement;
- repayment in full ($56.04 million) of the Norilsk Offtake Loan Agreement;

- $3.24 million for payment of taxes in connection with the repayment of the Norilsk Loan Agreement and the Senior Loan Agreement;
- $16.31 million in pre-payments in connection with the termination of nickel and copper call options, foreign exchange hedges and the interest rate swap;
- $20.89 million in Initial Purchasers' commissions and offering fees and other expenses payable in connection with the offering and termination of derivatives; and
- $121.83 million cash to balance sheet.

Share Capital

As at 30 June 2011 the Company's issued share capital consisted of 491,561,237 ordinary shares, and a balance of 5,100,000 unlisted options and 1,788,276 performance rights were outstanding. There were no changes to the Company's share capital during the six months ended 30 June 2011.

The following options lapsed during the six month period to 30 June 2011:

- 1,800,000 options with an exercise price of US$4.75 (A$5.60) lapsed on 23 February 2011;
- 1,400,000 options with an exercise price of US$5.25 (A$6.20) lapsed on 30 June 2011;

5,000,000 options were cancelled due to repayment of the Norilsk Nickel Loan on 20 April 2011

Subsequent events

As at 12 August 2011, there are no material subsequent events to report after 30 June 2011.

Comparative information

Comparative information is presented for the half-year ended 30 June 2010 and as at 31 December 2010.

Lead Auditor's Independence Declaration under section 308C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the half-year ended 30 June 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.

Signed in accordance with a resolution of the directors:

Craig Burton	**Ian Purdy**
Non-Executive Chairman	***Chief Executive Officer & Managing Director***
Perth, 12 August 2011	*Perth, 12 August 2011*

Directors' declaration

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

1. the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

   b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;

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

Signed in accordance with a resolution of the directors:

Craig Burton
Non-Executive Chairman

Perth, 12 August 2011

Ian Purdy
Chief Executive Officer & Managing Director

Perth, 12 August 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 review for the half-year ended 30 June 2011 there have been:

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

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

KPMG

KPMG

Graham Hogg
Partner

Perth
12 August 2011

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

Report on the financial report

We have reviewed the accompanying interim financial report of Mirabela Nickel Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 23 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mirabela Nickel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Independent auditor's review report

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Mirabela Nickel Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth
12 August 2011

Condensed consolidated interim statement of income and comprehensive income
For the half-year ended 30 June 2011

		30-Jun-11	30-Jun-10
	Note	**US$000**	**US$000**
Sales revenue		123,562	94,557
Treatment, refining and transport charges		(23,046)	(14,162)
Net sales revenue		**100,516**	**80,395**
Direct costs		(85,996)	(60,586)
Royalties		(7,571)	(3,793)
Depreciation, amortisation and depletion		(22,995)	(15,493)
Cost of sales		**(116,562)**	**(79,872)**
Gross (loss)/profit		**(16,046)**	**523**
Expenses			
General and administration		(4,390)	(3,632)
Financial income	*7*	1,927	286
Financial expense	*7*	(19,297)	(10,514)
Net derivative gain	*8*	249	1,415
Net foreign exchange gain/(loss)		7,869	(5,439)
Other expenses	*9*	(7,555)	(184)
		(21,197)	(18,068)
Loss before income tax		(37,243)	(17,545)
Income tax		-	-
Loss for the period		**(37,243)**	**(17,545)**
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Foreign currency translation differences		41,730	(13,688)
Effective portion of changes in fair value of cash flow hedges		12,777	(10,956)
Net change in fair value of cash flow hedges transferred to profit or loss		22,132	(5,929)
Other comprehensive income/(expense) for the period		**76,639**	**(30,573)**
Total comprehensive income/(expense) for the period		**39,396**	**(48,118)**
LOSS PER SHARE			
Basic loss per share ($ per share)		(0.08)	(0.05)
Diluted loss per share ($ per share)		(0.08)	(0.05)
Weighted basic average number of shares outstanding (000’s)		491,561	364,250
Weighted diluted average number of shares outstanding (000’s)		491,561	364,463

The accompanying condensed notes form part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of changes in equity
For the half-year ended 30 June 2011

	Attributable to equity holders of the Group					
Period ended 30 June 2011	**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 2011	**681,272**	**86,808**	**13,180**	**(101,024)**	**(60,901)**	**619,335**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD						
Loss for the period	-	-	-	-	(37,243)	(37,243)
Other comprehensive income/ (expense)						
Foreign currency translation differences	-	41,730	-	-	-	41,730
Effective portion of changes in fair value of cash flow hedges	-	-	-	12,777	-	12,777
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	22,132	-	22,132
Total other comprehensive income/ (expense)	-	41,730	-	34,909	-	76,639
Total comprehensive income/ (expense) for the period	-	41,730	-	34,909	(37,243)	39,396
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue costs recovery	804	-	-	-	-	804
Options lapsed during the period			(6,263)		6,263	-
Share based payment transactions	-	-	1,101	-	-	1,101
Total transactions with equity holders	804	-	(5,162)	-	6,263	1,905
Balance at 30 June 2011	**682,076**	**128,538**	**8,018**	**(66,115)**	**(91,881)**	**660,636**

The accompanying condensed notes form part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of changes in equity
For the half-year ended 30 June 2011

	Attributable to equity holders of the Group					
	Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
Period ended 30 June 2010	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Balance at 1 January 2010	**477,024**	**56,248**	**11,904**	**(17,967)**	**(13,283)**	**513,926**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD						
Loss for the period	-	-	-	-	(17,545)	(17,545)
Other comprehensive income/ (expense)						
Foreign currency translation differences	-	(13,688)	-	-	-	(13,688)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(10,956)	-	(10,956)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(5,929)	-	(5,929)
Total other comprehensive expense	-	(13,688)	-	(16,885)	-	(30,573)
Total comprehensive expense for the period	-	(13,688)	-	(16,885)	(17,545)	(48,118)
TRANSACTIONS WITH EQUITY HOLDERS						
Share issue net of issue costs	24,728	-	-	-	-	24,728
Share based payment transactions	-	-	458	-	-	458
Total transactions with equity holders	24,728	-	458	-	-	25,186
Balance at 30 June 2010	**501,752**	**42,560**	**12,362**	**(34,852)**	**(30,828)**	**490,994**

The accompanying condensed notes form part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of financial position
As at 30 June 2011

	Note	30-Jun-11 US$000	31-Dec-10 US$000
ASSETS			
Cash and cash equivalents	*10*	118,073	102,134
Trade and other receivables	*11*	53,181	43,024
Inventories	*12*	48,120	34,509
Derivative financial instruments	*13*	-	15,774
Total current assets		**219,374**	**195,441**
Trade and other receivables	*11*	46,822	33,803
Property, plant and equipment	*15*	961,615	883,621
Exploration and evaluation assets	*14*	585	550
Derivative financial instruments	*13*	-	6,886
Total non-current assets		**1,009,022**	**924,860**
Total assets		**1,228,396**	**1,120,301**
LIABILITIES			
Trade and other payables	*16*	40,604	32,660
Provisions	*17*	4,303	3,680
Borrowings	*18*	8,246	16,418
Derivative financial instruments	*13*	33,452	81,890
Provision for current tax		6,963	6,629
Total current liabilities		**93,568**	**141,277**
Provisions	*17*	14,787	14,405
Borrowings	*18*	396,247	246,108
Derivative liability - option	*19*	-	1,013
Derivative financial instruments	*13*	63,158	98,163
Total non-current liabilities		**474,192**	**359,689**
Total liabilities		**567,760**	**500,966**
Net assets		**660,636**	**619,335**
EQUITY			
Contributed equity	*20*	682,076	681,272
Reserves		70,441	(1,036)
Accumulated losses		(91,881)	(60,901)
Total equity		**660,636**	**619,335**

The accompanying condensed notes form part of this condensed consolidated interim financial report.

Condensed consolidated interim statement of cash flow
For the half-year ended 30 June 2011

	Note	30-Jun-11 US$000	30-Jun-10 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		135,214	71,295
Cash paid to suppliers and employees		(173,261)	(85,658)
Interest received		1,927	286
Net cash used in operating activities		**(36,120)**	**(14,077)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(44,779)	(10,745)
Payment for exploration and evaluation expenditure		(5)	(327)
Net cash used in investing activities		**(44,784)**	**(11,072)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue on unsecured senior notes		395,000	-
Repayment of senior and off-taker loans		(226,572)	(2,883)
Borrowing costs paid		(20,476)	-
Hedge collateral		(25,000)	-
Proceeds from close out of foreign exchange hedges		25,793	-
Payment on closeout of nickel and copper call options & interest rate swap		(42,105)	-
Interest paid		(15,343)	(7,053)
Proceeds from the issue of share capital		-	25,477
Share issue costs		-	(749)
Net cash from financing activities		**91,297**	**14,792**
Net increase/(decrease) in cash and cash equivalents		10,393	(10,357)
Cash and cash equivalents at beginning of the period		102,134	53,027
Effect of changes in foreign currency		5,546	(2,653)
Cash and cash equivalents at end of the period	10	**118,073**	**40,017**

The accompanying condensed notes form part of this condensed consolidated interim financial report.

Notes to condensed consolidated interim financial report
For the half-year ended 30 June 2011

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 condensed consolidated interim financial report of the Company for the half year ended 30 June 2011 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 condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and the Corporations Act 2001. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the financial year ended 31 December 2010.

The condensed consolidated interim financial report was approved by the Board of Directors on 12 August 2011.

(b) Basis of measurement

The condensed consolidated interim financial report has been prepared on the historical cost basis except for the following which are measured at fair value:

- derivative financial instruments; and
- share based payment arrangements.

The methods used to measure fair values are discussed further in the consolidated annual financial report as at and for the financial year ended 31 December 2010.

(c) Functional and presentation currency

The condensed consolidated interim financial report is presented in US dollars (US$), which is the Group's presentation currency (refer note 2(e) for change in presentation currency). The Company's functional currency is Australian dollars (A$) 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 have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Financial position

The Group held cash on hand and on deposit as at 30 June 2011 of $118.073 million, including $25 million held as hedge collateral which will be released upon Companhia Bahiana de Pesquisa Mineral (CBPM) consent for security on the mineral rights being granted to the hedge financiers. In addition, a further $25 million is held as hedge collateral, within non-current receivables.

As at 30 June 2011 the Group has a net working capital surplus of $125.806 million, which includes $33.452 million of net commodity derivative liabilities that will be offset by sales of the underlying commodity. For the period ended 30 June 2011 the Group incurred a loss of $37.243 million. As at 30 June 2011 the Group held net assets of $660.636 million.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The meeting of 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. 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.

(e) 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$ equivalent 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 6 months ended 30 June 2010 – rate A$1 = US$0.8826 to US$0.9037 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; and
- On the change in presentation currency on 1 July 2010, equity and reserves except the translation reserve were 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 statement of comprehensive income in Australian dollars and US dollars is stated as following:

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For the half-year ended 30 June 2011

		Statement of comprehensive income	
		Six months ended 30 June 2010	Six months ended 30 June 2010
	Note	A$000	US$000
Sales revenue		106,022	94,557
Treatment, refining and transport charges		(15,869)	(14,162)
Net sales revenue		**90,153**	**80,395**
Direct costs		(68,078)	(60,586)
Royalties		(4,253)	(3,793)
Depreciation, amortisation and depletion		(17,371)	(15,493)
Cost of sales		**(89,702)**	**(79,872)**
Gross (loss)/profit		**451**	**523**
Expenses			
General and administration		(4,062)	(3,632)
Net financial expense	*7*	(11,452)	(10,228)
Net derivative fair value movement gain	*8*	2,034	1,415
Foreign exchange loss		(6,042)	(5,439)
Other expenses		(206)	(184)
		(19,728)	(18,068)
Loss before income tax		(19,277)	(17,545)
Income tax expense		-	-
Loss for the period		**(19,277)**	**(17,545)**
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Foreign currency translation differences		17,173	(13,688)
Effective portion of changes in fair value of cash flow hedges		(9,176)	(10,956)
Net change in fair value of cash flow hedges transferred to profit or loss		(6,951)	(5,929)
Other comprehensive income/(expense) for the period		**1,046**	**(30,573)**
Total comprehensive income/(expense) for the period		**(18,231)**	**(48,118)**
LOSS PER SHARE			
Basic loss per share ($ per share)		(0.05)	(0.05)
Diluted loss per share ($ per share)		(0.05)	(0.05)
Weighted basic average number of shares outstanding (000's)		364,250	364,250
Weighted diluted average number of shares outstanding (000's)		364,463	364,463

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed consolidated interim financial report are consistent with those applied by the Group in its consolidated annual financial report as at and for the financial year ended 31 December 2010.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of a financial report in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. Significant estimates and assumptions include those related to:

- the life of mine assumptions,
- the carrying value of the Santa Rita Project,
- the valuation of financial instruments,
- share based compensation,
- determination of reserves to be used in depletion calculations,
- determination of useful lives of property, plant and equipment,
- determination of life-of-mine stripping ratio, and
- determination as to whether certain costs are expensed or deferred.

While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated annual financial report as at and for the financial year ended 31 December 2010.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the financial year ended 31 December 2010.

Notes to condensed consolidated interim financial report
For the half-year ended 30 June 2011

6. SEGMENT REPORTING

During the financial period, Mirabela Nickel Limited operated in one business and operating segment, mineral exploration and development, and in one primary geographical area, Brazil, with two primary customers:

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 this financial report.

Information on the reportable segments of the Group

US$000	Base Metals	Unallocated items/elimination[c]	Mirabela Nickel Group
Half-year ended 30 June 2011			
Net Revenue			
Group Production	100,516	-	100,516
Total net revenue	**100,516**	**-**	**100,516**
Underlying EBITDA[a]	**6,949**	**(4,390)**	**2,559**
Depreciation, amortisation and depletion	(21,526)	(1,469)	(22,995)
Underlying EBIT[b]	**(14,577)**	**(5,859)**	**(20,436)**
Net financial expense	(10,209)	(7,161)	(17,370)
Net derivative (loss)/gain	(5,734)	5,983	249
Net foreign exchange gain/(loss)	30,168	(22,299)	7,869
Other expenses	(4,826)	(2,729)	(7,555)
Profit/(Loss) before taxation	**(5,178)**	**(32,065)**	**(37,243)**
Capital expenditure	**44,756**	**28**	**44,784**
As at 30 June 2011			
Total assets	**1,087,939**	**140,457**	**1,228,396**
Total liabilities	**831,977**	**(264,217)**	**567,760**

[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, certain items of property, plant and equipment, head office expenses, income tax assets and liabilities, consolidation and elimination adjustments.

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US$000	Base Metals	Unallocated items/elimination[c]	Mirabela Nickel Group
Half-year ended 30 June 2010			
Net Revenue			
Group Production	80,395	-	80,395
Total net revenue	**80,395**	**-**	**80,395**
Underlying EBITDA[a]	**16,016**	**(3,632)**	**12,384**
Depreciation, amortisation and depletion	(20,436)	4,943	(15,493)
Underlying EBIT[b]	**(4,420)**	**1,311**	**(3,109)**
Net financial (expense)/income	(15,483)	5,255	(10,228)
Net derivative (loss)/gain	(986)	2,401	1,415
Net foreign exchange (loss)/gain	(25,596)	20,157	(5,439)
Other expenses	(184)	-	(184)
(Loss)/profit before taxation	**(46,669)**	**29,124**	**(17,545)**
Capital expenditure	**18,029**	**26**	**18,055**
As at 31 December 2010			
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, certain items of property, plant and equipment, head office expenses, income tax assets and liabilities, consolidation and elimination adjustments.

7. FINANCIAL INCOME/(EXPENSE)

	Half-year ended 30 June 2011 US$000	Half-year ended 30 June 2010 US$000
Interest received	1,927	286
Financial income	**1,927**	**286**
Interest expense	(18,704)	(10,514)
Discounting of rehabilitation costs	(593)	-
Financial expense	**(19,297)**	**(10,514)**

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8. NET DERIVATIVE GAIN THROUGH PROFIT OR LOSS

	Half-year ended 30-Jun-11 US$000	Half-year ended 30-Jun-10 US$000
Derivative gain - option	1,027	2,401
Interest rate swap gain	-	3,435
Derivative gain	**1,027**	**5,836**
Call option loss	(549)	-
Interest rate swap loss	(229)	(4,421)
Derivative loss	**(778)**	**(4,421)**
Net derivative gain	**249**	**1,415**

9. OTHER EXPENSES

Other expenses comprise Brazilian indirect taxes incurred on payout of the Norilsk Nickel loan, exploration expenditure, transaction fees and general expenditure.

10. CASH AND CASH EQUIVALENTS

	30-Jun-11 US$000	31-Dec-10 US$000
Cash at bank and on hand	77,015	24,833
Call deposits	41,058	77,301
	118,073	**102,134**

Cash at bank and on hand includes a balance of US$25 million held as hedge collateral which will be released upon Companhia Bahiana de Pesquisa Mineral (CBPM) consent for security on the mineral rights being granted to the hedge financiers.

11. TRADE AND OTHER RECEIVABLES

	30-Jun-11 US$000	31-Dec-10 US$000
Current asset		
Trade receivables	19,995	30,793
Other receivables	336	144
Prepayments	32,850	12,087
	53,181	**43,024**
Non-current asset		
Other receivables	28,577	2,710
Prepayments	18,245	31,093
	46,822	**33,803**

Prepayments for the period ended 30 June 2011 comprise payments in advance for consumables, plant and equipment not yet delivered.

Other non-current receivables as at 30 June 2011 consist of hedge collateral of US$25 million and US$3.577 million relating to the guarantee of the electricity contract in Brazil.

In addition to the above, current and non-current prepayments also consist 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 are classified into current and non-current based on their expected period of recovery.

12. INVENTORIES

	30-Jun-11 US$000	31-Dec-10 US$000
Broken ore - cost	12,680	6,195
Concentrate - cost	11,624	10,506
Stores, spares and consumables - cost	23,816	17,808
	48,120	**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.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	30-Jun-11 US$000	31-Dec-10 US$000
Current asset		
Foreign exchange - forward contracts[(a)]	-	15,774
	-	**15,774**
Non-current asset		
Foreign exchange - forward contracts[(a)]	-	6,886
	-	**6,886**
Current liability		
Nickel - forward contracts[(a)]	30,792	46,726
Copper - forward contracts[(a)]	2,660	408
Metal call options[(b)]	-	32,251
Interest rate swap[(c)]	-	2,505
	33,452	**81,890**
Non-current liability		
Nickel - forward contracts[(a)]	40,514	61,592
Copper - forward contracts[(a)]	22,644	21,197
Metal call options[(b)]	-	13,485
Interest rate swap[(c)]	-	1,889
	63,158	**98,163**

(a) Forward contracts designated as hedges

As at 30 June 2011, the Group had a net hedge liability position of US$96.610 million reflecting the negative mark-to-market value of commodity (nickel and copper) contracts. As at 31 December 2010 the net hedge liability position was US$107.263 million which reflected the positive mark-to-market value of foreign exchange forward contracts and the negative mark-to-market value of commodity (nickel and copper) contracts.

(i) Metal forward contracts

Metal hedges comprise of forward contracts for 11,851 tonnes of nickel at an average price of US$7.64/lb for the period July 2011 to March 2014 and 8,898 tonnes of copper at an average price of US$2.77/lb for the period July 2011 to March 2015.

(ii) Foreign exchange forward contracts

The foreign exchange forward contracts were terminated on 20 April 2011. The fair value of US$25.793 million was realised in cash through the statement of financial position. Included in the hedge reserve is US$20.314 million crystallised upon settlement of the contracts, which will unwind to revenue upon realisation of the underlying hedge transaction.

(b) Metal call options

The Group terminated its nickel and copper call options of $37.950 million on 20 April 2011, at an additional loss of US$0.549 million which is recorded in the statement of income and comprehensive income.

(c) Interest rate swap

The Group terminated its interest rate swap of $4.155 million on 20 April 2011, at an additional loss of US$0.229 million which is recorded in the statement of income and comprehensive income.

14. EXPLORATION AND EVALUATION EXPENDITURE

	30-Jun-11	31-Dec-10
	US$000	US$000
Balance at the beginning of the period	550	161
Expenditure incurred during the period	5	376
Transfer to development expenditure	-	(9)
Effect of movements in foreign exchange	30	22
Balance at the period end	**585**	**550**

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.

15. PROPERTY, PLANT & EQUIPMENT

30 June 2011 US$000	Plant & equipment	Leased Asset	Land	Mine properties[(a)]	Construction & development expenditure in progress [(b)]	Total
Cost						
Balance at 1 January 2011	437,055	39,454	13,878	440,837	-	931,224
Additions	12,276	-	-	13,376	19,127	44,779
ARO life of mine adjustment	-	-	-	(1,878)	-	(1,878)
Effect of movement in exchange rates	29,993	2,708	952	30,254	-	63,907
Balance at 30 June 2011	**479,324**	**42,162**	**14,830**	**482,589**	**19,127**	**1,038,032**
Depreciation						
Balance at 1 January 2011	(31,605)	(6,694)	-	(9,304)	-	(47,603)
Depreciation charge for the period	(17,451)	(3,781)	-	(3,387)	-	(24,619)
Effect of movement in exchange rates	(2,785)	(590)	-	(820)	-	(4,195)
Balance at 30 June 2011	**(51,841)**	**(11,065)**	**-**	**(13,511)**	**-**	**(76,417)**
Net book value at 30 June 2011	**427,483**	**31,097**	**14,830**	**469,078**	**19,127**	**961,615**

(a) Mine properties

Mine properties include deferred stripping costs of US$30.773 million (31 December 2010: US$17.397 million).

(b) Construction and development expenditure in progress

This refers to cost incurred to date on the plant upgrade at the Santa Rita operation to increase production capacity to 7.2Mtpa.

Notes to condensed consolidated interim financial report
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31 December 2010 US$000	Plant & equipment	Leased Asset	Land	Mine properties	Construction & development expenditure in progress	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(c)	-	-	-	(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**

(c) Reclassification

This refers to Brazilian federal and state taxes on capital expenditure during the construction, commissioning and ramp-up periods that the Group believes is recoverable and able to be offset against future federal and state taxes payable. In the previous financial year, 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.

16. TRADE AND OTHER PAYABLES

	30-Jun-11 US$000	31-Dec-10 US$000
Trade payables	19,271	19,737
Other payables and accrued expenses	21,333	12,923
	40,604	**32,660**

Other payables and accrued expenses as at 30 June 2011 include an amount of US$7.297 million interest accrual in relation to the senior unsecured notes.

17. PROVISIONS

	30-Jun-11 US$000	31-Dec-10 US$000
Current liability		
Provision for annual leave	4,303	3,680
	4,303	**3,680**
Non-current liability		
Provision for rehabilitation	11,084	11,627
Other provision	3,703	2,778
	14,787	**14,405**
Reconciliation of movements in provisions		
Annual leave provision		
Balance at beginning of period	3,680	879
Net provision made during the financial period	423	2,682
Effect of movements in foreign exchange	200	119
Balance at period end	**4,303**	**3,680**
Rehabilitation provision		
Balance at beginning of period	11,627	18,872
Accretion expense	593	-
Life of mine adjustment Asset	(1,878)	-
Reversal of provision	-	(8,457)
Effect of movements in foreign exchange	742	1,212
Balance at period end	**11,084**	**11,627**
Other provision		
Balance at beginning of period	2,778	-
Provision made during the financial period	774	2,778
Effect of movements in foreign exchange	151	-
Balance at period end	**3,703**	**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 operation. The Group uses third parties to estimate these costs. The estimate will be reviewed over time as the operation develops. The unwinding of the effect of discounting on the provision is recognised as a finance cost. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine.

Other provisions include indirect taxes payable which are not payable in the next 12 months.

18. BORROWINGS

30 June 2011 US$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	
Loan Term	2011 to 2018	2009 to 2014	
Carrying Value	**375,287**	**29,206**	**404,493**
Current borrowings	-	8,246	8,246
Non-current borrowings	375,287	20,960	396,247
	375,287	**29,206**	**404,493**

31 December 2010 US$000	Caterpillar finance lease facility (ii)	Norilsk loan (iii)	Votorantim loan (iv)	Senior loan (v)	Total
Nominal Interest Rate	COF + LIBOR + 2.75%	LIBOR + 3.50%	CDI rate	COF + 5.25% to 5.75%	
Loan Term	2009 to 2014	2010 to 2013	2009 to 2013	2011 to 2015	
Carrying Value	**33,234**	**54,748**	**26,893**	**147,651**	**262,526**
Current borrowings	**8,247**	-	7,896	275	16,418
Non-current borrowings	**24,987**	54,748	18,997	147,376	246,108
	33,234	**54,748**	**26,893**	**147,651**	**262,526**

(i) US$395 million of 8.75% senior unsecured notes due 2018 were issued in the international and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda. Interest on the notes will be payable semi-annually in arrears on 15 April and 15 October of each year during the term of the notes, beginning 15 October 2011. Borrowing costs of US$20.476 million to secure this funding have been offset against the principal borrowings amount and are amortised using the effective interest rate method. Effective interest for the period was US$0.763 million.

(ii) 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 30 June 2011, with US$29.206 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. The Company does not intend to drawdown further on this facility. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 4.22%).

(iii) 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. On 18 April 2011 this facility was repaid in full and the final repayment amount including capitalised interest was US$56.038 million.

(iv) 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. On 19 April 2011 this facility was repaid in full and the final repayment amount was US$24.497 million.

(v) 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 6.51%). The remainder of the loan is repayable in half yearly instalments from 31 March 2012 to 30 September 2015. On 20 April 2011 this facility was repaid in full and the final repayment amount was US$152.136 million.

19. DERIVATIVE LIABILITY – OPTION

	30-Jun-11	31-Dec-10
	US$000	**US$000**
Norilsk option derivative liability	-	1,013
	-	**1,013**

Under the Norilsk Loan Agreement, Norilsk had 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. The options were cancelled pursuant to the repayment of the loan on 20 April 2011. During the period a gain of US$1.027 million was recorded in the statement of income and comprehensive income.

20. CONTRIBUTED EQUITY

Movement in share capital for the half-year ended 30 June 2011

	Ordinary shares	Number of shares	Issue price	US$
1 Jan 2011	Opening balance	491,561,237		681,271,793
	Closing balance	**491,561,237**		**681,271,793**
Add:	Share issue costs recovery - current period[(a)]			804,084
				682,075,877

(a) Share issue costs recovery

An independent review was undertaken on the ability to claim GST on prior financial periods share issue costs.

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Movement in share capital for the half-year ended 30 June 2010

	Ordinary shares	Number of shares	Issue price	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 Feb2010	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
	Closing balance	**367,162,725**		**502,501,214**
Less:	Share issue costs-current period			(749,530)
				501,751,684

Options on issue at 30 June 2011

Exercise Price A$[(1)]	Exercise Price US$[(1)]	Expiry Date	Number of Options
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$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			**5,100,000**

Options on issue at 30 June 2010

Exercise Price A$[(1)]	Exercise Price US$[(1)]	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[(1)]	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**

[1)] All options are exercisable in A$ (presented in US$ at historical rates) with the exception of the US$8.00 options, which are exercisable in US$.

During the period ended 30 June 2011 a total of 3,200,000 options lapsed, comprising 1,800,000 options at an exercise price of US$4.75 on 23 February 2011, and 1,400,000 options at an exercise price of US$5.75 on 30 June 2011. A further 5,000,000 options at an exercise price of US$8.00 expired pursuant to the repayment of the loan held with Norilsk Nickel Harjavalta OY on 20 April 2011.

21. CAPITAL AND OTHER COMMITMENTS

	30-Jun-11 US$000	31-Dec-10 US$000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	738	687
One year or later and no later than five years	2,441	3,110
	3,179	**3,797**
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	5,228	4,898
	5,228	**4,898**
Contractual, capital and other commitments		
Contracted but not provided for and payable:		
Within one year	142,418	83,716
One year or later and no later than five years	117,606	141,703
	260,024	**225,419**

22. SHARE BASED PAYMENTS

During the half-year ended 30 June 2011, the Company recognised an employee share based payment expense of US$1,101,055 (half-year ended 30 June 2010: US$457,577).

23. RELATED PARTIES

Key management personnel receive compensation in the form of short-term employee benefits, post employment benefits and share based payment awards. Key management personnel received total compensation of US$3,055,583 for the half-year ended 30 June 2011 (half-year ended 30 June 2010: US$1,730,076).

Transactions with key management personnel

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

During the period the company was invoiced by Verona Capital Pty Ltd US$28,716 (half-year ended June 30, 2010: nil) for the recovery of shared overheads. The Company charged Verona Capital Pty Ltd a total of US$64,451 (half-year ended 30 June 2010: US$40,159) for office rent and shared overheads. Verona Capital Pty Ltd is a director related entity associated with Mr Craig Burton, the non-executive chairman of the Company.

The Company charged US$4,654 (half-year ended 30 June 2010: US$5,291) to Nearfield Resources Limited, for shared overhead and premises rent costs. Nearfield Resources Limited is a director related entity associated with Mr Craig Burton.