MIRABELA NICKEL LTD

ABN 23 108 161 593

Unaudited Preliminary Financial Report

For the year ended 31 December 2010

Incorporating Appendix 4E

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

CONTENTS

APPENDIX 4E

For the year ended 31 December 2010

Reporting Period

The reporting period is for the twelve months ended 31 December 2010. The previous corresponding period is for the six month period ended 31 December 2009.

Results for announcement to the market

	% change	31-Dec-10 US$000	31-Dec-09 US$000
Revenue from ordinary activities	-	179,159	-
(Loss)/ Profit from ordinary activities after tax	-	(47,618)	960
(Loss)/ Profit attributable to equity holders	-	(47,618)	960
Basic and diluted (loss)/earnings per share (cents per share)	-	(12.09)	0.29

Dividends

No dividends have been paid or declared during the year ended 31 December 2010 (31 Dec 2009: Nil).

	31-Dec-10 US$	31-Dec-09 US$
Amount per security	N/A	N/A
Franked amount per security	N/A	N/A

This is the first year that the Group reports its results as a production unit after the successful completion of construction and commissioning of the Santa Rita Operation during the fourth quarter of 2009. As the Group was in construction and commission during the corresponding period last year the results are not comparable.

A detailed discussion on financial performance is provided under Operating and financial review.

Net tangible assets

	31-Dec-10 US$	31-Dec-09 US$
Net tangible assets per ordinary share	1.26	1.45

Investments in controlled entities

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

Wholly owned subsidiaries of Mirabela Nickel Limited include 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 operation 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 and accounting standards

The report is based on the financial statements which are in the process of being audited. The Group's consolidated results were prepared in accordance with IFRS.

OPERATING REVIEW

Mirabela Nickel Limited is engaged in the mining, production and sale of nickel concentrate. Its primary 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 is now fully commissioned and 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. The focus for 2011 will be the completion of the open pit pre-strip and the expansion of the processing plant to 7.2Mtpa. At full production capacity, expected during 2012, the mine will be capable of producing between 23,000 to 25,000tpa of nickel in concentrate. The current ore reserves support a mine life of at least 19 years.

Safety

Since commencing operations, the 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 programmes continues.

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 has necessitated an increase in mining fleet. By the end of 2010, the planned expansion to the mining fleet was completed. Purchased equipment included three AtlasCopco L8 drill rigs, six CAT 777F trucks , twelve 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 truck, 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 with delivery in the first quarter of 2011.

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%, 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 off-take contract specifications.

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 up-loading 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.

Outlook

Mirabela's focus is the continued ramp up of operations to an annualised full capacity of between 23,000 to 25,000 tonnes of contained nickel in concentrate per annum in 2012. The immediate focus for 2011 will be the completion of the open pit pre-strip and the expansion of the processing plant to 7.2Mtpa.

Exploration

The focus during 2010 was the ramp up of the Santa Rita Operation and as a result only exploration expenditure to maintain the tenements in good standing was incurred during the year.

FINANCIAL REVIEW

The Group has changed its presentation currency for financial reporting from A$ to US$ in order to better align the presentation of the Group's financial position and financial performance with its operations. Refer notes 1 and 5 for further details.

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, 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. 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.

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$59.131million) arising from principal repayments on the Senior Debt Facility and 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.

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$152.770 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$228.255 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 of mining equipment, as the Company ramps up to full production. Leased equipment was acquired pursuant to the Leasing Facility, with the cash component paid by the company, comprising 10% of the value of the equipment.

The net cash 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) on the Caterpillar Leasing Facility and Senior Credit Facility, interest paid (US$13.663 million) on the Senior Credit Facility and Leasing Facility.

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 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$108.82 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$38.10 million in principal under its existing US$190 million senior financing 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 Credit Facility during 2011.

UNAUDITED 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[1] 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	*9*	(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)	*10*	(12.09)	0.29
Diluted (loss)/earnings per share (cents per share)	*10*	(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

The unaudited consolidated statement of comprehensive income is to be read in conjunction with the unaudited notes to the consolidated financial statements set out on pages 14 to 33.

[1] 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 1 and 2 for further details.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the Group					
	Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
Year ended 31 December 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 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**

The unaudited consolidated statement of changes in equity is to be read in conjunction with the unaudited notes to the consolidated financial statements set out on pages 14 to 33.

[1] *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 1 and 2 for further details.*

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the Group					
Period 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[(1)]	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 period	-	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**

The unaudited consolidated statement of changes in equity is to be read in conjunction with the unaudited notes to the consolidated financial statements set out on pages 14 to 33.

[(1)] *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 1 and 2 for further details.*

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	31 December 2010 US$000	31 December 2009[(1)] US$000	1 July 2009[(1)] US$000
ASSETS				
Cash and cash equivalents	*11*	102,134	53,027	34,155
Trade and other receivables	*12*	43,024	10,485	1,763
Inventories	*13*	34,509	-	-
Derivative financial instruments	*14*	15,774	6,928	-
Total current assets		**195,441**	**70,440**	**35,918**
Trade and other receivables	*12*	33,803	-	-
Deferred tax asset		-	6,234	-
Property, plant and equipment	*16*	883,621	878,620	659,687
Exploration and evaluation assets	*15*	550	161	133
Derivative financial instruments	*14*	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	*17*	32,660	35,480	46,816
Provisions	*18*	3,680	879	231
Borrowings	*19*	16,418	40,284	20,009
Derivative financial instruments	*14*	81,890	16,023	18,541
Provision for current tax	*9*	6,629	-	-
Total current liabilities		**141,277**	**92,666**	**85,597**
Borrowings	*19*	246,108	281,373	240,759
Derivative liability - option	*20*	1,013	2,386	1,773
Provisions	*18*	14,405	18,872	16,984
Derivative financial instruments	*14*	98,163	55,327	2,252
Deferred tax liability		-	-	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	*21*	681,272	477,024	350,208
Reserves	*22*	(1,036)	50,185	40,640
Accumulated losses		(60,901)	(13,283)	(14,243)
Total equity		**619,335**	**513,926**	**376,605**

The unaudited consolidated statement of financial position is to be read in conjunction with the unaudited notes to the consolidated financial statements set out on pages 14 to 33.

[(1)] 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 1 and 2 for further details.

UNAUDITED 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[1] US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		152,770	-
Cash paid to suppliers and employees		(228,255)	(6,058)
Interest received		996	149
Net cash used in operating activities	*24*	**(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	*11*	**102,134**	**53,027**

The unaudited consolidated statement of cash flows is to be read in conjunction with the notes to the unaudited consolidated financial statements set out on pages 14 to 33.

[1] 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 1 and 2 for further details.

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1. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial report is presented in US dollars, which is the Group's presentation currency (refer note 5 for change in presentation currency). The Company's functional currency is Australian dollars and the functional currency of the Company's foreign subsidiary is Brazilian Real. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

The 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.

2. 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.

3. 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 settled by physical delivery 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. Cash flows from operations and investing activities for 2010 were negative US$107.554million.

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.

4. TRANSITION FROM COMMISSIONING TO COMMERCIAL PRODUCTION

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

5. 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 1, 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 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 period 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 has 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 below:

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

	Note	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
Statement of comprehensive income					
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		(43,860)	(41,287)	1,210	960
Income tax expense	*9*	(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)	*10*	(12.82)	(12.09)	0.37	0.29
Diluted (loss)/earnings per share (cents per share)	*10*	(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

		Balance sheet as at					
		31 December 2010	31 December 2010	31 December 2009	31 December 2009	1 July 2009	1 July 2009
	Note	A$000	US$000	A$000	US$000	A$000	US$000
ASSETS							
Cash and cash equivalents	*11*	100,346	102,134	59,123	53,027	42,094	34,155
Trade and other receivables	*12*	42,269	43,024	11,691	10,485	2,173	1,763
Inventories	*13*	33,905	34,509	-	-	-	-
Derivative financial instruments	*14*	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	*12*	33,211	33,803	-	-	-	-
Deferred tax asset		-	-	6,951	6,234	-	-
Property, plant and equipment	*16*	868,151	883,621	979,618	878,620	813,023	659,687
Exploration and evaluation assets	*15*	540	550	179	161	164	133
Derivative financial instruments	*14*	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	*17*	32,088	32,660	39,559	35,480	57,697	46,816
Provisions	*18*	3,615	3,680	980	879	285	231
Borrowings	*19*	16,130	16,418	44,914	40,284	24,660	20,009
Derivative financial instruments	*14*	80,456	81,890	17,865	16,023	22,851	18,541
Provision for current tax	*9*	6,513	6,629	-	-	-	-
Total current liabilities		**138,802**	**141,277**	**103,318**	**92,666**	**105,493**	**85,597**
Borrowings	*19*	241,799	246,108	313,717	281,373	296,720	240,759
Derivative liability - option	*20*	995	1,013	2,660	2,386	2,185	1,773
Provisions	*18*	14,153	14,405	21,041	18,872	20,932	16,984
Derivative financial instruments	*14*	96,445	98,163	61,687	55,327	2,775	2,252
Deferred tax liability		-	-	-	-	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	*21*	817,236	681,272	600,500	477,024	452,307	350,208
Reserves	*22*	(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**

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	Mirabela Nickel Group
Year 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.

US$000	Base Metals	Unallocated items/elimination	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.

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. 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	-

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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
Temporary differences not recognised	6,154	(19,209)
Tax loss not recognised as a deferred tax asset	312	9,902
Amount charged to equity – not recognised	(1,812)	-
Income tax expense	**6,331**	**-**
Recognised deferred tax assets and liabilities		

Current tax assets and 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	-	-
	6,629	**-**	**-**

The current tax liability of US$6.629 million represents the amount of income taxes payable in respect to the current financial year. A foreign exchange difference of US$0.298 million arises as a result of the translation of the closing tax position of the Group's foreign operation.

10. 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	Six months ended 31 December 2009	Twelve months ended 31 December 2010	Six months ended 31 December 2009
	US$000	US$000	US$000	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.

11. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009	1 July 2009
	US$000	US$000	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**

Cash at bank and on hand includes a balance of US$25 million held in a contingency account in accordance with the undertakings given by the Company as guarantor of the Senior Loan facility. These undertakings include a prescribed minimum account balance to be held at certain dates until the Santa Rita Project achieves completion under the facility arrangement. This account may only be drawn down with the consent of the Senior Lenders.

12. 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.

13. 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.

14. 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 18,149 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.

15. EXPLORATION AND EVALUATION EXPENDITURE

	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.

16. 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 expenditure	-	-	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.

17. TRADE AND OTHER PAYABLES

	31 December 2010	31 December 2009	1 July 2009
	US$000	US$000	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.

18. 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.

19. 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%	
Year of Maturity	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%	
Year of Maturity	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%	
Year of Maturity	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 Debt facility until the Santa Rita Project reaches its completion date, 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$38.10 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%).

20. 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.

21. 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

22. 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 movements 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, 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.

23. 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.	324	285	258
Transfer premium payable to CBPM[a] and/or Rio Salitre upon entering into a mining lease in favour of the Company. If not paid the Company's rights to the respective tenement will be relinquished.	330	291	263
Penalty payable upon termination of the mining lease.	324	285	258
	978	**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.

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

24. 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.