
Quarterly Activity Report for the Period Ended 30 June 2011

Perth, Australia – 27 July 2011: Mirabela Nickel Limited (“Mirabela” or the “Company”) (ASX: MBN, TSX: MNB) is pleased to announce its unaudited second quarter results for the period ended 30 June 2011.

HIGHLIGHTS

- Production of 3,395 tonnes of nickel in concentrate for the quarter (up 20% from Q1 2011: 2,825 tonnes)
- Sales of 3,909 tonnes of nickel in concentrate for the quarter (up 88% from Q1 2011: 2,084 tonnes)
- Completion of mining pre-strip during May, full strike length of the pit is now open
- Average nickel recovery of 56% for the quarter (Q1 2011: 55%) with 60% average achieved in June
- Record total mining material movement (3.6 million tonnes) and ore production (455,000 tonnes) achieved in June
- Unit cash costs of US\$7.85/lb for the quarter (up 13% from Q1 2011: US\$6.97/lb) predominantly impacted by the timing of smelter charges and a stronger Real / USD exchange rate
- Processing plant upgrade to 7.2 million tonnes per annum currently ahead of schedule with full capacity now expected during Q4 2011 (previously end of 2011)
- Pre-feasibility study commenced for 9 million tonnes per annum open pit and plant expansion

OPERATIONS

Ramp up of the Santa Rita operation continued during the second quarter of 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.

Mirabela is targeting between 15,500 and 16,500 tonnes of nickel in concentrate for 2011. 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 quarter. The 12 month moving average Lost Time Injury Frequency Rate was 0.85 at the end of the second quarter. The implementation of safety training and safety improvement programmes is continuing.

Production Statistics

		Three months ended 30 Jun 2011	Three months ended 31 Mar 2011	<i>% change</i>	Year to Date 2011
Mining					
Total Material Mined	Tonnes	9,119,831	9,042,297	1	18,162,129
Ore Mined	Tonnes	1,294,774	975,776	33	2,270,550
Nickel Grade	%	0.48	0.48	-	0.48
Processing					
Total Ore Processed	Tonnes	1,294,550	1,070,368	21	2,364,918
Nickel Grade	%	0.47	0.48	(2)	0.47
Copper Grade	%	0.13	0.12	8	0.12
Cobalt Grade	%	0.01	0.02	(50)	0.02
Nickel Recovery	%	56	55	2	56
Copper Recovery	%	65	72	(10)	69
Cobalt Recovery	%	33	32	3	33
Production					
Nickel in Concentrate Produced	DMT	3,395	2,825	20	6,220
Copper in Concentrate Produced	DMT	1,065	943	13	2,008
Cobalt in Concentrate Produced	DMT	65	53	23	118
Sales					
Nickel in Concentrate Sold	DMT	3,909	2,084	88	5,993
Copper in Concentrate Sold	DMT	1,262	668	89	1,930
Cobalt in Concentrate Sold	DMT	74	39	90	113

Mining

Mirabela achieved another solid mining performance with 9.1 million tonnes of material movement during the second quarter of 2011. During the second quarter record ore production of 1,294,774 tonnes was mined at an average nickel grade of 0.48% and a strip ratio of 6:1.

Pre-stripping of the central zone of the open pit 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 quarter 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 quarter a record of 1.3 million tonnes of ore, grading at an average of 0.47% nickel was milled at an average recovery of 56%. The recovery result for the quarter is in line with the quality of ore presented to the plant. June recoveries averaged 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 quarter, a total of 3,395 tonnes of contained nickel in concentrate, an increase of 20% from Q1 2011 (2,825 tonnes), 1,065 tonnes of contained copper in concentrate, and 65 tonnes of contained cobalt in concentrate were produced. 3,909 tonnes of nickel in concentrate was sold to Mirabela's customers, Votorantim Metais Niquel S.A. and Norilsk Nickel, an increase of 88% from Q1 2011 (2,084 tonnes). One export shipment to Norilsk Nickel was completed during the quarter with the next shipment expected to be completed during August. Steady deliveries to Votorantim continued throughout the quarter.

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.

Exploration

Exploration activity for the quarter was focused on tenement maintenance only.

Unit Cash Costs

		Three months ended 30 Jun 2011	Three months ended 31 Mar 2011	<i>% change</i>	Year to Date 2011
Payable Nickel Production ⁽¹⁾	Lbs	6,662,001	5,543,060	20	12,205,062
Mining Cost	US\$/lb	3.83	3.49	10	3.67
Processing Costs	US\$/lb	2.51	2.10	20	2.31
Administration Cost	US\$/lb	1.05	1.08	(3)	1.06
Transport/Shipping Cost	US\$/lb	0.06	0.17	(65)	0.11
By-Product Credit ⁽²⁾	US\$/lb	(1.64)	(1.32)	24	(1.49)
Operating Unit Cash Cost	US\$/lb	5.81	5.52	5	5.66
Smelter Charges ⁽⁶⁾	US\$/lb	2.04	1.45	41	1.76
Unit Cash Cost ⁽³⁾	US\$/lb	7.85	6.97	13	7.42
Realised Nickel Price ⁽⁴⁾	US\$/lb	11.48	9.55	20	10.72
Realised Copper Price ⁽⁴⁾	US\$/lb	4.23	4.43	(5)	4.27
Realised Cobalt Price ⁽⁴⁾	US\$/lb	17.72	17.85	(1)	17.64

(1) Average payability of 89%

(2) Including prior period QP adjustments, excludes hedging & call options

(3) Excludes royalty of approximately 4.5% of nickel revenue.

(4) Including prior period QP adjustments, realised hedging, but excluding realised call options.

Including realised call options the realised nickel and copper prices were US\$8.99/lb and (US\$5.93/lb) respectively for the second quarter.

(5) Average exchange rates for the three months ended 30 June 2011: US\$/Real 1.60 (Q1 2011: 1.67)

(6) Smelter charges per payable pound sold was US\$1.77/lb for the quarter ended 30 June 2011 (Q1 2011: 1.97)

The unit cash cost for the quarter of US\$7.85/lb was adversely affected by: the timing of smelter charges; a stronger Real / USD exchange rate; higher mining costs (due to higher off road tyre costs and lower capitalised mining rates); higher expensed plant maintenance costs for the quarter; offset by a higher level of production.

Unit cash costs are expected to fall in the second half of the year as production levels increase. Mirabela is not expecting to achieve the NI43-101 Technical Report unit cost estimate for 2011 (US\$5.69/lb) due to the stronger Real / USD exchange rate (year to date 1.63 versus NI43-101 estimate of 1.80) and higher mining costs.

CORPORATE

Funding

As at 30 June 2011, Mirabela held balances of cash on hand and on deposit of US\$143 million. The increase in cash since 31 March 2011 (US\$56 million) is due to the successful issue of US\$395 million of 8.75% senior unsecured notes due 2018 (the "Notes") in the international and United States Rule 144A debt capital markets during April 2011. Included in the closing balance is US\$50 million held by the Hedge Parties as collateral until satisfaction of certain conditions after which the collateral will reduce to US\$25 million. The Notes are guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda.

The net proceeds from the Notes issue were used to pay down Mirabela's senior and subordinated debt facilities, terminate nickel and copper call options as well as interest rate and foreign exchange hedges. The balance of the proceeds is being used for working capital and corporate purposes.

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.

5,000,000 options were cancelled as part of the refinancing discussed earlier.

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