MIRABELA NICKEL LTD

ABN 23 108 161 593

Annual Report

31 December 2011

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Geoffrey Handley	Non-executive Director and Chairman
Ian Purdy	Chief Executive Officer & Managing Director
Ian McCubbing	Non-executive Director
Nicholas Sheard	Non-executive Director
Colin Steyn	Non-executive Director
Craig Burton	Non-executive Chairman (resigned on 1 January 2012)
William Clough	Non-executive Director (resigned on 1 January 2012)

COMPANY SECRETARY

Christiaan Els

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DIRECTORS' REPORT

The Directors of the Company present their report together with the financial report of Mirabela Nickel Limited (the Company) and of the Group, being the Company and its subsidiaries, for the financial year ended 31 December 2011 and the auditors' report thereon.

1 DIRECTORS AND COMPANY SECRETARY

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

1.1 Directors

Mr Geoffrey Handley BSc (Hons, Geology and Chemistry), MAusIMM, FAICD - Non-executive Director, Appointed 1 January 2011

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

Mr Handley was appointed as Non-executive Chairman of the Mirabela Board effective 1 January 2012.

Mr Ian Purdy B.Com, FCA, FAICD - Chief Executive Officer & Managing Director, Appointed 1 November 2009

Mr Purdy has held a number of senior positions in the Australian mining industry, including Managing Director of Norilsk Nickel Australia and Director of Finance and Strategy of LionOre Australia, where he led the management of sulphide and laterite nickel operations. He has a strong track record in operations management, sales and logistics, and financial control.

Mr Purdy previously worked for WMC Limited and North Limited in senior financial and commercial roles.

Mr Ian McCubbing B.Com (Hons), MBA (Ex), CA, MAICD - Non-executive Director, Appointed 1 January 2011

Mr McCubbing is a Chartered Accountant with more than 25 years corporate experience, principally in the areas of corporate finance and mergers and acquisition. He has spent more than 14 years working with ASX-200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies. Mr McCubbing is also the Non-Executive Chairman of Eureka Energy Limited and a Non-Executive Director of Swick Mining Services Limited and Kasbah Resources Limited.

Mr Nicholas Sheard Fellow AIG, RP.Geo - Non-executive Director, Appointed 20 March 2007

Mr Sheard has a long history of involvement in nickel sulphide exploration and development. Up until 2007 Mr Sheard was the Vice President of Exploration of Inco, based in Toronto. Mr Sheard managed an exploration team of 250 people with nine offices and 11 mines worldwide. Under Mr Sheard's leadership, the Inco team discovered the Reid Brook nickel sulphide deposit in Labrador, Canada. Prior to joining Inco, Mr Sheard held various senior management positions with MIM Exploration Pty Ltd in Australia from 1990 to 2003; including General Manager of Worldwide Exploration and Chief Geophysicist. Mr Sheard is also Executive Chairman of Carpentaria Exploration Limited which has discovered a large magnetite resource in NSW.

Mr Colin Steyn B.Com, MBA - Non-executive Director, Appointed 29 October 2009

Mr Steyn has over 30 years experience in the resources sector with particular expertise in the development of integrated nickel mining operations. Mr Steyn was previously President and Chief Executive Officer of LionOre Mining International from 1999 to 2007, when it was acquired by Norilsk Nickel. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international nickel producer. From 1996 to 2000, Mr Steyn was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto, where he started his career in 1979.

Mr Craig Burton BJuris, LLB, MAICD - Non-executive Chairman, Appointed 5 March 2004

Mr Burton is an experienced and active investor in emerging projects and businesses, both public listed and private, with a focus on the base metals, oil and gas and mining services sectors. He is a co-founder of two ASX 200 companies–Mirabela Nickel Limited and Panoramic Resources Limited.

Mr Burton is currently a Non-executive Director of Capital Drilling Limited and Everyday Mining Services Limited.

Mr Burton was appointed Chairman of the Mirabela Board on 4 October 2009 and moved from the role of Chairman to Non-executive Chairman, effective 1 January 2011. Mr Burton resigned and ceased to be a Non–executive Chairman and Director of the Company, effective 1 January 2012.

Mr William Clough BSc (Geol), BCom (Hons) - Non-executive Director, Appointed 5 March 2004

Mr Clough has many years experience in mining, engineering and logistics businesses, with a more recent focus upon resource opportunities in developing countries. Since 1999, Mr Clough has pursued mining projects in Brazil, and was the founding investor and Director of AIM listed Serabi Mining Plc. Also in Brazil, Mr Clough founded Colomi Iron Mineração, which is currently developing an iron ore project. He is also the founder of Twinza Oil Limited, which has oil and gas interests in Thailand, Papua New Guinea and Australia.

Mr Clough identified and negotiated the acquisition of the Mirabela Project.

Mr Clough resigned and ceased to be a Non-executive Director of the Company, effective 1 January 2012.

1.2 Company Secretary

Mr Christiaan Els B.Com, B.Com (Hons), CA - Chief Financial Officer & Company Secretary, Appointed 1 August 2009

Mr Els is a finance executive with over 20 years experience in mining, manufacturing, agribusiness, business services and fast moving consumer goods sectors in Australia and in South Africa. Previously, he was Chief Financial Officer of Norilsk Nickel Australia, where he managed finance, accounting and IT services. Most importantly, Mr Els brings a wealth of operating experience in nickel sulphide projects and in the reporting requirements for the Toronto and Australian stock exchanges.

Mr Els is also an associate member of the Chartered Institute of Management Accountants and a member of the Certified Practicing Accountants of Australia. Mr Els was appointed as Company Secretary from 7 January 2010.

1.3 Directors' Meetings

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

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Present	Held	Present	Held	Present	Held
Geoffrey Handley	7	7	-	-	2	2
Ian Purdy	6	6	-	-	-	-
Ian McCubbing	6	7	4	4	-	-
Nicholas Sheard	7	7	3	4	-	-
Colin Steyn	6	7	3	4	2	2
Craig Burton	7	7	-	-	2	2
William Clough	4	7	-	-	-	-

1.4 Corporate Governance

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

2 OPERATING AND FINANCIAL REVIEW

2.1 Operating Review

Following the Santa Rita Operation achieving operational status during 2010, Mirabela's primary focus during 2011 was the successful completion of ramp-up activities through completion of the open pit pre-strip and upgrade of the processing plant to 7.2Mtpa. Completion of the open pit pre-strip was achieved during the second quarter, with the processing plant running at full capacity by year end, allowing the Company to close within production guidance at 15,854 tonnes of nickel in concentrate.

2.1.1 Safety

Mirabela continued its strong safety performance since commencing operations, with an average Lost Time Injury Frequency Rate of 1.27 for the year and Non-Lost Time Injury Frequency Rate of 5.28. Mirabela will continue to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes.

2.1.2 Mining

Mirabela achieved the mine plan for 2011 with a solid mining performance resulting in record material movement and ore mined quarter on quarter. Full year total material movement was on target at 40.8 million tonnes resulting in 6.0 million tonnes ore mined at an average grade of 0.48% and a strip ratio of 5.8:1.

Pre-stripping of the central zone of the open pit was completed during the second quarter opening up the full strike length of the pit and allowing fresh ore production from all three zones of the open pit enabling the ramp-up of ore production. The majority of ore produced during the third quarter came from the central and southern zones in accordance with the mine plan. Mining in the North pit ceased during the fourth quarter and is expected to recommence late in 2012 when the South pit, Central pit and North pit will become one continuous open pit. The mining operations are in excellent order with good (and improving) equipment productivities, excellent housekeeping and a high level of control driven from the Modular Mining system.

The successful ramp-up to full production resulted from a change over from backhoe to front-end shovel configurations, and an increase in mining fleet with the arrival of a CAT994 Front End Loader, four Komatsu dozers, two Atlas Copco L8 drill rigs and an Atlas Copco Pit Viper 271. Mirabela is expecting delivery of two further drill rigs at the end of the first quarter of 2012 to complete the full in-sourcing of production drilling, enabling improved drilling productivities and lower drilling costs.

2.1.3 Processing

The processing plant performed to expectations during the year, with record ore production quarter on quarter as the Company successfully achieved the ramp-up to 7.2Mtpa on budget. During the year a total of 5.4 million tonnes of ore was milled grading at an average of 0.50% nickel and achieving an average recovery of 59%. For 2011, Mirabela produced 15,854 tonnes of contained nickel in concentrate, 4,919 tonnes of contained copper in concentrate, and 273 tonnes of contained cobalt in concentrate. All production was within off-take contract specifications.

2.1.4 Sale of concentrate

During the year, a total of 15,375 tonnes nickel in concentrate was sold to Mirabela's customers, Votorantim Metais Niquel S.A. and Norilsk Nickel, an increase of 54% from 2010. Five export shipments to Norilsk Nickel were completed during the year. Going forward during 2012, the company expects the timing of shipments to Norilsk Nickel to be approximately every second month. Steady deliveries to Votorantim continued throughout the year and are expected to continue during 2012.

2.1.5 Outlook

For 2012, Mirabela is targeting 20,000 to 22,000 tonnes of nickel in concentrate with cash unit costs expected to move towards US$6.00/lb by the end of 2012. Capital expenditure for 2012 is forecasted at US$60m, comprising sustaining capital (US$12 million), carry-over of 2011 budgeted expenditure (US$16 million) and mobile equipment rebuilds (US$32 million).

2.1.6 Exploration

Exploration activity for the year was primarily focused on tenement maintenance only. Mirabela's current exploration drilling program, which started in late 2011, comprises of 15 drill holes focusing on extension of the Open Pit. The drilling is being undertaken by GEOSOL and is scheduled to be completed by the end of May 2012, with assaying, analysis and logging scheduled for completion by the end of July 2012. The first assay results are expected during Q1 2012.

2.2 Resources and Reserves

The total mineral reserve for the Santa Rita project is summarised in the below table:

Santa Rita Proven and Probable Reserves – Open Pit (as at 31 December 2010)

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

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

Santa Rita Inferred Resource – Underground

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

Category	Mt	Ni	Cu
Inferred	87.5	0.79%	0.23%

(Grade envelope defined by Ni cut off grade of 0.50% Ni – no block model cut off applied)

As at 31 December 2011, a total of 5,960,875 tonnes of ore had been mined from Reserves at an average nickel grade of 0.48%.

2.3 Executive and Board Changes

2.3.1 Board changes

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

Mr Geoffrey Handley was appointed Non-Executive Chairman of the Company effective 1 January, 2012 replacing Mr Craig Burton who resigned from the board effective 1 January, 2012.

Mr William Clough resigned from the Board effective 1 January, 2012.

2.3.2 Executive changes

The Company has commenced a comprehensive cost reduction and productivity improvement program. The first phase of the program is a review of the organisational structure which is being reassessed with the completion of the ramp-up of the operation. As part of this process Mr Luis Nepomuceno (Managing Director – Brazil) and Mr Claudio Lyra (Director, Operations Support), who were both instrumental in delivering the production ramp-up, finished at the Company in early January 2012. Administration and operations support areas are currently being assessed.

2.4 Sale of EGF Nickel Pty. Ltd.

During November 2011, the Company sold EGF Nickel Pty. Ltd. (a wholly owned subsidiary of Mirabela Nickel Ltd.) to Rossiter Minerals Ltd. for a cash payment of US$0.05 million plus 1% net smelter return on all minerals extracted from specified Western Australian mining tenements. EGF Nickel Pty. Ltd. comprised non-core greenfield exploration assets that were not part of the Company's strategic focus.

2.5 Financial Review

2.5.1 Statement of comprehensive income

The Company recorded a net loss for the year ended 31 December 2011 of US$50.761 million, representing (US$0.1032) per share, in comparison to a net loss for the year ended 31 December 2010 of US$47.618 million representing a loss of (US$0.1209) per share.

Sales generated during the current period comprised 15,375 tonnes of nickel in concentrate at an average nickel price of US$9.51/lb including realised hedges, and 4,859 tonnes of copper in concentrate at an average copper price of US$3.78/lb including realised hedges. This resulted in gross nickel revenue of US$263.985 million, copper revenue of US$30.246 million, cobalt revenue of US$4.158 million, platinum revenue of US$2.708 million, and other revenue of US$2.545 million. Treatment, refining and transport charges associated with the sale of concentrate totalled US$59.245 million.

Cost of sales for the year of US$272.285 million comprised direct costs of US$203.839 million, royalties of US$15.617 million and indirect costs of US$52.829 million. Direct costs were driven by expenditure on mining (US$130.068 million), processing & plant (US$65.366 million), and administration (US$27.015 million), offset by positive stockpile movements (US$18.610 million) associated with the timing of production and sales. Royalties reflect the leasing of mining rights to nickel sulphide ore, federal royalties and landowner royalties in connection with surface rights. Depreciation and amortization (indirect costs) reflect the Company's use of its assets based on a combination of a unit of production calculation and the useful life of equipment.

The net loss for the year of US$50.761 million was mainly driven by cost of sales as discussed above, as well as net financing costs (US$35.668 million), general administration expenses (US$10.326 million) and other expenses (US$12.324 million), offset by favourable foreign exchange movements (US$32.827 million). Net financing costs mainly comprise of net interest expense relating to the long term debt. Foreign exchange gains comprise of realised and unrealised movements on the conversion of functional currency on cash held and borrowings.

2.5.2 Statement of financial position

Total assets decreased by US$104.304 million to US$1,015.997 million from 31 December 2010. The reduction in total assets was mainly due to a decrease in cash and cash equivalents (US$40.936 million) and a decrease in property plant & equipment (US$67.275 million) driven by unrealised foreign exchange movements (US$101.653 million) and depreciation charges (US$59.381 million) offsetting additions (US$96.541 million) during the year.

Total liabilities were US$490.487 million, a decrease of US$10.479 million from 31 December 2010. The decrease in total liabilities were driven by the closeout of all nickel and copper hedges, call options and swap derivatives (US$181.066 million), offset by an increase in trade payables (US$36.325 million) and a net increase in long term debt (US$139.674 million) following the re-financing structure and subsequent repayment of senior and subordinated debt facilities.

Total equity of US$525.510 million at 31 December 2011 decreased by US$93.825 million from 31 December 2010 mainly due to an increase in accumulated losses (US$50.761 million) and a decrease in reserves (US$52.889 million) due to the close out of nickel, copper and foreign exchange hedges, offset by the expiry of options (US$7.989 million) during the year.

2.5.3 Statement of cash flows

During the year cash and cash equivalents decreased by US$40.936 million to US$61.198 million. Included in the cash movement from 31 December 2010 is a positive foreign currency adjustment of US$0.127 million on cash held during the year.

Net cash outflows from operating activities of US$18.565 million comprise of cash receipts of US$293.279 million offset by cash outflows of US$315.019 million. Cash receipts reflect the sale of 15,375 tonnes of nickel in concentrate, and associated by-products, to Votorantim and Norilsk. Cash outflows were driven by mining costs, plant maintenance costs, payments on nickel and copper hedges, together with increased operational costs resulting from the Company's ramp-up to full production.

Net cash outflows from investing activities for the period of US$96.546 million reflected the strengthening of the drilling fleet with the arrival of a CAT994 Front End Loader, four Komatsu dozers, two Atlas Copco L8 drill rigs and an Atlas Copco Pit Viper 271, together with the installation of the second ball mill, second pebble crusher and second Larox filter related to the 7.2Mtpa plant upgrade. Further outflow included civil works and commencement of the de-sliming plant installation and crusher upgrade, as well as deferred waste removal costs.

The net cash inflow from financing activities of US$74.048 million mainly reflects proceeds on the issue of US$395.000 million of 8.75% senior unsecured notes, reduced by the subsequent pay down of Mirabela's senior and subordinated debt facilities (US$230.911 million), associated borrowing costs (US$20.476 million), interest paid on long term debt (US$33.262 million), and termination of nickel and copper call options, foreign exchange hedges and interest rate swaps (US$36.301 million).

2.5.4 Financing

During April 2011 Mirabela Nickel Ltd successfully issued US$395.000 million of 8.75% senior unsecured notes due 2018 (the "Notes") in the international and United States Rule 144A debt capital markets. 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 swaps and foreign exchange hedges. The balance of the proceeds is being used for working capital and corporate purposes.

During the September quarter the US$25.000 million held as cash collateral by the hedge financiers was released upon the perfection of the security on the mineral rights in their favour. The Company negotiated a release of a further US$25.000 million held in a Contingency Support Account ("CSA") by the hedge financiers. As a result of the release of the cash collateral and the CSA, Mirabela removed all liquidity covenants relating to the Company's hedge book at that stage.

During September and October 2011, Mirabela closed out all outstanding copper (8,844 tonnes) and nickel (10,626 tonnes) hedges for a cost of approximately US$19.989 million. The Company now has no hedge positions.

The Company made the first bi-annual interest payment of US$17.377 million on the US$395.000 million of senior unsecured notes ("Notes") on October 14, 2011.

During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração Ltda, entered into a US$50.000 million, 35 month working capital facility with Banco Bradesco S.A. Principal is repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. Interest is payable bi-annually at a rate of LIBOR plus 6%. The loan is unsubordinated and secured by a Guarantee from Mirabela Nickel Ltd and a fiduciary assignment on the Votorantim receivables. The US$50.000 million will be held in a "blocked" account until the administrative processes of unwinding the security on the closed hedge book have been completed.

In addition to the working capital facility, the Company also negotiated a US$5.200 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of US$0.780 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

2.6 Competent Person Statement

The information in this report that relates to Mineral Resources for the Santa Rita Nickel Deposit is based on information compiled by Mr Neil Inwood in 2011 and 2012. The information in this report that relates to Metallurgical Results for the Santa Rita Nickel Deposit is based on information compiled by Mr Chris Witt in 2012. Mr Inwood is a Fellow of the AusIMM and Mr Witt is a Member and a Chartered Professional of the AusIMM. Mr Inwood and Mr Witt are Principal Consultants with Coffey Mining Pty Limited, the independent mining consultants engaged by Mirabela Nickel Limited. Mr Inwood and Mr Witt qualify as both a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and as a Qualified Person in accordance with NI 43-101. Mr Inwood and Mr Witt consent to the inclusion in the presentation of the matters and defined Resources and Metallurgical information based on their information in the form and context in which it appears.

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

3 REMUNERATION REPORT - AUDITED

3.1 Principles of Compensation

Remuneration is referred to as compensation throughout this report.

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

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

Mirabela uses an independent remuneration consultant, Egan Associates, to provide advice on the structure of new incentive schemes and to benchmark executive and directors' remuneration. Based on their advice in 2010, taking into account Mirabela's current business priorities and to support the Company's recruitment and retention strategy, the Board decided to implement the following schemes:

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

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

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

Further information on the accounting policies applied to share based payments is provided in Note 4(n) of the Consolidated Financial Statements.

3.1.1 Fixed Compensation

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

3.1.2 Performance-linked compensation

Performance linked compensation includes both short term and long term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short term incentive is an "at risk" bonus provided in the form of cash, while the long term incentive is provided as performance rights or options over ordinary shares of the Company.

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

Short-term performance linked compensation

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

The STIP ranges from 40% - 75% depending on the position held by the key management. The STIP is based on achieving "Base" and "Stretch" targets and a maximum bonus percentage ("Maximum Bonus Percentage") of Total Employment Cost (TEC) for the year. Achieving the "Base" target attracts 50% of the Maximum Bonus Percentage and achieving the "Stretch" target, or better, attracts 100% of the Maximum Bonus Percentage. No bonus will be paid for results below the Base target. The STIP also includes a provision, whereby the CEO can recommend a discretionary payment to the Board for exceptional individual performance. No such recommendation was made for the 2011 STIP.

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

Irrespective of whether the performance conditions are met or not, the Board has discretion over the Bonus. All payments during 2011 to key management personnel were based on the performance conditions, with the Board not exercising any discretion.

Long-term performance linked compensation

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

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

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

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

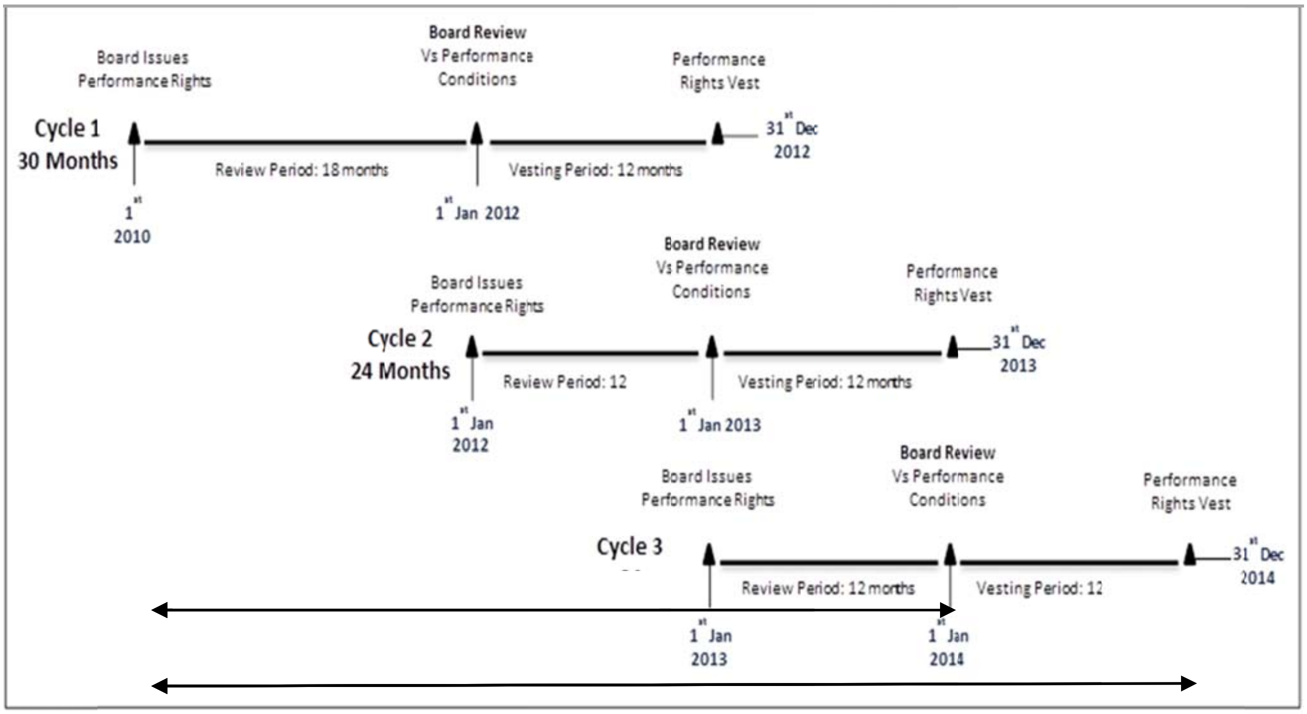
Under the Plan the Board decided to allocate management entitlements progressively in anticipation that the company would be in a position to have established more demanding performance requirements in relation to both production and relative total TSR growth. The plan anticipated that allocations in 2012 and 2013 would be at higher share prices and production performance hurdles informed by the company's experience subsequent to the initial grant in September 2010.

In order to realize the full potential of the Plan an employee must meet defined performance hurdles for each cycle. The performance cycles of the plan are 18mths, 12mths & 12mths respectively ie a total period of 3.5 years, full participation being subject to achieving both production and TSR performance hurdles extending over a total period of 3.5 years.

The board further decided to incorporate a minimum service requirement in relation to each cycle with full participation being subject to a combined service requirement of 4.5 years.

Under the Plan if production hurdles are not met within the defined performance period the performance rights subject to that performance hurdle will lapse whereas in respect of the relative TSR hurdle, if this hurdle is not met within each cycle's timeline, it is subject to a single retest 6 months after the initial measurement period.

The Performance Rights Plan illustrated



The first cycle of performance rights were allocated as at 1 July 2010. The vesting of the Cycle 1 allocations is dependent on defined performance measures being achieved, otherwise the performance rights will lapse and no benefit will flow to participants. Performance rights do not attract the payment of dividends or carry voting rights, and shares are allocated to participants only on the satisfaction of both the performance hurdle(s) and the expiry of the 12 month vesting period which commences at the end of the relevant review period. If an employee resigns during that period unvested performance rights will lapse.

The Group's policy prohibits those that are granted performance rights as part of their remuneration from entering into other arrangements that limit their exposure or losses that would result from share price decreases.

The Cycle 1 performance conditions are:

- Tranche (i) (50% of the allocation) - achieving a sustainable 4.6mtpa operation by December 2010
- Tranche (ii) (25% of the allocation) - achieving a sustainable 6.4mtpa operation by December 2011
- Tranche (iii) (25% of the allocation) - achieving a total shareholder return milestone for 2011

TSR Definition

TSR is defined as a measure of the annualised return on investment of a hypothetical $1000 in a company's ordinary shares, including dividend payments and all other returns or payments to shareholders over the same period. It therefore measures both capital growth in share price together with income returned to shareholders. The return is measured per annum on a relative basis against the comparator group of companies and is based on a twelve monthly compounding rate.

$TSR = (Price_{end} - Price_{begin} + Dividends) / Price_{begin}$

The "begin" and "end" share prices are defined as the 5 trading day VWAP prior to the 1 January and the 31 of December each year.

Comparator Group of Companies

The selected comparator group of companies is a broad base of mining companies representing mid-tier mining companies from across the ASX and TSX. The comparator group of companies selected for Cycle 1 (2011), Cycle 2 and Cycle 3 of the plan, 1 January 2011 to 31 December 2013, is set out in table below. Companies under takeover will be excluded from the comparator group.

No.	Security	Description	ASX/TSX	Commodity
1	ABY	Aditya Birla Minerals Limited	ASX	Copper
2	AQP	Aquarius Platinum Limited	ASX, JSE, LSE	Platinum
3	AWC	Alumina Limited	ASX	Alumina/Bauxite
4	EQN	Equinox Minerals Limited	ASX, TSX	Copper
5	FM	First Quantum Minerals	ASX, TSX	Base metals
6	GBG	Gindalbie Metals Limited	ASX	Iron ore
7	HIG	Highlands Pacific Limited	ASX	Ramu / Projects
8	HBM	HudBay Minerals	TSX, NYSE	Zinc, Nickel
9	IGO	Independence Group NL	ASX	Nickel. Base metals
10	IMN	Inmet Mining Corporation	TSX	Copper, Zinc
11	KZL	Kagara Limited	ASX	Zinc
12	LYC	Lynas Corporation Limited	ASX	Rare Earths
13	LUN	Lundin Mining Corporation	TSX, OMX	Copper, Zinc
14	MRE	Minara Resources Limited	ASX	Nickel
15	MCR	Mincor Resources NL	ASX	Nickel
16	MGX	Mount Gibson Iron Limited	ASX	Iron ore
17	MMX	Murchison Metals Limited	ASX	Iron ore
18	NCM	Newcrest Mining Limited	ASX	Gold
19	OMH	OM Holdings Limited	ASX	Manganese
20	OZL	Oz Minerals Limited	ASX	Copper, Gold
21	QUX	QuadraFNX	TSX	Copper
22	PNA	PanAust Limited	ASX	Copper, Gold
23	PAN	Panoramic Resources Limited	ASX	Nickel
24	PEM	Perilya Limited	ASX	Zinc, Lead, Silver
25	POS	Poseidon Nickel Limited	ASX	Projects only
26	SRL	Straits Resources Limited	ASX	Copper, Gold
27	WSA	Western Areas NL	ASX, TSX	Nickel

Percentage of Performance Rights Allocated

The table below presents the TSR performance targets and the percentage of the maximum number of performance rights that would be available under the Plan.

Company's TSR relative to the TSR of the Comparator Group over the performance period	Bonus Percentage of Performance Rights Allocated
Less than the 50th Percentile	Nil
50th percentile	25%
Greater than the 50th percentile but less than the 75th percentile	25% plus 1% for every one percentile increase above the 50th percentile
Greater than or equal to the 75th percentile	50%

Cycle 2 and Cycle 3 allocations will comprise two tranches only (50% each), the performance hurdles being a combination of strategic/production milestones (tranche (i)) and a total shareholder return milestone (tranche (ii)). The total shareholder return milestone will measure the performance of the Company's share price against that of a selected group of peer companies.

The details of the performance hurdles for Cycles 2 and 3 will be determined by the Board at the time of the grant and in the context of the strategic targets and goals of the Company.

At the end of each review period, the Board will review the extent to which the performance conditions have been achieved. Should the performance conditions not be met, the performance rights will be forfeited. Performance rights which have not been forfeited as an outcome of the review process will, at the completion of the subsequent defined vesting period, qualify for the allocation of a fully paid ordinary share for every vested performance right on a 1:1 basis.

Cycle 1 – vesting outcome

At 31 December 2011, the performance conditions of the Cycle 1 tranches (ii) and (iii) allocations were tested with the following outcomes:

Cycle 1 tranche (ii) and (iii) Performance Rights* - Performance Measurement Outcome as at 1 Jan 2012

Tranche	% of the allocation to vest at 31/12/12	% of the allocation which has lapsed	% of the allocation to be re-tested at 30/06/2012
(ii) Production (25%)	18%	7%	N/A
(iii) TSR (25%)	0%	0%	25%
Total	**18%**	**7%**	**25%**

* Tranche (i) rights were successfully measured and granted by the Board in 2010 as noted in the 2010 Annual Report. The board exercised its discretion to vest the tranche (i) rights at 31 December 2011 in recognition of the Company's outperformance in the ramp up phase of production and the early delivery of the tranche (i) production targets and to encourage executive staff retention in Brazil.

CEO Allocations

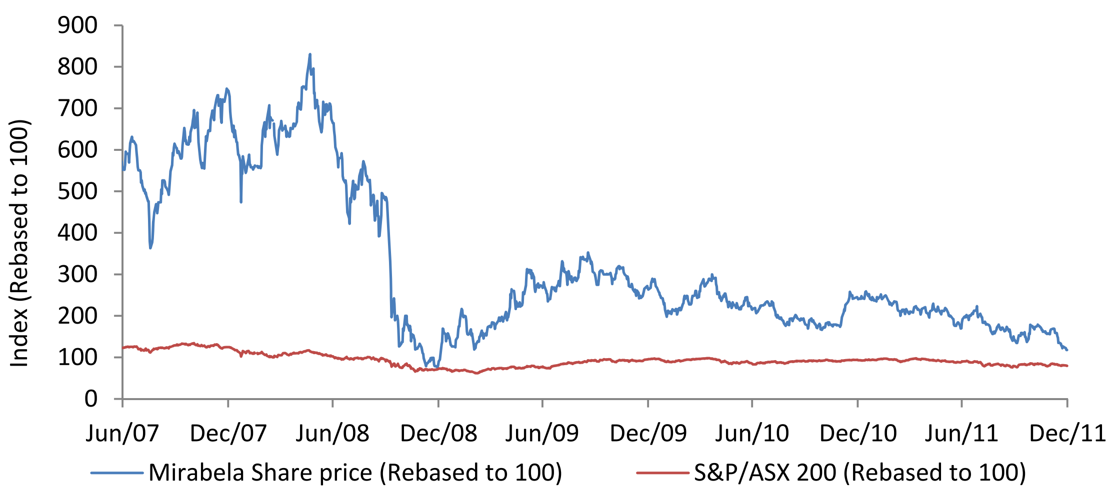
The CEO received an allocation of Cycle 1 performance rights as approved by shareholders at the 13 September 2010 General Meeting. The details of the grant appear in section 3.4.1, table – 31 December 2010. While the next scheduled grant of performance rights to the CEO would occur on March 2012 (Cycle 2) and March 2013 (Cycle 3), the Board approached shareholders at the General Meeting held on 17 August 2011 to bring forward the allocation of Cycle 2 and Cycle 3 performance rights. This was done in order to strengthen the 'at risk' long term incentive participation of the CEO and enhance the retention attributes of his remuneration package, allocations not being capable of vesting and access until 2013 and 2014 as outlined in the Plan diagram. Shareholders approved the allocation.

While he has been issued the performance rights ahead of the scheduled allocation date for Cycles 2 and 3, the attributes of the rights will mirror the details to be established for each of the Cycle 2 and 3 allocations. That is, the performance hurdles (once established) review and vesting periods for the Cycle 2 and 3 allocations will apply. It is the Board's intention that the CEO will not receive any further allocation of performance rights when the scheduled Cycle 2 and 3 allocations are made in 2012 and 2013. An unexpected outcome of the subsequent volatility in the share price is that the CEO has subsequently received fewer performance rights than would result if the Cycle 2 and 3 allocation was made for example using the current share price of Mirabela Nickel.

Please note that the remuneration values reported for the CEO in section 3.2 for 31 December 2011 in respect of the allocation of Cycle 2 and 3 performance rights reflect a provisional fair value which will be adjusted once the performance hurdles are established in 2012 and 2013 and hence may vary from the actual remuneration value which may be realised by the CEO on grant date.

3.1.3 Consequences of performance on shareholder wealth

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



In considering the Group's performance and benefits for shareholder wealth, in addition to above, the remuneration committee have regard to the following indices in respect of the current and previous financial year.

	2011	2010
Loss attributable to owners of the company (US$000)	(50,761)	(47,618)
Change in share price (A$)	(1.16)	(0.22)
Loss per share (US$)	($0.10)	($0.12)

3.1.4 Service contracts

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

Mr Ian Purdy, Chief Executive Officer & Managing Director, entered into an employment contract on 1 November 2009 with the Company. The contract is unlimited in term but capable of termination upon six months notice by either party. In the event the Company terminates Mr Purdy's employment without cause, Mr Purdy was entitled to a payment equal to six months salary. On 1 July 2011 Mr Purdy's employment contract was amended to the effect that in the event of termination due to a redundancy or change in employment conditions within twelve months of a change in control, Mr Purdy is entitled to 12 months salary. As part of the contract, Mr Purdy is entitled to participate in any Company incentive schemes.

Mr Christiaan Els, Chief Financial Officer (CFO) & Company Secretary, entered into an employment contract as CFO with the Company effective 1 August 2009 and was appointed Company Secretary on 7 January 2010. The contract is unlimited by term but capable of termination upon three months notice by either party. In the event the Company terminates Mr Els' employment without cause, Mr Els was entitled to a payment equal to three months salary. On 1 July 2011 Mr Els' employment contract was amended to the effect that in the event of termination due to a redundancy or change in employment conditions within 12 months of a change in control, Mr Els is entitled to 12 months salary. As part of the contract, Mr Els is entitled to participate in any Company incentive schemes.

Mr William Bent, VP - Business Development, entered into an employment contract effective 1 June 2010. The contract is unlimited by term but capable of termination upon three months notice by either party. In the event the Company terminates Mr Bent's employment without cause, Mr Bent was entitled to a payment equal to three months salary. On 1 July 2011 Mr Bent's employment contract was amended to the effect that in the event of termination due to a redundancy or change in employment conditions within 12 months of a change in control, Mr Bent is entitled to 12 months salary. As part of the contract, Mr Bent is entitled to participate in any Company incentive schemes.

Mr Luis Nepomuceno, Managing Director - Brazil, entered into an employment contract on 1 May 2010. The contract was unlimited by term but capable of termination upon six months notice by either party. In the event the Company terminates Mr Nepomuceno's employment without cause, Mr Nepolmuceno was entitled to a payment equal to six months salary. As part of the contract Mr Nepomuceno was entitled to participate in any Company incentive schemes. Mr Nepomuceno's contract was terminated effective 16 January 2012. Per the termination agreement Mr Nepomuceno is entitled to six months salary and 12 months dental and medical cover.

3.1.5 Non-executive Directors

Total aggregate remuneration payable to non-executive directors may not exceed US$1,032,400 per annum. The table below summarises the individual non-executive directors' fees. No additional payments are made for committees:

Chairman of the Board	$185,827
Chairman of the audit committee	$144,532
Director	$103,237

3.2 Directors and Executive Officers' Remuneration

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

Non-executive Directors	Executive Directors	Executives
Geoffrey Handley(1)	Ian Purdy	Christiaan Els - Chief Financial Officer & Company Secretary
Ian McCubbing		William Bent - Vice President, Business Development
Nicholas Sheard		Luis Nepomuceno - Managing Director, Mirabela Mineração do Brasil Ltda(4)
Colin Steyn		
Craig Burton(2)		
William Clough(3)		

(1) Geoffrey Handley was appointed as director effective 1 January 2011 and moved from the role of director to the role of non-executive director effective 1 January 2012.

(2) Craig Burton moved from the role of executive Chairman to the role of Non – executive Chairman effective 1 January 2011. He resigned from the Company on 1 January 2012.

(3) William Clough resigned from the Company on 1 January 2012.

(4) Luis Nepomuceno ceased to be an executive of the Company on 16 January 2012.

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

31 December 2011	Short-term Salaries and fees	Short-term Cash Bonus	Post-employment Super contributions	Equity share based payments (tranche (i) and (ii) of Cycle 1)	Equity share based payments in lieu of options	Realised remuneration	Remuneration subject to performance conditions(tranche (iii) of Cycle 1 and tranche (i) & (ii) of Cycle 2 and Cycle 3	Movement in provision for annual leave	Total remuneration	Performance related proportion of remuneration	Value of performance rights and options as proportion of remuneration
	US$	US$	US$	US$	US$	US$	US$	US$	US$	%	%
Directors											
Executive Directors											
Ian Purdy	779,002	464,963	24,909	369,532	180,056	**1,818,462**	109,046	13,971	**1,941,479**	49	34
Non-executive Directors											
Geoffrey Handley(1)	94,713	-	8,524	-	-	**103,237**		-	**103,237**	-	-
Ian McCubbing(2)	132,598	-	11,934	-	-	**144,532**		-	**144,532**	-	-
Nicholas Sheard	103,237	-	-	-	-	**103,237**		-	**103,237**	-	-
Colin Steyn	103,258	-	-	-	-	**103,258**		-	**103,258**	-	-
Craig Burton(3)	185,972	-	-	-	-	**185,972**		-	**185,972**	-	-
William Clough(4)	103,263	-	-	-	-	**103,263**		-	**103,263**	-	-
Executives											
Christiaan Els	428,035	208,107	22,755	111,112	76,792	**846,801**	17,760	6,826	**871,387**	39	24
William Bent	357,039	177,557	25,391	91,411	-	**651,398**	14,611	18,837	**684,846**	41	15
Luis Nepomuceno(5)	511,791	194,230	-	221,595	-	**927,616**	35,421	-	**963,037**	47	27
	2,798,908	**1,044,857**	**93,513**	**793,650**	**256,848**	**4,987,776**	**176,838**	**39,634**	**5,204,248**		

(1) Geoffrey Handley was appointed as director effective 1 January 2011 and moved from the role of director to the role of non-executive director effective 1 January 2012.
(2) Ian McCubbing was appointed as chairman of the Audit Committee effective 1 January 2011.
(3) Craig Burton moved from the role of executive Chairman to the role of Non – executive Chairman effective 1 January 2011. He resigned from the Company on 1 January 2012. Remuneration payments to Mr Burton were made to a related entity, Verona Capital Pty Ltd.
(4) William Clough resigned from the Company on 1 January 2012. Remuneration payments to Mr Clough were made to a related entity, WM Clough Pty Ltd
(5) Luis Nepomuceno ceased to be an executive of the Company on 16 January 2012.

31 December 2010	Short-term Salaries and fees	Short-term Cash Bonus	Post-employment Super contributions	Equity share based Payments (tranche (i) of Cycle 1)	Equity share based Payments in lieu of options	Termination Payments	Realised remuneration	Movement in provision for annual leave	Total remuneration	Performance related proportion of remuneration	Value of performance rights and options as proportion of remuneration
	US$	US$	US$	US$	US$	US$	US$	US$	US$	%	%
Directors											
Executive Directors											
Craig Burton(1)	320,679	-	-	-	-	-	**320,679**	-	**320,679**	-	-
Ian Purdy	553,657	623,522	23,002	69,167	106,277	-	**1,375,625**	41,814	**1,417,439**	49	12
Non-executive Directors											
William Clough(2)	70,137	-	-	-	-	-	**70,137**	-	**70,137**	-	-
Joseph Hamilton(3)	73,610	-	-	-	-	-	**73,610**	-	**73,610**	-	-
Nicholas Poll(4)	15,445	-	-	-	-	-	**15,445**	-	**15,445**	-	-
Nicholas Sheard	73,609	-	-	-	-	-	**73,609**	-	**73,609**	-	-
Colin Steyn	71,347	-	-	-	-	-	**71,347**	-	**71,347**	-	-
Executives											
Christiaan Els	322,005	221,215	25,733	20,449	44,568	-	**633,970**	16,499	**650,469**	37	10
William Bent	153,174	182,177	13,786	16,841	-	-	**365,978**	11,642	**377,620**	53	4
Luis Nepomuceno	292,460	448,796	-	40,825	-	-	**782,081**	-	**782,081**	63	5
Bryan Hyde(5)	193,880	220,497	-	-	449,489	159,882	**1,023,748**	-	**1,023,748**	22	44
Paulo Oliva(6)	57,642	-	-	-	-	-	**57,642**	-	**57,642**	-	-
	2,197,645	**1,696,207**	**62,521**	**147,282**	**600,334**	**159,882**	**4,863,871**	**69,955**	**4,933,826**		

(1) Remuneration payments to Mr Burton were made to a related entity, Verona Capital Pty Ltd.
(2) Remuneration payments to Mr Clough were made to a related entity, WM Clough Pty Ltd.
(3) Joseph Hamilton resigned from the Company on 31 December 2010.
(4) Nicholas Poll resigned from the Company on 6 April 2010.
(5) Bryan Hyde resigned from the Company on 16 June 2010.
(6) Paulo Oliva resigned from the Company on 6 June 2010.

3.3 Short-term cash bonus

The Remuneration Committee evaluated the senior management and employee performance against the 2011 STIP targets. Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director and key management personnel of the Group are detailed below:

	Maximum award	Included in remuneration	% achieved in year	% forfeited in year
Directors	US$	US$	%	%
Executive Directors				
Ian Purdy	592,058	464,963	79	21
Executives				
Christiaan Els	263,984	208,107	79	21
William Bent	225,231	177,557	79	21
Luis Nepomuceno	326,045	194,230	60	40

Amounts included in remuneration for the financial year represent the amount that vested in the financial year on achievement of personal goals and satisfaction of specified performance criteria. The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year. No amounts vest in future financial years in respect of the bonus schemes for the 2011 financial year.

3.4 Equity instruments

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

3.4.1 Performance rights issued as compensation

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

31 December 2011						
Directors		**Number of performance rights issued/granted Dec 2011**	**Grant Date**	**Fair value of performance rights at grant date A$**	**Expiry date[(1)]**	**Number of performance rights vested Jan-Dec 2011**
Geoffrey Handley		-	-	-	-	-
Ian Purdy	in lieu of options	-	13 Sep 2010	1.84	1 July 2011	155,000
	tranche (i) of Cycle 1	-	13 Sep 2010	1.84	1 April 2012	195,859
	tranche (ii) of Cycle 1	97,930	31 Mar 2011	1.84	1 April 2013	-
	tranche (iii) of Cycle 1	97,930	31 Mar 2011	1.28	1 July 2013	-
	tranche (i) & (ii) of Cycle 2	338,848[(2)]	31 Mar 2012	1.12	1 Jan 2014	-
	tranche (i) & (ii) of Cycle 3	338,847[(2)]	31 Mar 2013	1.12	1 Jan 2015	-
Ian McCubbing		-	-	-	-	-
Nicholas Sheard		-	-	-	-	-
Colin Steyn		-	-	-	-	-
Craig Burton		-	-	-	-	-
William Clough		-	-	-	-	-
Key Personnel						
Christiaan Els	In lieu of options	-	13 Sep 2010	1.84	1 July 2011	65,000
	tranche (i) of Cycle 1	-	13 Sep 2010	1.84	1 April 2012	57,906
	tranche (ii) of Cycle 1	28,954	31 Mar 2011	1.84	1 April 2013	-
	tranche (iii) of Cycle 1	28,953	31 Mar 2011	1.28	1 July 2013	-
William Bent	tranche (i) of Cycle 1	-	13 Sep 2010	1.84	1 April 2012	47,688
	tranche (ii) of Cycle 1	23,844	31 Mar 2011	1.84	1 April 2013	-
	tranche (iii) of Cycle 1	23,843	31 Mar 2011	1.28	1 July 2013	-
Luis Nepomuceno	tranche (i) of Cycle 1[(3)]	-	13 Sep 2010	1.84	1 April 2012	115,603
	tranche (ii) of Cycle 1[(3)]	57,801	31 Mar 2011	1.84	1 April 2013	-
	tranche (iii) of Cycle 1	57,801	31 Mar 2011	1.28	1 July 2013	-

(1) The performance rights are subjected to both service conditions and performance conditions (Refer note 11). The expiry date can be changed at the discretion of the Board.

(2) These performance rights were issued for cycle 2 and cycle 3 of the long term incentive plan. The performance conditions for these cycles have not been set at the date of this report and therefore the fair value of these rights has been provisionally measured. The value of these performance rights will be finalised when the performance conditions are set.

(3) On termination of Mr Luis Nepomuceno these rights vested.

31 December 2010						
Directors		Number of performance rights granted Dec 2010	Grant Date	Fair value of performance rights at grant date A$	Expiry date[(1)]	Number of performance rights vested Jan-Dec 2010
Craig Burton		-	-	-	-	-
Ian Purdy	In lieu of options	155,000	13 Sep 2010	1.84	1 July 2011	-
	tranche (i) of Cycle 1	195,859	13 Sep 2010	1.84	1 April 2012	-
William Clough		-	-	-	-	-
Joseph Hamilton		-	-	-	-	-
Nicholas Poll		-	-	-	-	-
Nicholas Sheard		-	-	-	-	-
Colin Steyn		-	-	-	-	-
Key Personnel						
Christiaan Els	in lieu of options	65,000	13 Sep 2010	1.84	1 July 2011	-
	tranche (i) of Cycle 1	57,906	13 Sep 2010	1.84	1 April 2012	-
William Bent	tranche (i) of Cycle 1	47,688	13 Sep 2010	1.84	1 April 2012	-
Luis Nepomuceno	tranche (i) of Cycle 1	115,603	13 Sep 2010	1.84	1 April 2012	-
Bryan Hyde		-	-	-	-	-
Paulo Oliva		-	-	-	-	-

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

The Group measured the fair value of a share-based payment award issued to eligible employees at grant date and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. Where the service condition has commenced before the grant date a provisional fair value is calculated for a share-based payment award, which is revised upon grant date.

Tranche (i) and (ii) of Cycle 1 and tranche (i) of Cycle 2 and Cycle 3:
These performance rights are subject to both service conditions and non-market performance conditions. The service conditions and non-market vesting conditions are not included in estimating the fair value at grant date. Therefore the Group only considered the vesting conditions when estimating the number of equity instruments expected to vest during the vesting period.

For these performance rights, the fair value is measured at the market price of the entity's shares on grant date adjusted to take into account the terms and conditions upon which the rights were granted (except for vesting conditions that are excluded from the measurement of fair value). Where the service condition has commenced before the grant date a provisional fair value is calculated for a share-based payment award, which is revised upon grant date.

Tranche (iii) of Cycle 1 and tranche (ii) of Cycle 2 and Cycle 3:
These performance rights are subject to both service conditions and market vesting conditions. The Company is required to take into consideration the probability of reaching the target share price when estimating the fair value of these equity instruments at grant date. On this basis, the Company will continue to recognise expenses associated with providing this share based payment award to the employee as long as the service condition has been achieved, irrespective of whether the market condition is satisfied (note 11(b)) of the consolidated financial statements).

The fair value of services received in return for these performance rights granted are measured by reference to the fair value of the performance rights. On grant date the estimate of the fair value of the services received is measured based on the binomial option-pricing model. The contractual life of the performance right is used as an input into this model.

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

The performance conditions for Cycle 2 and Cycle 3 have not been set at the date of this report and therefore the fair value of the performance rights under tranche (i) and tranche (ii) of these Cycles has been provisionally measured. The value of these performance rights will be finalised when the performance conditions are set.

Exercise of performance rights granted as compensation

During the reporting period, the following shares were issued on the exercise of the performance rights previously granted as compensation. These performance rights were granted in lieu of options which were awarded to key management personnel on joining the Company:

Directors	**Number of shares**	**Amount paid $/share**
Ian Purdy	155,000	-
Executives		
Christiaan Els	65,000	-

Analysis of performance rights granted as compensation

Details of vesting profiles of the performance rights granted as remuneration to each key management person of the Group and each of the five named Company executives and Group executives are detailed below:

Directors	Number of performance rights issued/ granted	Grant Date	% Vested in the year	Performance condition successfully measured	% forfeited during the year (1)	Financial years in which grant vests
Geoffrey Handley	-	-	-	-	-	-
Ian Purdy	350,859	13 Sep 2010	100%	-	-	31 Dec 2011
	97,930	31 March 2011	-	72%	28%	31 Dec 2012
	97,930	31 March 2011(2)	-	0%	-	30 Jun 2013
	338,848	31 March 2012	-	N/A	-	31 Dec 2013
	338,847	31 March 2013	-	N/A	-	31 Dec 2014
Ian McCubbing	-	-	-	-	-	-
Nicholas Sheard	-	-	-	-	-	-
Colin Steyn	-	-	-	-	-	-
Craig Burton	-	-	-	-	-	-
William Clough	-	-	-	-	-	-
Key Personnel						
Christiaan Els	122,906	13 Sep 2010	100%	-	-	31 Dec 2011
	28,954	31 March 2011	-	72%	28%	31 Dec 2012
	28,953	31 March 2011(2)	-	0%	-	30 Jun 2013
William Bent	47,688	13 Sep 2010	100%	-	-	31 Dec 2011
	23,844	31 March 2011	-	72%	28%	31 Dec 2012
	23,844	31 March 2011(2)	-	0%	-	30 Jun 2013
Luis Nepomuceno	115,603	13 Sep 2010	100%	-	-	31 Dec 2011
	57,801	31 March 2011	-	72%	28%	31 Dec 2012
	57,801	31 March 2011(2)	-	0%	-	30 Jun 2013

(1) The % forfeited in the year represents the reduction from the maximum number of rights available to vest due to performance criteria not being achieved.
(2) Performance condition to be re-tested at 30 June 2012. If conditions are not met, performance rights will be forfeited.

Analysis of movements in performance rights

The movement during the reporting period, by value, of performance rights over ordinary shares in the Company held by each key management person is detailed below:

Directors	Granted in year US$[1]	Value of performance rights exercised in year US$ [2]	Lapsed in year US$
Geoffrey Handley	-	-	-
Ian Purdy	1,099,022	299,449	(52,068)
Ian McCubbing	-	-	-
Nicholas Sheard	-	-	-
Colin Steyn	-	-	-
Craig Burton	-	-	-
William Clough	-	-	-
Key Personnel			
Christiaan Els	93,259	125,575	(15,394)
William Bent	76,800	-	(12,677)
Luis Nepomuceno	186,177	-	(30,732)

(1) The value of performance rights is converted at average exchange rate for the year ended 31 December 2011 (US$1.032 to A$1). The total value of performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(2) The performance rights were exercised at AU$1.84 per performance right and they were converted at historical rate in US dollar currency.

3.4.2 Options granted as compensation

31 December 2011:

There were no options over ordinary shares in the Company that were granted as compensation to directors and key management personnel during and since the year ended 31 December 2011.

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

All options expire on the earlier of their expiry date or on termination of the individual's employment. 400,000 options to a former executive expire on 30 June 2014. In addition to a continuing employment service condition, the ability to exercise options is conditional upon the Group achieving certain performance targets.

Analysis of options over equity instruments granted as compensation

There were no options vested or forfeited in relation to directors and key management personnel during and since the year ended 31 December 2011. Also, there are no such options to be vested in future periods.

Exercise of options granted as compensation

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

Analysis of movements in options

During the year 600,000 options to Mr Craig Burton and 150,000 options to Mr Nicholas Sheard lapsed. Other than this, there were no options granted, exercised and lapsed during the financial year held by key management personnel.

4 DIRECTORS' INTERESTS

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

Directors	Ordinary shares	Options over ordinary shares	Performance Rights
Geoffrey Handley	60,000	-	-
Ian Purdy	350,860	-	846,134
Ian McCubbing	120,000	-	-
Nicholas Sheard	-	-	-
Colin Steyn	50,972,345	-	-

5 PERFORMANCE RIGHTS / SHARE OPTIONS

5.1 Shares Issued on Exercise of Performance Rights and Options

Subsequent to year end all tranche (i) of Cycle 1 vested performance rights were issued as shares. No options were exercised during or since the end of the financial year and consequently no ordinary shares were issued as a result.

5.2 Unissued Shares under Performance Rights

As at the date of this report, unissued shares of the Company under performance rights are:

Vesting Date	Number of performance rights
31 Dec 2012	276,918
30 Jun 2013	384,608
31 Dec 2013	338,848
31 Dec 2014	338,847
	1,339,221

5.3 Unissued Shares Under Options

As at the date of this report, unissued shares of the Company under option are:

Exercise price	Expiry date	Number of options
A$6.20	11 Sep 2012	300,000
A$3.00	7 Jul 2013	3,000,000
A$3.00	7 Jul 2013	750,000
A$3.00	30 Jun 2014	400,000
Balance		**4,450,000**

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

6 INDEMNIFICATION AND INSURANCE OF OFFICERS

6.1 Indemnification

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

6.2 Insurance

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

The insurance premiums relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome, and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage. Premiums totalling US$59,046 were paid in respect of directors' and officers' liability cover. The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

7 PRINCIPAL ACTIVITIES

Mirabela is an international mineral resource company engaged in the mining, production and sale of nickel concentrate. The ordinary shares of Mirabela are listed on the 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 mine in Bahia, Brazil, discovered by Mirabela in 2004 and brought into commercial production in 2010. Santa Rita was the largest nickel sulphide discovery worldwide in over a decade, and is expected to be the second largest open-cut nickel sulphide mine in the world. The Santa Rita mine also has an underground mineral resource which may extend the expected life of the operation. The Santa Rita mine is located approximately 360 kilometres south-west of Salvador and approximately 6 kilometres from the town of Ipiau, having an estimated population of 40,000 people. Mirabela also has a portfolio of prospective nickel targets in Brazil, including an underground mineral resource at Santa Rita.

8 AUDIT COMMITTEE

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

The members of the Audit Committee during the period were:

- Mr Ian McCubbing, B.Com (Hons), MBA (Ex), CA, MAICD - Chairman; Non-executive Director
- Mr Nicholas Sheard, Fellow AIG, RP.Geo - Non-executive Director
- Mr Colin Steyn, B.Com, MBA - Non-executive Director

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

9 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31 December 2011 (31 December 2010: Nil)

10 EARNINGS PER SHARE

The basic and diluted loss per share for the Group for the period was $0.1032 per share (31 December 2010: $0.1209 loss per share).

11 EVENTS SUBSEQUENT TO REPORTING DATE

In January 2012, the Company's Brazilian subsidiary, Mirabela Mineração Ltda, entered into a US$50 million, 35 month working capital facility with Banco Bradesco S.A. The loan is unsubordinated and secured by a guarantee from Mirabela Nickel Ltd and a fiduciary assignment on the Votorantim receivables. The US$50 million will be held in a "blocked" account until the administrative processes of unwinding the security on the closed hedge book have been completed.

In addition to the working capital facility, the Company also negotiated a US$5.2 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of US$0.78 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

On 1 February 2012, 734,926 shares were issued under tranche (i) of Cycle 1 of performance rights in accordance with the Company's Long Term Incentive Plan.

12 CORPORATE STRUCTURE

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

13 NON-AUDIT SERVICES

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

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

	Note-consolidated financial statements	31 December 2011 US$	31 December 2010 US$
Auditors of the Company			
KPMG Australia:			
Audit fees	*9*	349,752	317,975
Other assurance and advisory services[1]	*9*	571,142	158,645
KPMG Brazil:			
Audit fees	*9*	138,510	125,558
Other assurance services	*9*	-	42,610
Taxation services	*9*	-	17,044
		1,059,404	**661,832**

(1) Comprises assurance services relating to equity and debt raising and advisory services relating to process improvements and best practice initiatives.

14 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.

15 LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 37 and forms part of the Directors' Report for the financial year ended 31 December 2011.

Dated at Perth this 28th day of February 2012.

Signed in accordance with a resolution of the directors.

Geoffrey Handley
Non-executive Chairman

Ian Purdy
Chief Executive Officer
& Managing Director

DIRECTORS' DECLARATION

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

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

      i. Giving a true and fair view of the financial position of the Company and the Group as at 31 December 2011 and of their performance, for the financial period ended on that date; and

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

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

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

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2011.

Dated at Perth this 28th day of February 2012.

Signed in accordance with a resolution of the directors.

Geoffrey Handley
Non-executive Chairman

Ian Purdy
Chief Executive Officer
& Managing Director

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

Report on the financial report

We have audited the accompanying financial report of Mirabela Nickel Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

  (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the remuneration report included in Section 3 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Mirabela Nickel Limited for the year ended 31 December 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth
28 February 2012

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

To: the directors of Mirabela Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

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

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

KPMG

KPMG

Graham Hogg
Partner

Perth
28 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	31 December 2011 US$000	31 December 2010 US$000
Sales revenue		303,642	210,975
Treatment, refining and transport charges		(59,245)	(31,816)
Net sales revenue		**244,397**	**179,159**
Direct costs		(203,839)	(123,820)
Royalties		(15,617)	(10,314)
Depreciation, amortisation and depletion		(52,829)	(37,178)
Cost of sales		**(272,285)**	**(171,312)**
Gross (loss)/profit		**(27,888)**	**7,847**
Expenses			
General and administration		(10,326)	(9,280)
Financial income	*7*	3,175	996
Financial expense	*7*	(38,843)	(22,113)
Net derivative gain/(loss)	*8*	249	(21,318)
Net foreign exchange gain		32,827	6,608
Other expenses		(12,324)	(4,027)
		(25,242)	(49,134)
Loss before income tax		(53,130)	(41,287)
Income tax benefit/(expense)	*12*	2,369	(6,331)
Loss for the period		**(50,761)**	**(47,618)**
OTHER COMPREHENSIVE (EXPENSE) /INCOME			
Foreign currency translation differences		(134,714)	30,560
Effective portion of changes in fair value of cash flow hedges		70,536	(86,696)
Net change in fair value of cash flow hedges transferred to profit or loss		17,727	3,639
Other comprehensive expense for the period		**(46,451)**	**(52,497)**
Total comprehensive expense for the period		**(97,212)**	**(100,115)**
LOSS PER SHARE			
Basic loss per share ($ per share)	*13*	(0.10)	(0.12)
Diluted loss per share ($ per share)	*13*	(0.10)	(0.12)
Weighted basic average number of shares outstanding (000's)		491,670	393,991
Weighted diluted average number of shares outstanding (000's)		491,670	393,991

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 94.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

		Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
31 December 2011	***Note***	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**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 YEAR							
Loss for the year		-	-	-	-	(50,761)	(50,761)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(134,714)	-	-	-	(134,714)
Effective portion of changes in fair value of cash flow hedges		-	-	-	70,536	-	70,536
Net change in fair value of cash flow hedges transferred to profit or loss		-	-	-	17,727	-	17,727
Total other comprehensive (expense)/ income		-	(134,714)	-	88,263	-	(46,451)
Total comprehensive (expense)/income for the year		-	(134,714)	-	88,263	(50,761)	(97,212)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue cost recovery		1,411	-	-	-	-	1,411
Shares issued during the period		425	-	(425)	-	-	-
Options lapsed during the period	26	-	-	(7,989)	-	7,989	-
Share based payment transactions		-	-	1,976	-	-	1,976
Total transactions with equity holders		1,836	-	(6,438)	-	7,989	3,387
Balance at 31 December 2011		**683,108**	**(47,906)**	**6,742**	**(12,761)**	**(103,673)**	**525,510**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 94.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Group					
31 December 2010	Issued capital US$000	Translation reserve US$000	Share based payments reserve US$000	Hedging reserve US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 January 2010	**477,024**	**56,248**	**11,904**	**(17,967)**	**(13,283)**	**513,926**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD						
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 consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 94.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2011

	Note	31 December 2011 US$000	31 December 2010 US$000
ASSETS			
Cash and cash equivalents	*14*	61,198	102,134
Trade and other receivables	*15*	59,371	43,024
Inventories	*16*	64,056	34,509
Derivative financial instruments	*17*	-	15,774
Total current assets		**184,625**	**195,441**
Trade and other receivables	*15*	14,550	33,803
Property, plant and equipment	*19*	816,346	883,621
Exploration and evaluation assets	*18*	476	550
Derivative financial instruments	*17*	-	6,886
Total non-current assets		**831,372**	**924,860**
Total assets		**1,015,997**	**1,120,301**
LIABILITIES			
Trade and other payables	*20*	68,985	32,660
Provisions	*21*	3,835	3,680
Borrowings	*22*	8,433	16,418
Derivative financial instruments	*17*	-	81,890
Provision for current tax	*12*	4,597	6,629
Total current liabilities		**85,850**	**141,277**
Provisions	*21*	10,870	14,405
Borrowings	*22*	393,767	246,108
Derivative liability - option	*23*	-	1,013
Derivative financial instruments	*17*	-	98,163
Total non-current liabilities		**404,637**	**359,689**
Total liabilities		**490,487**	**500,966**
Net assets		**525,510**	**619,335**
EQUITY			
Contributed equity	*25*	683,108	681,272
Reserves	*26*	(53,925)	(1,036)
Accumulated losses		(103,673)	(60,901)
Total equity		**525,510**	**619,335**

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 94.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	31 December 2011 US$000	31 December 2010 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		293,279	157,537
Cash paid to suppliers and employees		(315,019)	(233,022)
Interest received		3,175	996
Net cash used in operating activities	*30*	**(18,565)**	**(74,489)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	19	(96,541)	(32,676)
Exploration and evaluation expenditure	18	(5)	(389)
Net cash used in investing activities		**(96,546)**	**(33,065)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of unsecured senior notes and borrowings		395,000	3,814
Repayment of senior and off-taker loans		(230,911)	(44,889)
Borrowing costs paid		(20,476)	-
Hedge collateral		(25,000)	-
Released of 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)	-
Payment on closeout of nickel and copper hedges		(19,989)	-
Interest paid		(33,262)	(13,663)
Proceeds from the issue of share capital		(2)	214,094
Share issue costs		-	(9,846)
Net cash from financing activities		**74,048**	**149,510**
Net (decrease)/increase in cash and cash equivalents		(41,063)	41,956
Cash and cash equivalents at the beginning of the period		102,134	53,027
Effect of changes in foreign currency		127	7,151
Cash and cash equivalents at end of the period	*14*	**61,198**	**102,134**

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 43 to 94.

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1. REPORTING ENTITY

Mirabela Nickel Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000. The consolidated financial statements of the Company for the year ended 31 December 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 financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Group and Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 28 February 2012.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

The consolidated financial report is presented in US dollars, which is the Group's presentation currency (refer note 3(a) 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.

(d) Use of estimates and judgements

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

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

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

- Note 4(i) – Revenue recognition
- Note 11 – measurement of share based payments
- Note 12 – accounting for income tax
- Note 19 – property, plant and equipment, including determination of reserves and resources
- Note 21 – provision for mine closure and restoration
- Note 27 – valuation of financial instruments

(e) Financial position

The Group held cash on hand and on deposit as at 31 December 2011 of US$61.198 million. As at 31 December 2011 the Group has a net working capital surplus of US$98.775 million. For the full year ended 31 December 2011 the Group incurred a loss of US$50.761million. At 31 December 2011, the Group held net assets of US$525.51 million. Net cash outflows from operations and investing activities for 2011 were US$115.111 million.

The directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The cash flow forecast depends upon the successful operation of mining and production activities in accordance with the budget and nickel price assumptions to enable cash flow forecasts to be achieved. Should the operations not successfully achieve budgeted production or forecast nickel prices not be achieved, the Group may be required to source additional funds through debt or equity markets or a combination of the two.

(f) Transition from commissioning to commercial production

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

(g) Removal of parent entity's financial statements

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

3. Change in accounting policy

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 changed its presentation currency for financial reporting in order to better align the presentation of the Group's financial position and financial performance with its operations. Refer note 2(c), functional and presentation currency.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

(iii) Net investment in foreign operations

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

(ii) Derivative financial instruments

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

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

Cash flow hedges

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

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

Separable embedded derivatives

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

Other non-trading derivatives

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

(iii) Share capital

<u>Ordinary shares</u>

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as follows:

- Plant and equipment 2.5 to 23 years or based on reserves on units of production basis.
- Mine properties based on reserves on units of production basis
- Leased assets based on reserves on units of production basis

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

(iv) Disposal

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

(v) Nickel reserves

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

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

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

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

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

(e) Mine Properties

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

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

Overburden removal costs

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

(f) Deferred stripping costs

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

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

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

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

(g) Exploration and evaluation expenditure

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

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

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

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

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

(h) Leased assets

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

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

Lease payments

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

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

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

(i) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when the title passes to the customer. This generally occurs when product is physically transferred onto a vessel, or other delivery mechanism.

Metals in concentrate

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of the sales revenue is based on the most recently determined estimate of product specifications.

The sales price for nickel is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between two to four months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Sales revenue includes realised gains and losses associated with Nickel, Copper and Foreign Exchange forward contracts.

(j) Trade receivables

Trade receivables are initially recognised on a provisional basis at the time of sale and subsequently adjusted based on the movements in the quoted market prices and assay results up to the date of final pricing (note 4(i)). The mark to market of trade receivables is recorded as an adjustment to the sales revenue.

Trade receivables settlement terms are as follows:

- 90% of the invoice value is settled within 7-70 days from the month of sale or date of Bill of Lading; and
- 10% of the invoice value is settled within 15 days of presentation of the final invoice at the end of the quotation period (normally two to four months following the month of sale).

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables. Debts which are known to be uncollectible are written off.

(k) Other receivables

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

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Cost is determined on a weighted average basis and includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs incurred in bringing each product to its present location and condition.

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

Inventories are categorised as follows:

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

(m) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

(n) Employee benefits

(i) Share based payment transactions

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

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

(ii) Wages, salaries and annual leave

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

(iii) Short-term employee benefits

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

(iv) Termination benefits

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

(o) Provisions

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

Rehabilitation

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

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

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

(p) Trade and other payables

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

(q) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

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

(r) Borrowings

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

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

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

<u>Borrowing costs</u>

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

(s) Income tax

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

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

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

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

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

(t) Earnings per share

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

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

(u) Sales tax and other indirect taxes

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

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

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

(v) Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to the CEO, who is the Group’s chief operating decision maker.

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

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

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

(w) Comparatives

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

(x) New standards and interpretations not yet adopted

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

- AASB 9: *Financial Instruments* and AASB 2009-11: *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9.

- AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 2011-4 removes the requirement to include individual key management personnel disclosures in the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under s.300A of the Corporations Act 2001. Early adoption is not permitted.

- AASB 10: *Consolidated Financial Statements* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

- AASB 12: *Disclosures of Interests in Other Entities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard gives effect to many consequential changes to a number of standards arising from the issuance of the new consolidation and joint arrangements standard.

- AASB 13: *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 explains how to measure fair value when required to by other AASBs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards.

- AASB 119: *Employee Benefits (September 2011)* and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 119 amended focussing on but not limited to the accounting for defined benefit plans. In addition it changes the definition of short-term and other long-term employee benefits and some disclosure requirements.

- AASB 2011-9: *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (applicable for annual reporting periods commencing on or after 1 July 2012).

AASB 2011-9 makes a number of changes to the presentation of other comprehensive income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items.

- IFRIC 20: *Stripping Costs in the Production Phase of a Surface Mine* – (applicable for annual reporting periods commencing on or after 1 January 2013)

This Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards, and has not assessed the full impact of these amendments at the date of this report.

5. DETERMINATION OF FAIR VALUES

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

(i) Derivative financial instruments

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

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

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

(ii) Non-derivative financial assets and liabilities

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

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

(iii) Share based payment transactions

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

The fair value of performance rights and options granted to employees at grant date is recognised as an employee expense, and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. The performance rights are subjected to both service conditions and performance conditions.

Service conditions are not included in estimating the fair value at grant date.

A performance condition can either be market vesting or non-market vesting.

For market vesting conditions, the Group is required to take into consideration the probability of reaching the target shareholder return when estimating the fair value of the equity instruments at grant date.

For non-market vesting conditions, the Group does not take into account the vesting conditions when estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

6. SEGMENT INFORMATION

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

Customer Sector Group	Principal Activities
Base Metals	Mining of nickel, copper, cobalt and platinum in Brazil

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

(a) Information on the reportable segments of the Group

31 December 2011 US$000	Mirabela Nickel Group
Net Revenue	
Group Production	244,397
Total net revenue	**244,397**
EBITDA[(a)]	**14,615**
Depreciation, amortisation and depletion	(52,829)
EBIT[(b)]	**(38,214)**
Net financial expense	(35,668)
Net derivative gain	249
Net foreign exchange gain	32,827
Other expenses	(12,324)
Loss before taxation	**(53,130)**
Capital expenditure	**96,546**
Total assets	**1,015,997**
Total liabilities	**490,487**

[(a)] EBITDA is EBIT, before depreciation, amortisation and depletion.
[(b)] EBIT is earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation and other expenses.

31 December 2010	
US$000	**Mirabela Nickel Group**
Net Revenue	
Group Production	179,159
Total net revenue	**179,159**
EBITDA[a]	**35,745**
Depreciation, amortisation and depletion	(37,178)
EBIT[b]	**(1,433)**
Net financial expense	(21,117)
Net derivative loss	(21,318)
Net foreign exchange gain	6,608
Other expenses	(4,027)
Loss before taxation	**(41,287)**
Capital expenditure	**36,490**
Total assets	**1,120,301**
Total liabilities	**500,966**

[a] EBITDA is EBIT, before depreciation, amortisation and depletion.
[b] EBIT is earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation and other expenses.

7. FINANCIAL INCOME/(EXPENSE)

	31 December 2011 US$000	**31 December 2010 US$000**
Interest received	3,175	996
Financial income	**3,175**	**996**
Interest expense	(37,812)	(21,200)
Discounting of rehabilitation costs	(1,031)	(913)
Financial expense	**(38,843)**	**(22,113)**

8. NET DERIVATIVE GAIN/(LOSS) THROUGH PROFIT OR LOSS

	31 December 2011 US$000	31 December 2010 US$000
Derivative gain	1,027	1,465
Derivative gain	**1,027**	**1,465**
Call option loss	(549)	(18,769)
Interest rate swap loss	(229)	(4,014)
Derivative loss	**(778)**	**(22,783)**
Net derivative gain/(loss)	**249**	**(21,318)**

9. AUDITOR'S REMUNERATION

	31 December 2011 US$000	31 December 2010 US$000
Audit services		
KPMG Australia:		
Audit & review of financial reports	350	318
KPMG Brazil:		
Audit & review of financial reports	139	126
	489	**444**
Other services		
KPMG Australia:		
Other assurance and advisory services[(1)]	571	159
KPMG Brazil:		
IFRS compliance	-	43
Taxation services	-	17
	571	**219**

(1) Comprises assurance services relating to equity and debt raising and advisory services relating to process improvements and best practice initiatives.

10. EMPLOYEE BENEFITS

	Note	31 December 2011 US$000	31 December 2010 US$000
Salaries and fees		12,057	12,386
Superannuation		179	160
Share based payments expense	*11*	1,976	1,276
		14,212	**13,822**

11. SHARE BASED PAYMENTS

(a) Expenses arising from share based transactions

	31 December 2011 US$000	31 December 2010 US$000
Equity-settled share options and performance rights granted during:		
Period ended 30 June 2006	-	14
Period ended 30 June 2008	-	116
Period ended 30 June 2009	-	185
Period ended 31 December 2009	123	449
Period ended 31 December 2010	1,097	512
Period ended 31 December 2011	756	-
Total expense recognised as employee costs	**1,976**	**1,276**

(b) Performance rights

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

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

	Performance rights subjected to performance conditions			Performance rights not subjected to performance conditions
	Cycle 1			
Performance condition	Achieve a sustainable 4.6Mtpa business by the end of 2010 trache (i)	Achieve a sustainable 6.4 Mtpa business by the end of 2011 tranche (ii)	Company's share price against group of peer companies tranche (iii)	Nil
Market or non-market based	Non-Market	Non-Market	Market	N/A
Underlying spot price	A$1.84	A$1.84	A$1.84	A$1.84
Exercise price	$0.00	$0.00	$0.00	$0.00
Valuation date	13 Sept 2010	31 March 2011	31 March 2011	13 Sept 2010
Vesting date	31 Dec 2011	31 Dec 2012	30 June 2013	1 July 2011
Vesting period (Days)	474	840	1,021	291
Number of rights	784,138	426,364	426,364	220,000
Valuation per right	A$1.84	A$1.84	A$1.28	A$1.84
Valuation per tranche	A$1,442,814	A$784,510	A$545,746	A$404,800
Entitled number of employees	29	35	35	2

	Cycle 2		Cycle 3	
Performance condition	Not yet specified Tranche (i)	Not yet specified Tranche (ii)	Not yet specified Tranche (i)	Not yet specified Tranche (ii)
Market or non-market based	Non-Market	Market	Non-Market	Market
Underlying spot price(1)	A$1.12	A$1.12	A$1.12	A$1.12
Exercise price	$0.00	$0.00	$0.00	$0.00
Valuation date	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011
Vesting date	31 Dec 2013	31 Dec 2013	31 Dec 2014	31 Dec 2014
Vesting period (Days)	792	792	1,157	1,157
Number of rights	169,424	164,424	169,424	169,423
Valuation per right	A$1.12	A$1.12	A$1.12	A$1.12
Valuation per tranche	A$189,755	A$189,755	A$189,755	A$189,754
Entitled number of employees	1	1	1	1

The Group measured the fair value of a share-based payment award issued to eligible employees at grant date and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. Where the Service condition has commenced before the grant date a provisional fair value is calculated for a share-based payment award, which is revised upon grant date.

Tranche (i) and (ii) of Cycle 1 and tranche (i) of Cycle 2 and Cycle 3:
These performance rights are subject to both service conditions and non-market performance conditions. The service conditions and non-market vesting conditions are not included in estimating the fair value at grant date. Therefore the Group only considered the vesting conditions when estimating the number of equity instruments expected to vest during the vesting period.

For these performance rights, the fair value is measured at the market price of the entity's shares on grant date adjusted to take into account the terms and conditions upon which the rights were granted (except for vesting conditions that are excluded from the measurement of fair value).

Tranche (iii) of Cycle 1 and tranche (ii) of Cycle 2 and Cycle 3:
These performance rights are subject to both service conditions and market vesting conditions. The Company is required to take into consideration the probability of reaching the target share price when estimating the fair value of these equity instruments at grant date. On this basis, the Company will continue to recognise expenses associated with providing this share based payment award to the employee as long as the service condition has been achieved, irrespective of whether the market condition is satisfied (note 11(b)) of the consolidated financial statements).

The fair value of services received in return for these performance rights granted are measured by reference to the fair value of the performance rights. The estimate of the fair value of the services received is measured based on the binomial option-pricing model. The contractual life of the performance right is used as an input into this model.

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

The performance conditions for Cycle 2 and Cycle 3 have not been set at the date of this report and therefore the fair value of the performance rights under tranche (i) and (ii) of these Cycles has been provisionally measured. The value of these performance rights will be finalised when the performance conditions are set.

(c) Option plans

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

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

Grant Date	Grantees	Number of instruments outstanding at 31 Dec 2011	Vesting conditions	Contractual life of options
11 Sep 2008	Consultants' options	300,000	Two years of service	4 years
24 Nov 2008	Bank options	3,000,000	No vesting conditions	5 years
25 Sep 2009	Employee options	400,000	Two years of service	5 years
5 Nov 2009	Bank options	750,000	No vesting conditions	4 years
	Total share options	**4,450,000**		

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

31 December 2011

Grant date	Expiry date	Exercise price A$[1]	Exercise price US$[1]	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
				Number	Number	Number	Number	Number	Number
09/08/2007	23/02/2011	$5.60	$5.71	1,800,000	-	-	1,800,000	-	-
09/08/2007	30/06/2011	$6.20	$6.32	1,400,000	-	-	1,400,000	-	-
30/11/2007	07/09/2011	$6.20	$6.32	300,000	-	-	300,000	-	-
17/04/2008	31/12/2011	$6.20	$6.32	350,000	-	-	350,000	-	-
09/09/2008	31/12/2012	$8.89	$8.00	5,000,000	-	-	5,000,000	-	-
11/09/2008	11/09/2012	$6.20	$6.32	300,000	-	-	-	300,000	300,000
24/11/2008	07/07/2013	$3.00	$3.06	3,000,000	-	-	-	3,000,000	3,000,000
25/09/2009	30/06/2014	$3.00	$3.06	400,000	-	-	-	400,000	400,000
05/11/2009	07/07/2013	$3.00	$3.06	750,000	-	-	-	750,000	750,000
				13,300,000	-	-	8,850,000	4,450,000	4,450,000
Weighted average exercise price (US$)				**$5.85**	**-**	**-**	**$7.15**	**$3.28**	**$3.28**
Weighted average exercise price (A$)				**$6.13**	**-**	**-**	**$7.60**	**$3.22**	**$3.22**

(1) All options are exercisable in A$ (presented in US$ at 31 Dec 2011 rate) with the exception of the US$8.00 options, which are exercisable in US$.

31 December 2010

Grant date	Expiry date	Exercise price A$[1]	Exercise price US$[1]	Balance at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Balance at end of the period	Exercisable at end of the period
				Number	Number	Number	Number	Number	Number
24/04/2006	30/04/2010	$0.95	$0.97	400,900	-	400,900	-	-	-
09/08/2007	23/02/2011	$5.60	$5.70	1,800,000	-	-	-	1,800,000	1,800,000
09/08/2007	30/06/2011	$6.20	$6.31	1,400,000	-	-	-	1,400,000	1,400,000
30/11/2007	07/09/2011	$6.20	$6.31	300,000	-	-	-	300,000	300,000
17/04/2008	31/12/2011	$6.20	$6.31	350,000	-	-	-	350,000	350,000
09/09/2008	31/12/2012	$8.89	$8.00	5,000,000	-	-	-	5,000,000	5,000,000
11/09/2008	11/09/2012	$6.20	$6.31	300,000	-	-	-	300,000	300,000
24/11/2008	07/07/2013	$3.00	$3.05	3,000,000	-	-	-	3,000,000	3,000,000
25/09/2009	30/06/2014	$3.00	$3.05	400,000	-	-	-	400,000	-
05/11/2009	07/07/2013	$3.00	$3.05	750,000	-	-	-	750,000	750,000
				13,700,900	-	400,900	-	13,300,000	12,900,000
Weighted average exercise price (US$)				**$5.70**	**-**	**$0.97**	**-**	**$5.85**	**$5.93**
Weighted average exercise price (A$)				**$5.98**	**-**	**$0.95**	**-**	**$6.13**	**$6.23**

[1] All options are exercisable in A$ (presented in US$ at 31 Dec 2010) with the exception of the US$8.00 options, which are exercisable in US$.

The options outstanding at 31 December 2011 have an exercise price in the range of US$3.06 to US$6.32 (2010: US$0.72 to US$8.00) and a weighted average contractual life of 4.2 years (2010: 4 years).

During the 2011 financial year no options were issued under the plan (31 December 2010: 400,900 options were exercised for US$344,866).

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

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

12. INCOME TAX EXPENSE

Major components of income tax expense for the year ended 31 December 2011 and period ended 31 December 2010 are:

	31 December 2011 US$000	31 December 2010 US$000
Statement of comprehensive income		
Current income		
Current income tax charge	-	6,331
Reassessment of prior year income tax	(2,369)	-
Income tax (benefit)/expense reported in statement of comprehensive income	**(2,369)**	**6,331**

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

The reconciliation of the income tax expense/(benefit) arising on accounting (loss)/profit before income tax at the statutory income tax rate, to the prima facie income tax expense, as calculated at the Company's effective income tax rate, for the year ended 31 December 2011 and period ended 31 December 2010 are as follows:

	31 December 2011 US$000	31 December 2010 US$000
Accounting loss before income tax	**53,130**	**41,287**
Tax on profit at the income tax rate of 30% (31 December 2010: 30%)	(15,939)	(12,386)
Add:		
Non-deductible expenses	3,173	14,819
Differences in global tax rates	728	(756)
FX differences on average to closing exchange rate	211	-
Non-deductible on financial instruments	-	6,154
Adjustment in respect of current income tax of previous years	(2,369)	-
Tax loss not recognised as a deferred tax asset	11,867	312
Capital raising costs charged to equity	(40)	(1,812)
Income tax (benefit)/expense	**(2,369)**	**6,331**

Current tax liabilities

	31 December 2011 US$000	31 December 2010 US$000
Current liability		
Provision for current tax	**4,597**	**6,629**

The difference of US$6.966 million between the income tax benefit for the year ended 31 December 2011 and provision for current tax liability at 31 December 2011 is primarily due to timing differences on Brazilian tax payments.

The difference of US$0.298 million between the income tax expense for the year ended 31 December 2010 and provision for current tax liability at 31 December 2010 resulted from the foreign exchange translation of the closing tax position of the Group's foreign operation (refer to note 4(b)).

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	US$000	US$000	US$000	US$000	US$000	US$000
Property, plant & equipment	(4,337)	-	-	-	(4,337)	-
Cash and cash equivalents	(77)	-	-	-	(77)	-
Intercompany interest - assessable	-	-	10,629	6,527	10,629	6,527
Derivative asset – hedge	-	-	-	7,704	-	7,704
Trade and other payables	(3,794)	(459)	-	-	(3,794)	(459)
Provisions	(49)	(15)	-	-	(49)	(15)
Derivative liability - hedge	-	(42,052)	-	-	-	(42,052)
Exploration and evaluation assets	-	-	6	23	6	23
Borrowings	-	-	1,848	-	1,848	-
Tax losses carried forward	(17,151)	(6,076)	-	-	(17,151)	(6,076)
Deferred tax assets not recognised	12,925	34,348	-	-	12,925	34,348
Tax (assets)/ liabilities	(12,483)	(14,254)	12,483	14,254	-	-
Tax set off	12,483	14,254	(12,483)	(14,254)	-	-
Net tax (assets)/ liabilities	-	-	-	-	-	-

Movement in temporary differences during the year ended 31 December 2011:

US$000	Balance 1 January 2011	Recognised in Income	Recognised in Equity	Balance 31 December 2011
Intercompany interest - assessable	6,527	4,102	-	10,629
Derivative asset - hedge	4,319	(4,319)	-	-
Borrowings	3,385	(1,537)	-	1,848
Property, plant and equipment	-	(4,337)	-	(4,337)
Cash and cash equivalents	-	(77)	-	(77)
Trade and other payables	(459)	(3,335)	-	(3,794)
Provisions	(15)	(34)	-	(49)
Derivative liability - hedge	(42,052)	8,762	33,290	-
Exploration and evaluation assets	23	(17)	-	6
Tax losses carried forward	(6,076)	(11,075)	-	(17,151)
Deferred tax assets not recognised	34,348	11,867	(33,290)	12,925
	-	-	-	-

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

US$000	Balance 1 January 2010	Recognised in Income	Recognised in Equity	Balance 31 December 2010
Intercompany interest - assessable	1,352	5,175	-	6,527
Derivative asset - hedge	5,447	-	2,257	7,704
Trade and other payables	(59)	(400)	-	(459)
Provisions	(22)	7	-	(15)
Derivative liability - hedge	(11,681)	-	(30,371)	(42,052)
Exploration and evaluation expenditure	21	2	-	23
Tax losses carried forward	(1,292)	(4,784)	-	(6,076)
Deferred tax assets not recognised	-	-	34,348	34,348
	(6,234)	**-**	**6,234**	**-**

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

	31 December 2011 US$000	31 December 2010 US$000
Unrecognised deferred balances		
Capital raising costs	-	(5,345)
Temporary differences	(1,880)	(16,069)
Tax losses	(11,045)	(4,683)
Unrealised foreign exchange gains and metal hedge losses	-	(52,675)
	(12,925)	**(78,772)**

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

13. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic loss per share of US$0.10 at 31 December 2011 (31 December 2010: US$0.12 loss per share) was based on the loss attributable to ordinary shareholders of US$50.761 million (31 December 2010: US$47.618 million loss) and a weighted average number of ordinary shares outstanding during the financial year ended 31 December 2011 of 491,670,333 (31 December 2010: 393,990,706) calculated as follows:

	Basic loss per share		Diluted loss per share	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Loss attributable to ordinary shareholders (US$000)	(50,761)	(47,618)	(50,761)	(47,618)
Issued ordinary shares at start of period	491,561,237	354,694,375	491,561,237	354,694,375
Effect of issue of shares	109,096	39,001,084	109,096	39,001,084
Effect of share options exercised	-	295,247	-	295,247
Effect of share options on issue	-	-	-	-
	491,670,333	393,990,706	491,670,333	393,990,706
Loss per share in $ dollars	**(0.10)**	**(0.12)**	**(0.10)**	**(0.12)**

Share options and performance rights on issue are not dilutive as their exercise would have the impact of decreasing loss per share. There were a total of 4,450,000 share options and 2,216,126 performance rights that were potentially dilutive to shares on issue at 31 December 2011 (2010: 13,300,000 options and 1,004,138 performance rights).

14. CASH AND CASH EQUIVALENTS

	31 December 2011 US$000	31 December 2010 US$000
Cash at bank and on hand	59,058	24,833
Call deposits	2,140	77,301
	61,198	**102,134**

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

15. TRADE AND OTHER RECEIVABLES

	31 December 2011 US$000	31 December 2010 US$000
Current asset		
Trade receivables	25,976	30,793
Other receivables	-	144
Prepayments	33,395	12,087
	59,371	**43,024**
Non-current asset		
Other receivables	2,563	2,710
Prepayments	11,987	31,093
	14,550	**33,803**

Prepayments primarily 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.

In addition to the above, current and non-current prepayments also comprise payments in advance for consumables, plant and equipment not yet delivered.

16. INVENTORIES

	31 December 2011 US$000	31 December 2010 US$000
Broken ore - cost	26,298	6,195
Concentrate - cost	10,524	10,506
Stores, spares and consumables - cost	27,234	17,808
	64,056	**34,509**

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2011 US$000	31 December 2010 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]	-	46,726
Copper - forward contracts[a]	-	408
Metal call options[b]	-	32,251
Interest rate swap[c]	-	2,505
	-	**81,890**
Non-current liability		
Nickel - forward contracts[a]	-	61,592
Copper - forward contracts[a]	-	21,197
Metal call options[b]	-	13,485
Interest rate swap[c]	-	1,889
	-	**98,163**

(a) Forward contracts designated as hedges

As at December 31, 2011, the Group had no hedge liability, as all the commodity (nickel and copper) contracts were closed out during the year. As at December 31, 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

During the year the Group terminated 1,154 tonnes of nickel forward contracts at zero cost and 9,473 tonnes at a cost of US$10.017 million.

The Group also terminated its copper forward contracts of 8,844 tonnes for a cost of $9.973 million during the year.

The ineffective portion of the termination costs relating to closed copper hedges of US$0.389 million were recognised as an expense. The effective portion of US$19.601 million relating to closed copper hedges (US$9.359 million) and outstanding nickel hedges (US$10.242 million) was recognised in hedge reserve, which unwinds to revenue upon realisation of the underlying hedge transaction.

(ii) Foreign exchange forward contracts

The foreign exchange forward contracts were terminated on April 20, 2011. The fair value of US$25.793 million was realised in cash. Included in the hedge reserve is US$9.427 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 US$37.950 million on April 20, 2011, at a loss of US$0.549 million which was recorded in the statement of comprehensive income.

(c) Interest rate swap

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

18. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2011 US$000	31 December 2010 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	(79)	22
Balance at the period end	**476**	**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.

19. PROPERTY, PLANT & EQUIPMENT

31 December 2011 US$000	Plant & equipment	Leased assets	Land	Mine properties[a]	Construction & development expenditure	Total
Cost						
Balance at 1 January 2011	437,055	39,454	13,878	440,837	-	931,224
Additions	13,964	-	-	24,511	58,066	96,541
Rehabilitation asset-life of mine adjustment	-	-	-	(1,797)	-	(1,797)
Reversal of rehabilitation asset accrual	-	-	-	(985)	-	(985)
Transfers	56,324	-	-	(7,816)	(48,508)	-
Effect of movement in exchange rates	(50,392)	(4,409)	(1,551)	(51,687)	(6,487)	(114,526)
Balance at 31 December 2011	**456,951**	**35,045**	**12,327**	**403,063**	**3,071**	**910,457**
Depreciation						
Balance at 1 January 2011	(31,605)	(6,694)	-	(9,304)	-	(47,603)
Depreciation charge for the year	(37,320)	(8,473)	-	(13,588)	-	(59,381)
Effect of movement in exchange rates	8,623	1,695	-	2,555	-	12,873
Balance at 31 December 2011	**(60,302)**	**(13,472)**	**-**	**(20,337)**	**-**	**(94,111)**
Net book value at 31 December 2011	**396,649**	**21,573**	**12,327**	**382,726**	**3,071**	**816,346**

31 December 2010 US$000	Plant & equipment	Leased assets	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**

(a) Mine properties

Mining properties include deferred stripping costs of US$41.908 million (31 December 2010: 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. In the previous financial year ended 31 December, 2010, the value of these recoverable taxes was reclassified from property, plant and equipment to prepayments in the statement of financial position, to better reflect the nature of the transaction.

20. TRADE AND OTHER PAYABLES

	31 December 2011 US$000	31 December 2010 US$000
Trade payables	42,896	16,277
Other payables and accrued expenses	26,089	16,383
	68,985	**32,660**

Other payables and accrued expenses as at December 31, 2011 mainly comprise interest on the senior unsecured notes, royalties on commodity sales and Brazilian federal and state taxes.

21. PROVISIONS

	31 December 2011 US$000	31 December 2010 US$000
Current liability		
Provision for annual leave	**3,835**	**3,680**
Non-current liability		
Provision for rehabilitation	8,639	11,627
Other provision	2,231	2,778
	10,870	**14,405**
Reconciliation of movements in provisions		
Annual leave provision		
Balance at beginning of period	3,680	879
Provision made during the financial period	550	2,682
Effect of movements in foreign exchange	(395)	119
Balance at period end	**3,835**	**3,680**
Rehabilitation provision		
Balance at beginning of period	11,627	18,872
Accretion expense	1,031	-
Life of mine adjustment	(1,797)	-
Reversal of provision	(985)	(8,457)
Effect of movements in foreign exchange	(1,237)	1,212
Balance at period end	**8,639**	**11,627**
Other provision		
Balance at beginning of period	2,778	-
Provision (reversed)/provided during the financial period	(237)	2,778
Effect of movements in foreign exchange	(310)	-
Balance at period end	**2,231**	**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 is being amortised over the life of the mine.

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

22. BORROWINGS

December 31, 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	**377,001**	**25,199**	**402,200**
Current borrowings	-	8,433	8,433
Non-current borrowings	377,001	16,766	393,767
	377,001	**25,199**	**402,200**

December 31, 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 is payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes, beginning October 15, 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 relating to the capitalised borrowing costs was US$1.611 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 December 31, 2011, with US$25.199 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. The Company does not intend to drawdown further on this facility. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 4.22%).

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

(iv) The facility was 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 was repayable in monthly instalments from September 30, 2009 to November 30, 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 April 19, 2011 this facility was repaid in full and the final repayment amount was US$24.497 million.

(v) Interest was 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 was repayable in half yearly instalments from March 31, 2012 to September 30, 2015. On April 20, 2011 this facility was repaid in full and the final repayment amount was US$152.136 million.

Finance lease liabilities

	31 December 2011			31 December 2010		
US$000	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	9,103	945	8,158	9,483	1,236	8,247
Between one and five years	17,839	798	17,041	26,672	1,685	24,987
	26,942	**1,743**	**25,199**	**36,155**	**2,921**	**33,234**

23. DERIVATIVE LIABILITY – OPTION

	31 December 2011 US$000	31 December 2010 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 expired pursuant to the repayment of the loan on April 20, 2011. During the period a gain of US$1.027 million was recorded in the statement of comprehensive income.

24. RELATED PARTIES

Key Management Personnel compensation

Compensation paid to key management personnel is as follows:

	31 December 2011 US$000	31 December 2010 US$000
Short-term employee benefits	3,884	4,124
Post-employment benefits	93	62
Equity compensation benefits	1,227	748
	5,204	**4,934**

Individual directors and executives compensation disclosures

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

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

Other key management personnel transactions

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

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

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

	31 December 2011 US$000	31 December 2010 US$000
Craig Burton	36	21
Other income	**36**	**21**

During the year the Company was invoiced US$28,716 by Verona Capital Pty Ltd (31 December 2010: US$ nil) for the recovery of shared overheads. The Company charged Verona Capital Pty Ltd US$60,347 (31 December 2010: US$55,891) for office rent and shared overheads for the year ended 31 December 2011. Verona Capital Pty Ltd is a Director related entity associated with Mr Craig Burton.

During the year the Company charged US$4,184 (31 December 2010: US$10,933) to Nearfield Resources Limited, for shared overheads and office rent costs. Nearfield Resources Limited is a Director related entity associated with Mr Craig Burton.

During 2010 the Company was charged by Mitchell River Group Pty Ltd US$50,526 for provision of technical services including data base administration, GIS services, geophysical services, geological and resource monitoring. The Company invoiced the Mitchell River Group Pty Ltd during 2010 US$4,536 for office rent and shared overheads. Mitchell River Group Pty Ltd was a Director related entity associated with Mr Craig Burton. Mr Burton resigned as director of Mitchell River Group Pty Ltd on 22 November 2010.

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

Assets and liabilities arising from the above transactions

	31 December 2011 US$000	31 December 2010 US$000
Current receivables		
Trade receivables	-	60
	-	**60**
Current payables		
Trade payables	-	-
	-	**-**

Movement in ordinary shares held by key management personnel

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

Year ended 31 December 2011	Held at 1 January 2011	Purchases	Converted to shares	Sales	Held at 31 December 2011
Directors					
Geoffrey Handley	-	20,000	-	-	20,000
Ian Purdy	-	-	155,000	-	155,000
Ian McCubbing	-	80,000	-	-	80,000
Nicholas Sheard	-	-	-	-	-
Colin Steyn	30,095,997	20,876,348	-	-	50,972,345
Craig Burton[(a)]	7,788,561	-	-	-	7,788,561
William Clough[(b)]	6,000,000	-	-	-	6,000,000
Executives					
Christiaan Els	17,500	-	65,000	-	82,500
William Bent	-	-	-	-	-
Luis Nepomuceno[(c)]	412,500	-	-	-	412,500
	44,314,558	**20,976,348**	**220,000**	**-**	**65,510,906**

(a) Mr Craig Burton resigned from the Company on 1 January 2012.
(b) Mr William Clough resigned from the Company on 1 January 2012.
(c) Mr Luis Nepomuceno contract was terminated on 16 January 2012

31 December 2010	Held at 1 January 2010	Purchases	Exercise of options	Sales	Held at 31 December 2010
Directors					
Craig Burton	6,000,000	1,788,561	-	-	7,788,561
Ian Purdy	-	-	-	-	-
William Clough	6,000,000	-	-	-	6,000,000
Joseph Hamilton[(a)]	55,000	-	-	-	55,000
Nicholas Poll[(b)]	3,400,000	-	-	-	N/A
Nicholas Sheard	-	-	-	-	-
Colin Steyn	24,500,000	5,595,997	-	-	30,095,997
Executives					
Christiaan Els	17,500	-	-	-	17,500
William Bent	-	-	-	-	-
Luis Nepomuceno	-	412,500	-	-	412,500
Bryan Hyde[(c)]	144,500	-	-	-	N/A
Paulo Oliva[(d)]	270,000	-	-	-	N/A
	40,387,000	**7,797,058**	**-**	**-**	**44,369,558**

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

Movement in options over ordinary shares held by key management personnel

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

31 December 2011	Held at 1 January 2011	Granted as compensation	Exercised	Expired	Held at 31 December 2011	Vested during the year	Vested and exercisable at 31 December 2011
Directors							
Geoffrey Handley	-	-	-	-	-	-	-
Ian Purdy	-	-	-	-	-	-	-
Ian McCubbing	-	-	-	-	-	-	-
Nicholas Sheard	150,000	-	-	150,000	-	-	-
Colin Steyn	-	-	-	-	-	-	-
Craig Burton[(a)]	600,000	-	-	600,000	-	-	-
William Clough[(b)]	-	-	-	-	-	-	-
Executives							
Christiaan Els	-	-	-	-	-	-	-
William Bent	-	-	-	-	-	-	-
Luis Nepomuceno[(c)]	-	-	-	-	-	-	-
	750,000	**-**	**-**	**750,000**	**-**	**-**	**-**

(a) Mr Craig Burton resigned from the Company on 1 January 2012.
(b) Mr William Clough resigned from the Company on 1 January 2012.
(c) Mr Luis Nepomuceno's contract was terminated on 16 January 2012

31 December 2010	Held at 1 January 2010	Granted as compensation	Exercised	Expired	Held at 31 December 2010	Vested during the year	Vested and exercisable at 31 December 2010
Directors							
Craig Burton	600,000	-	-	-	600,000	-	600,000
Ian Purdy	-	-	-	-	-	-	-
William Clough	-	-	-	-	-	-	-
Joseph Hamilton[(a)]	150,000	-	-	-	150,000	-	150,000
Nicholas Poll[(b)]	1,200,000	-	-	-	1,200,000		N/A
Nicholas Sheard	150,000	-	-	-	150,000	-	150,000
Colin Steyn	-	-	-		-	-	-
Executives							
Christiaan Els	-	-	-	-	-	-	-
William Bent	-	-	-	-	-	-	-
Luis Nepomuceno	-	-	-	-	-	-	-
Bryan Hyde[(c)]	400,000	-	-	-	N/A	-	N/A
Paulo Oliva[(d)]	150,000	-	-	-	N/A	-	N/A
	2,650,000	**-**	**-**	**-**	**2,100,000**	**-**	**900,000**

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

Movement in performance rights held by key management personnel

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

31 December 2011	Held at 1 January 2011	Granted/issued as compensation	Converted to shares	Held at 31 December 2011	Vested during the year	Vested and exercisable at 31 December 2011
Directors						
Geoffrey Handley	-	-	-	-	-	-
Ian Purdy	350,859	873,555	(155,000)	1,069,414	350,859	195,859
Ian McCubbing	-	-	-	-	-	-
Nicholas Sheard	-	-	-	-	-	-
Colin Steyn	-	-	-	-	-	-
Craig Burton[(a)]	-	-	-	-	-	-
William Clough[(b)]	-	-	-	-	-	-
Executives						
Christiaan Els	122,906	57,907	(65,000)	115,813	122,906	57,906
William Bent	47,688	47,687	-	95,375	47,688	47,688
Luis Nepomuceno[(c)]	115,603	115,603	-	231,206	115,603	115,603
	637,056	**1,094,752**	**(220,000)**	**1,511,808**	**637,056**	**417,056**

(a) Mr Craig Burton resigned from the Company on 1 January 2012.
(b) Mr William Clough resigned from the Company on 1 January 2012.
(c) Mr Luis Nepomuceno's contract was terminated on 16 January 2012

31 December 2010	Held at 1 January 2010	Granted as compensation	Converted to shares	Held at 31 December 2010	Vested during the year	Vested and exercisable at 31 December 2010
Directors						
Craig Burton	-	-	-	-	-	-
Ian Purdy	-	350,859	-	350,859	-	-
William Clough	-	-	-	-	-	-
Joseph Hamilton[(a)]	-	-	-	-	-	-
Nicholas Poll[(b)]	-	-	-	-		-
Nicholas Sheard	-	-	-	-	-	-
Colin Steyn	-	-	-	-	-	-
Executives						
Christiaan Els	-	122,906	-	122,906	-	-
William Bent	-	47,688	-	47,688	-	-
Luis Nepomuceno	-	115,603	-	115,603	-	-
Bryan Hyde[(c)]	-	-	-	-	-	-
Paulo Oliva[(d)]	-	-	-	-	-	-
	-	**637,056**	**-**	**637,056**	**-**	**-**

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

25. CONTRIBUTED EQUITY

	Number of Securities		Value	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
			US$000	US$000
Net ordinary shares	491,781,237	491,561,237	683,108	681,272
	491,781,237	**491,561,237**	683,108	681,272

Movement in share capital for the year ended 31 December 2011

	Ordinary shares	Number of shares	Issue price US$	US$
1 Jan 2011	Opening balance	491,561,237		681,271,793
4 July 2011	Shares issued on exercise of performance rights	220,000	$1.93	425,024
	Closing balance	**491,781,237**		**681,696,817**
Add:	Share issue costs recovery – current period[(a)]			804,084
	Reversal of share issue costs[(b)]			607,426
				683,108,327

a) An independent review was undertaken on the ability to claim Goods and Services Tax on prior financial periods share issue costs.
b) During the current year the accrued cost of raising equity in the prior year was renegotiated.

Movement in share capital for the year ended 31 December 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 Feb 2010	Options converted (Issued at A$0.95)	50,000	$0.86	43,011
15 Mar 2010	Options converted (Issued at A$0.95)	12,000	$0.86	10,323
30 Mar 2010	Issue of ordinary shares fully paid (Issued at A$2.30)	2,100,000	$2.08	4,373,578
7 Apr 2010	Options converted (Issued at A$0.95)	20,000	$0.86	17,205
12 Apr 2010	Options converted (Issued at A$0.95)	18,000	$0.86	15,484
16 Apr 2010	Options converted(Issued at A$0.95)	225,000	$0.86	193,551
30 Apr 2010	Options converted (Issued at A$0.95)	63,900	$0.86	54,969
20 Sep 2010	Issue of ordinary shares fully paid (Issued at A$1.60)	48,896,905	$1.45	70,842,051
21 Sep 2010	Issue of ordinary shares fully paid (Canada) (Issued at C$1.52)	6,177,500	$1.45	8,949,989
25 Oct 2010	Issue of ordinary shares fully paid (Issued at A$1.60)	4,784,558	$1.57	7,510,761
25 Oct 2010	Issue of ordinary shares fully paid (Issued at A$1.60)	3,439,342	$1.57	5,399,052
26 Oct 2010	Issue of ordinary shares fully paid (Issued at A$1.60)	54,627,707	$1.57	85,754,137
26 Oct 2010	Issue of ordinary shares fully paid (Canada) (Issued at C$1.52)	6,472,500	$1.57	10,160,479
	Closing balance	**491,561,237**		**691,117,683**
Less:	Share issue costs-current period			(9,845,890)
				681,271,793

Options on issue at 31 December 2011

Exercise Price A$(1)	Exercise Price US$(1)	Expiry Date	Number of Options
A$6.20	US$6.32	11 Sep 2012	300,000
A$3.00	US$3.06	7 Jul 2013	3,000,000
A$3.00	US$3.06	7 Jul 2013	750,000
A$3.00	US$3.06	30 Jun 2014	400,000
Balance			**4,450,000**

Options on issue at 31 December 2010

Exercise Price A$[(1)]	Exercise Price US$[(1)]	Expiry Date	Number of Options
A$5.60	US$5.70	23 Feb 2011	1,800,000
A$6.20	US$6.31	30 Jun 2011	1,400,000
A$6.20	US$6.31	7 Sep 2011	300,000
A$6.20	US$6.31	31 Dec 2011	350,000
A$6.20	US$6.31	11 Sep 2012	300,000
A$8.89	US$8.00	31 Dec 2012	5,000,000
A$3.00	US$3.05	7 Jul 2013	3,000,000
A$3.00	US$3.05	7 Jul 2013	750,000
A$3.00	US$3.05	30 Jun 2014	400,000
Balance			**13,300,000**

1) All options are exercisable in A$ (presented in US$ at 31 December 2010 rates) with the exception of the US$8.00 options, which are exercisable in US$.

During the year ended December 31, 2011 a total of 3,850,000 options lapsed, comprising 1,800,000 options at an exercise price of US$5.70 on February 23, 2011, 1,400,000 options at an exercise price of US$6.31 on June 30, 2011, 300,000 options at an exercise price of US$6.31 on September 7, 2011 and 350,000 options at an exercise price of US$6.31 on December 31, 2011. A further 5,000,000 options at an exercise price of US$8.00 were cancelled pursuant to the repayment of the loan held with Norilsk Nickel Harjavalta OY on April 20, 2011.

26. RESERVES

	31 December 2011 US$000	31 December 2010 US$000
Share based payments reserve	6,742	13,180
Translation reserve	(47,906)	86,808
Hedge reserve	(12,761)	(101,024)
	(53,925)	**(1,036)**
Reconciliation of movement in reserves		
Share based payments reserve		
Balance at beginning of period	13,180	11,904
Options lapsed during the period [(a)]	(7,989)	-
Shares issued during the period	(425)	-
Equity-settled share based payment transactions	1,976	1,276
Balance at period end	**6,742**	**13,180**
Translation reserve		
Balance at beginning of period	86,808	56,248
Effect of translation of foreign currency operations to Group presentation currency	(134,714)	30,560
Balance at period end	**(47,906)**	**86,808**

Hedge reserve	31 December 2011 US$000	31 December 2010 US$000
Balance at beginning of period	(101,024)	(17,967)
Effective portion of changes in fair value of cash flow hedges	70,536	(86,696)
Net change in fair value of cash flow hedges transferred to profit or loss	17,727	3,639
Balance at period end	**(12,761)**	**(101,024)**

(a) This represents the reversal of options previously expensed. This amount was transferred from reserves to retained earnings.

Share based payments reserve

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

Translation reserve

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

Hedge reserve

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

27. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

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

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

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

The principal financial instruments as at the reporting date includes receivables, payables, loan finance agreements and cash.

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

Credit risk

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

For the Company, the exposure to credit risk is influenced by characteristics of the customers. During the financial year, all of the Company's sales were to large mining companies located in Brazil and Russia. Management limits its credit exposure by ensuring that customers abide by the off-take agreements, which stipulate the payment terms that 90% of the invoice value is settled from 7 - 70 days after the month of sale and 10% of the invoice is settled within 15 days of presentation of the final invoice.

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

Exposure to credit risk

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

Carrying Amount

	Note	31 December 2011 US$000	31 December 2010 US$000
Current derivative assets	*17*	-	15,774
Non-current derivative assets	*17*	-	6,886
Trade and other receivables (excludes prepayments)	*15*	28,539	33,647
Cash and cash equivalents	*14*	61,198	102,134

Liquidity risk

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

As the Group is primarily engaged in the operation of the Santa Rita Project, the Group will continue to have a negative operating cash flow until the Santa Rita Project itself becomes cash flow positive. If the Group exhausts its cash reserves prior to the Santa Rita Project becoming cash flow positive, the Group may require additional third party financing to make required payments under its various financing facilities, and to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements.

The Group prepares detailed models as part of its system of budget planning, which are used to predict liquidity needs and to support the Company's funding activities. The progress of the ramp-up of production and subsequent successful operation of the Santa Rita Project are measured on a regular basis so as to determine the cash spent to date and the forecast cash requirement. Liquidity risk is managed by monitoring the actual and forecast cash flows for the Group, including operational costs, debt service obligations and working capital requirements.

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

31 December 2011							
US$000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Senior unsecured loan	377,001	624,360	20,449	17,665	70,085	105,224	410,937
Finance lease liabilities	25,199	26,942	4,622	4,481	10,843	6,996	-
Trade and other payables	68,985	68,985	68,985	-	-	-	-
	471,185	**720,287**	**94,056**	**22,146**	**80,928**	**112,220**	**410,937**

31 December 2010							
US$000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	147,651	180,271	5,261	5,069	54,942	114,999	-
Secured off-taker loans	81,641	86,192	2,955	4,940	69,179	9,118	-
Finance lease liabilities	33,234	36,827	5,107	4,646	9,046	18,028	-
Trade and other payables	32,660	32,660	32,660	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	4,394	7,574	1,555	1,393	2,159	2,467	-
Metal call options	45,736	46,184	18,273	15,741	12,170	-	-
Nickel and copper hedges	129,923	132,820	29,697	14,668	37,137	51,318	-
Options derivative	1,013	-	-	-	-	-	-
	476,252	**522,528**	**95,508**	**46,457**	**184,633**	**195,930**	**-**

During the current year the company closed out all of its outstanding nickel and copper hedges and forward contracts and as a result there is no future cash flow implication relating to these derivatives (refer notes 17 (a) (i) and (ii)).

Market risk

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

The Group is exposed to fluctuations in metal prices (principally nickel and copper), fluctuations in foreign currency and interest rates, in each case in relation to its future operational cashflows and its ability to service existing and planned borrowings for the Santa Rita Project.

The Company is exposed to commodity price risk arising from revenue derived from forecast future metal sales. The Company sells its products at a price effectively determined through trading on the London Metal Exchange (a major commodity exchange).

The Company has historically managed this commodity price risk through the use of derivative instruments such as forward contracts to hedge its forecast sales. The Company's outstanding commodity derivative instruments contracts were closed out in September and October 2011 and the Company had no hedge positions at or since the year end.

Mirabela is constantly monitoring commodity prices and may utilise hedge contracts in the future to manage exposures to fluctuations in the price of commodities.

During the year ended 31 December 2011, the Company repaid US$152 million of senior loans, which were at a variable interest rate. Consequently the Group also settled the interest rate swap arrangement relating to these senior loans at the time. The majority of the Company's interest exposure is on the US$395 million senior notes that have a fixed interest rate. As such, the remainder of the interest rate exposure relating to Caterpillar Finance is relatively small and the Company has elected not to actively manage this interest rate.

Exposure to currency risk

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

31 December 2011	Note	US$000	R$000	A$000	C$000	Total
Cash	*14*	28,696	29,064	3,438	-	61,198
Trade and other receivables	*15*	1,413	26,723	403	-	28,539
Borrowings	*22*	(402,200)	-	-	-	(402,200)
Trade and other payables	*20*	(7,392)	(59,958)	(1,635)	-	(68,985)
Balance sheet exposure		**(379,483)**	**(4,171)**	**2,206**	**-**	**(381,448)**
Foreign exchange – forward contracts		-	-	-	-	-

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

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

	Average rate		Year end date spot rate	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
R$	1.6750	1.7581	1.8758	1.6662
A$	1.0324	1.0869	1.0190	0.9825
C$	0.9810	1.0299	1.0113	0.9977

Sensitivity analysis

A 10 percent strengthening of the US dollar against the following currencies at 31 December would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the periods ended 31 December 2010.

US$000	Profit or loss
31 December 2011	
R$	379
A$	221
C$	-
31 December 2010	
R$	856
A$	(5,216)
C$	(10)

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

INTEREST RATE RISK

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

Carrying Amount US$000	31 December 2011	31 December 2010
Variable rate instruments		
Financial assets	61,198	102,134
Financial liabilities	(25,199)	(262,526)
	35,999	**(160,392)**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the period ended 31 December 2010.

	Profit or loss		Equity	
US$000	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
31 December 2011				
Variable rate instruments	360	(360)	-	-
Cash flow sensitivity (net)	**360**	**(360)**	**-**	**-**
31 December 2010				
Variable rate instruments	(1,604)	1,604	-	-
Cash flow sensitivity (net)	**(1,604)**	**1,604**	**-**	**-**

FAIR VALUES

Fair values versus carrying amounts

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

Consolidated		31 December 2011		31 December 2010	
US$000	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Derivative liabilities - options and swaps	*17*	-	-	(50,130)	(50,130)
Trade and other receivables	*15*	73,921	73,921	33,647	33,647
Cash and cash equivalents	*14*	61,198	61,198	102,134	102,134
Nickel and copper hedges	*17*	-	-	(129,923)	(129,923)
Foreign exchange – forward contracts	*17*	-	-	22,660	22,660
Secured bank loans	*22*	-	-	(147,651)	(152,275)
Senior unsecured notes	*22*	(377,001)	(342,418)	-	-
Secured off-taker loans	*22*	-	-	(81,641)	(82,249)
Finance lease liabilities	*22*	(25,199)	(25,199)	(33,234)	(33,906)
Trade and other payables	*20*	(68,985)	(68,985)	(32,660)	(32,660)
		(336,066)	**(301,483)**	**(316,798)**	**(322,702)**

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

CAPITAL MANAGEMENT

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

The capital base is considered to include the total equity plus borrowings of the Group, which as at 31 December 2011, stood at US$927.710 million. In determining the funding mix of debt and equity (total borrowings/ total equity), consideration is given to the relative impact of the gearing ratio on the ability of the Group to service loan interest and repayment schedules and also to generate adequate free cash available for corporate and exploration activities. The Company's debt to equity ratio as at 31 December 2011 was 77% (31 December 2010: 42%). The Company has mitigated its higher debt to equity ratio in the current year by refinancing its long term debt during April 2011 resulting in no principal repayments until 2018.

28. CAPITAL AND OTHER COMMITMENTS

	31 December 2011 US$000	31 December 2010 US$000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	804	687
One year or later and no later than five years	2,186	3,110
	2,990	**3,797**
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	6,152	4,898
	6,152	**4,898**
Contractual, capital and operating commitments		
Contracted but not provided for and payable:		
Within one year	102,540	83,716
One year or later and no later than five years	70,605	141,703
Greater than five years	7,474	-
	180,619	**225,419**

29. CONTINGENT LIABILITIES

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

	31 December 2011 US$000	31 December 2010 US$000
Contingent liabilities considered remote:		
Compensation payable to CBPM[a] if the Company's acts or omissions result in the loss of mineral rights.	-	300
Penalty payable upon termination of the mining lease.	-	900
	-	**1,200**

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

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	31 December 2011 US$000	31 December 2010 US$000
Cash flows from operating activities		
Loss for the year	(50,761)	(47,618)
Adjustments for:		
Depreciation and amortisation expense	59,381	35,644
Equity-settled share based payments expense	1,976	1,276
Operating profit/(loss) before changes in working capital	**10,596**	**(10,698)**
Decrease/(increase) in trade and other receivables	2,906	(29,756)
Increase in inventories	(29,547)	(34,509)
Increase/(decrease) in trade and other payables	169,602	(18,206)
(Decrease)/Increase in other liabilities	(168,742)	20,347
Decrease in provisions	(3,380)	(1,667)
Net cash used in operating activities	**(18,565)**	**(74,489)**

31. CONSOLIDATED ENTITIES

			Ownership interest	
Name of entity	**Country of incorporation**	**Class of shares**	**31 December 2011 %**	**31 December 2010 %**
Parent entity				
Mirabela Nickel Limited	Australia	Ordinary		
Subsidiaries				
Mirabela Mineração do Brasil Ltda	Brazil	Ordinary	100	100
Mirabela Investments Pty Ltd	Australia	Ordinary	100	100
EGF Nickel Pty Ltd	Australia	Ordinary	-	100

During November 2011, the Company sold EGF Nickel Pty. Ltd. (a wholly owned subsidiary of Mirabela Nickel Ltd.) to Rossiter Minerals Ltd. for a cash payment of $0.05 million plus 1% net smelter return on all minerals extracted from specified Western Australian mining tenements. EGF Nickel Pty. Ltd. comprised non-core greenfield exploration assets that were not part of the Company's strategic focus.

32. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2011 the parent entity of the Group was Mirabela Nickel Limited.

	31 December 2011 US$000	31 December 2010 US$000
Result of parent entity		
Loss for the year	(19,085)	(40,142)
Other comprehensive income	1,952	78,692
Total comprehensive (expense)/income for the period	**(17,133)**	**38,550**

	31 December 2011 US$000	31 December 2010 US$000
Financial position of parent entity at period end		
Current assets	32,538	61,155
Total assets	1,096,506	724,368
Current liabilities	1,993	3,222
Total liabilities	390,115	4,234
Total equity of the parent entity comprising of:		
Contributed equity	683,108	681,272
Translation reserve	137,270	135,315
Share based payments reserve	14,731	13,180
Accumulated losses	(128,718)	(109,633)
	706,391	**720,134**

Parent entity capital and other commitments

	31 December 2011 US$000	31 December 2010 US$000
Operating lease commitments		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	804	687
One year or later and no later than five years	2,186	3,110
	2,990	**3,797**

33. SUBSEQUENT EVENTS

In January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a US$50 million, 35 month working capital facility with Banco Bradesco S.A. The loan is unsubordinated and secured by a guarantee from Mirabela Nickel Ltd and a fiduciary assignment on the Votorantim receivables. The US$50 million will be held in a "blocked" account until the administrative processes of unwinding the security on the closed hedge book have been completed.

In addition to the working capital facility, the Company also negotiated a US$5.2 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of $0.78 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

On 1 February 2012, 734,926 shares were issued under tranche (i) of Cycle 1 of performance rights in accordance with the Company's Long Term Incentive Plan.

1. Corporate Governance at Mirabela

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

Mirabela is listed in Australia on the Australian Securities Exchange (***ASX***) and in Canada on the Toronto Stock Exchange (***TSX***). Therefore, in formulating the Company's corporate governance framework, consideration is given to the regulatory requirements in both Australia and Canada.

The Australian Securities Exchange Corporate Governance Council has published Corporate Governance Principles and Recommendations (2nd Edition) (***ASX Recommendations***). In Canada, the Ontario Securities Commission's corporate governance requirements are set out in National Instrument 58-101-Disclsoure of Corporate Governance Practices (***NI 58-101***).

The Board has reviewed both the ASX Recommendations and NI 58-101 and considers that the Company has followed all eight of the ASX Recommendations and the Canadian corporate governance requirements, which are relevant to an organisation of the Company's size and complexity. Where the Company has not complied with a recommendation this is identified, with the reasons for not following the recommendation, in accordance with ASX listing rule 4.10.3.

Mirabela's Board reviews and, as required, refines its corporate governance codes, policies and charters to ensure that appropriate corporate governance systems are in place and aligned with the Company's overall strategy and growth, current Australian and Canadian legislation, and good governance practices.

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

2. Board of Directors

2.1 Role of the Board

The primary role of the Board of Directors is to oversee the activities of the Company and its subsidiaries (***Group***) for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board assumes responsibility for the stewardship and overall direction, management and corporate governance of the Group. The roles and responsibilities of the Board are formalised in the Board Charter, which defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management.

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

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

Formal letters are provided to directors, setting out the key terms and conditions of their appointment. The Managing Director, Chief Financial Officer and other key management personnel also have formal contracts of appointment setting out key terms of their role, duties, rights and responsibilities and including entitlements on termination.

2.2 Board composition

The structure of the Board has evolved over the past few years reflecting the changing needs of the Company from construction to commercial production. In January 2011 the composition of the Board was enhanced with the appointment of two new independent non- executive directors, Mr Geoffrey Handley and Mr Ian McCubbing. During 2011 the Board comprised of seven directors (six non-executive directors and one executive director). In December 2011, Mr Craig Burton and Mr William Clough advised the Board of their resignations effective as of 1 January 2012.

The Board currently comprises of four non-executive directors and one executive director, the chief executive officer and managing director. Details of the directors who are currently in office as at the date of this report and those who held the position during the past financial year are set out in the Directors' Report **(section 1)**. The Directors' Report includes information on the directors' qualifications, experience, date of appointment and independent status.

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

The Board has these skills. The Board consists of members with financial and commercial expertise, as well as detailed knowledge and experience of mineral exploration and mining operations (**see section 1**).

2.3 Chairman

The Chairman is appointed by the directors of the Board and is responsible for chairing Board and Company meetings, providing leadership to the Board and the Group, overseeing Shareholder communications, and ensuring that there are procedures and processes in place to evaluate the Board, its committees and individual directors and that these evaluations are conducted.

During the 2011 financial year, Mr Craig Burton held the position of Chairman of the Board. Mr Burton is a founding director and shareholder of the Company and was appointed as Executive Chairman on 4 December 2009 and non-executive Chairman on 1 January 2011. He was also appointed Chairman of the Remuneration and Nomination Committee on 15 February 2011.

Due to his previous role in an executive capacity with the Company as a director, Mr Burton was not independent in terms of the ASX Recommendations definition of an independent director and will not be considered independent for a further 2 years. The Company was, accordingly, not in compliance with ASX Recommendation 2.2 during the 2011 financial year, in that the Chairman was not independent. However, the Board believes that the Chairman brought quality and independent judgement to relevant issues falling within the scope of the role of a Chairman.

Mr Geoffrey Handley assumed the role of Chairman of the Board on 1 January 2012, following the resignation of Mr Burton from the Board. Mr Handley is an independent and non-executive director. Therefore, as of 1 January 2012 the Company is in compliance with ASX Recommendation 2.2.

2.4 Director independence

The Board assesses the independence of a director prior to appointment and of all appointed directors as appropriate. When assessing the independence of a director, materiality is considered from the perspective of the Group. If the Board's assessment of the independence of a director changes, then the change is disclosed to the market.

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

The Board has assessed the independent status of its directors, and considers that during the 2011 financial year four out of the then seven directors were independent, having regard for the Corporate Governance Council's definition of independence; that is, a non-executive director who is not a member of management and who is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independence of their judgement.

Following the resignations of Mr Burton and Mr Clough, the Board is now composed of three independent non-executive directors, which constitute a majority of the Board of five directors. Accordingly, the Company has been and continues to be in compliance with ASX Recommendation 2.1.

Mr Steyn is not considered to be independent within the definition of independence set out in the ASX Recommendations due to his association with Lancaster Park which, as of the date of this report, holds a 10.35% shareholding in the Company. Mr Burton was not independent due to previously being employed by the Company in an executive capacity. Mr Purdy is not independent as he is an executive of the Company in the role of Managing Director.

Apart from Mr Purdy, all directors are independent within the meaning of the Canadian National Instrument 58-101.

2.5 Conflicts of interest

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

2.6 Board performance

The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. Directors, whose performance is consistently unsatisfactory, may be asked to retire.

The Board reviewed its performance and relevance to the current status and direction of the Company, and decided to maintain the number of directors at five which also increased the ratio of independent directors to non-independent directors. The resignations of Mr Burton and Mr Clough were not performance related.

2.7 Performance evaluation of senior executives

The Board evaluates the performance of senior executives by reviewing the achievement of key strategic outcomes set by the Board against measurable and qualitative indicators and fulfilment of the senior executives' responsibilities and duties. A performance review was undertaken for the Managing Director and senior executives during the 2011 financial period.

2.8 Remuneration

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

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the nature and amount of executive directors' and officers' remuneration is linked to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

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

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

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

2.9 Non–executive directors' remuneration

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

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

2.10 Retirement and re-election

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

2.11 Board access to information and professional advice

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

2.12 Terms, induction and director education

The Company provides new directors with an information pack consisting of an appointment letter, corporate governance policies, including a Securities Trading Policy, and other information about the Company.

Directors are expected to maintain the skills required to discharge their duties as directors of the Company. All directors are encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

2.13 Board meetings

Board meetings are scheduled to be held at least six times a year of which one meeting is held at the Santa Rita mine in Brazil. Additional meetings are convened as circumstances warrant. The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary and is circulated in advance. The independent directors confer at least annually without management and non-independent directors present.

3. Board Committees

The Board has established two standing committees to assist the Board in discharging its responsibilities. These committees are:

- Audit Committee; and
- Remuneration and Nomination Committee.

3.1 Audit Committee

The Audit Committee is appointed and authorised by the Board to assist the Board in fulfilling certain of its statutory, fiduciary and regulatory responsibilities. The committee is responsible for the oversight of the integrity of the accounting and financial statements and financial reporting processes of the Group, the Group's external audit processes as well as the Group's system of risk management and internal control. In particular, the Audit Committee undertakes the functions of an audit committee as set out in the ASX Recommendations and in the Canadian OSC Multilateral National Instrument 52-110 – Audit Committees (***NI 52-110***).

The Audit Committee operates under a charter approved by the Board and reports to the Board on all matters relevant to the committee's role and responsibilities. A copy of the Audit Committee Charter is posted on the Company website.

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

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

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

The Audit Committee comprises three non-executive directors. During the 2011 financial year members of the Audit Committee included Mr McCubbing (Committee Chairman), Mr Steyn and Mr Sheard. The audit committee meets at least four times a year.

Mr McCubbing has over 14 years' experience working with ASX-listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in industrial and mining companies.

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

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

The structure of the Audit Committee is in compliance with the ASX Recommendations and within the meaning of the Canadian National Instrument 52-101 – *Audit Committees*.

NI 52-110 provides that a member must not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgement. The members of the Audit Committee are each independent and financially literate within the meaning of NI 52-110.

The Audit Committee recommended to the Board that the financial reports for the period ended 31 December 2011 be approved. The Board has approved the Company's financial reports for the period ended 31 December 2011 and authorised a statement that they present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

3.2 Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in fulfilling its corporate governance responsibilities in regard to nomination and remuneration matters, including Board appointments, re-elections, performance evaluation, succession planning, diversity obligations, provision of training and development opportunities for directors and the authorisation of situations of actual or potential conflict.

The Remuneration and Nomination Committee operates under a charter approved by the Board. A copy of the Remuneration and Nomination Committee Charter is posted on the Company website.

ASX Recommendation 8.2 requires that the remuneration committee should be structured so that it consists of a majority of independent directors (within the definition of independence set out in the ASX Recommendations), and NI 58-101 requires that the compensation committee should be composed entirely of independent directors (within the definition of independence set out in NI 58-101).

During the 2011 financial year the Remuneration and Nomination Committee members comprised Mr Burton (Committee Chairman), Mr Steyn and Mr Handley. As stated above in section 2.4, Mr Burton and Mr Steyn are not considered to be independent within the definition of independence in the ASX Recommendations, but are considered independent within the definition of NI 58-101. Therefore, during the 2011 financial year the structure of the Remuneration and Nomination Committee was not in full compliance with the ASX Recommendations as the committee included members who are not considered independent. However, the independent directors were satisfied that Mr Burton and Mr Steyn brought quality and independent judgement to the relevant issues falling within the scope of the Committee.

As of 1 January 2012 the members of the Remuneration and Nomination Committee are Mr Handley (Committee Chairman), Mr McCubbing and Mr Steyn. The current structure of the Remuneration and Nomination Committee is in compliance with ASX Recommendation 8.2.

The structure of the Remuneration and Nomination committee is in compliance within the meaning of the Canadian National Instrument 58-101.

The Remuneration and Nomination Committee is scheduled to meet at least annually and met twice during 2011.

4. Ethical Decision-Making

4.1 Code of Conduct

All directors and employees of the Group are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has adopted a Code of Conduct that sets out the standards of ethical behaviour required of the Board, senior executives and all employees. The Code of Conduct is posted to the corporate governance section of the Company's website. The Company's subsidiary in Brazil, Mirabela Mineração do Brasil Ltda has adopted a Code of Conduct that is closely aligned with that of the Company.

The Company's Code of Conduct requires that directors and employees:

- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and not misuse information;
- value and maintain professionalism;
- avoid conflicts of interest;
- strive to be good corporate citizens; and
- have respect for each other.

All directors and employees are responsible for maintaining the Code of Conduct and have a responsibility to report breaches of the code to executive management or an appropriate Board member. Harassment in any form is not acceptable in the Group and any actions that constitute harassment or a breach of the Code of Conduct are regarded as serious misconduct and will be investigated by the Company.

4.2 Securities trading policy

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

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

- whilst in possession of unpublished price sensitive information that is not available to the market;
- where Designated Persons (as that term is defined in the Securities Trading Policy) are engaging in the business of active trading in the Company's shares;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or full year results to the ASX, TSX and Applicable Canadian Securities Regulator; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a Designated Person is applying for securities pursuant to that disclosure document.

All Designated Persons are required to first seek approval from the Company Secretary or an appropriate member of the Board prior to trading in the Company's securities. In accordance with the provisions of the *Corporations Act 2001* (Cth) and the Listing Rules of the ASX, directors advise the ASX of any transaction conducted by them in shares or options in the Company.

The Securities Trading Policy is posted to the corporate governance section of the Company's website.

4.3 Sustainability

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

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

5. Diversity

Mirabela is committed to the development of a workplace environment that promotes diversity and recognises the key competitive benefits of recruiting, developing and retaining a talented, diverse and motivated workforce in the Group. Mirabela recognizes that diversity in its business helps create sustainable shareholder value, provides a more dynamic and enjoyable work environment, and will often create new opportunities for the Company.

Mirabela considers diversity to be about recognising, respecting and valuing differences based on but not limited to gender, ethnicity, age, religion, disability, national origin and sexual orientation.

Mirabela reduced the number of directors during 2011 and as a result has not set a diversity objective at Board level for 2012. However, if a board vacancy occurs during 2012 or the number of directors is increased, the Company will recruit new directors in accordance with the Mirabela Diversity policy, with the aspiration of adding one or more women to the Board.

Senior management roles and positions are filled by the best candidates available without discrimination and the Company aims to increase diversity in senior appointments as positions become available. Mirabela will develop and introduce programmes such as mentoring, targeted professional development, the identification of suitable persons as every level of the Company (where appropriate opportunities exist) to advance diversity and to support promotion of talented employees into management position.

Further, diversity will be advanced by ensuring that Mirabela retains appropriate recruitment practices, training regimes and management practices (including mentoring, advancement and leadership skills and programmes).

Responsibility for adopting and reviewing all matters related to diversity rests with the Board. The Remuneration and Nomination Committee is responsible for ensuring that diversity is considered in the selection, appointment and re-election of directors. The Remuneration and Nomination Committee, in consultation with management (as appropriate), oversees the implementation and ongoing monitoring of the Group's diversity strategy.

The Company's approach to gender and cultural diversity during the 2011 financial year included:

- providing fair and equal access for all female and non-Australian employees in the Group to employment opportunities;
- review of the career development plans of female and non-Australian middle management employees within the Group on an annual basis to promote career opportunities within the Group;
- providing flexible work practices to support all employees with caring responsibilities; and
- review of a remuneration audit to ensure pay equity between male and females and all cultures within the Group.

The following table demonstrates Mirabela's gender diversity at 31 December 2011:

Gender Diversity:

	31 December 2011	%
Women on the Board	0	0
Women in Senior Management	1	12.5
Women employees in total	115	13.3

6. Disclosure

6.1 Continuous Disclosure Policy

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

A Disclosure Committee composed of selected Board members, senior executives, and an external legal adviser manages day-to-day compliance with the Company's continuous disclosure obligations.

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

6.2 Communication with shareholders

The board provides shareholders with information using a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and TSX, posting them on the Company's website, and issuing media releases.

Information is communicated to shareholders as follows:

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

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

6.3 Website

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

6.4 Meetings

The external auditor attends the annual general meeting to answer any questions concerning the conduct of the audit, the preparation and content ofthe auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

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

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

7. Risk Management

7.1 Risk management

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

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

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

7.2 Internal control framework

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

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

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

7.3 Audit and compliance

Where considered appropriate, the Board may invite the Company's external auditors, professional advisors and management to advise the Board on relevant issues to ensure compliance with all corporate financial and accounting standards. The Board considers audit matters prior to the half yearly and full year statutory reporting cycles. The alternate quarterly results are approved by the Audit Committee.

SHAREHOLDER INFORMATION

EXCHANGE LISTING

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

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 27 February 2012

Name of Shareholder	Total number of voting shares in Mirabela Nickel Limited in which the substantial shareholder and associates hold relevant interests	Percentage of total number of voting shares
Perpetual Limited and Subsidiaries	52,448,168	10.65%
Lancaster Park SA	50,972,345	10.35%
National Australia Bank Limited and Associates	35,908,903	7.29%
Mr. Robert Disbrow	32,022,100	6.50%

CLASS OF SHARES AND VOTING RIGHTS

At 27 February 2012 there were 2,589 holders of 492,516,163 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's constitution being that:

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

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

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

DISTRIBUTION OF SHAREHOLDERS

Range	Holders	Units	Percentage
1-1000	732	290,611	0.06%
1,001-5,000	765	2,322,923	0.47%
5,001-10,000	484	3,768,422	0.77%
10,001-100,000	545	13,321,446	2.70%
100,001 and over	63	472,812,761	96.00%
Total	**2,589**	**492,516,163**	100.00%

The number of shareholders holding less than a marketable parcel is 436.

SHAREHOLDER INFORMATION

UNLISTED OPTIONS

Securities	Number of securities on issue	Number of holders	Name of holders	Number held
Options exercisable at A$6.20 on or before 11 September 2012	300,000	2	Mr Adriano Viana Espeschit	200,000
			Mr Trevor Campbell Mulroney	100,000
Options exercisable at A$3.00 on or before 7 July 2013	3,000,000	2	Credit Suisse International	1,500,000
			Barclays Bank PLC	1,500,000
Options exercisable at A$3.00 on or before 7 July 2013	750,000	1	WestLB AG	750,000
Options exercisable at A$3.00 on or before 30 June 2014	400,000	2	Mr Bryan Hyde	200,000
			Mrs Susan Ann Hyde	200,000

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 27 FEBRUARY 2012

	Name of ordinary shareholder	Number of shares held	Percentage of shares held
1	Canadian Control Account	152,967,221	31.06%
2	J P Morgan Nominees Australia Limited	118,371,009	24.03%
3	RBC Dexia Investor Services Australia Nominees Pty Limited	40,794,796	8.28%
4	National Nominees Limited	39,499,197	8.02%
5	HSBC Custody Nominees (Australia) Limited	33,898,394	6.88%
6	Citicorp Nominees Pty Limited	18,697,825	3.80%
7	Bond Street Custodians Limited	14,112,537	2.87%
8	Cogent Nominees Pty Limited	12,589,169	2.56%
9	UBS Nominees Pty Ltd	7,060,686	1.43%
10	W M Clough Pty Ltd	6,000,000	1.22%
11	Craig Ian Burton	5,788,561	1.18%
12	Lancaster Park SA	5,595,997	1.14%
13	Queensland Investment Corporation	3,166,747	0.64%
14	Katrina Lee Burton	2,000,000	0.41%
15	AMP Life Limited	1,831,089	0.37%
16	Warbont Nominees Pty Limited	1,517,149	0.31%
17	Donal Paul Windrim	1,493,777	0.30%
18	Mr. Nicholas John Poll & Mrs. Claire Louise Poll	1,000,000	0.20%
19	Merril Lynch (Australia) Nominees Pty Ltd	784,574	0.16%
20	Mr. Richard Stuart Dongray & Mrs Joan Dongray	410,000	0.08%
		467,578,728	**94.94%**

OTHER INFORMATION

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