
COMPANY UPDATE

Perth, AUSTRALIA – 31 October 2013: Mirabela Nickel Limited (**Mirabela** or the **Company**) (ASX: MBN) encloses its quarterly activities report and provides the following update.

As previously announced Mirabela is continuing to explore opportunities for new strategic, financing and off-take alternatives and is in ongoing discussions with its key stakeholders. As part of this process, the Company has engaged in discussions with its key financiers, including a group of holders that represent a majority of the approximately US\$395 million of 8.75% senior unsecured notes due 2018 (**Notes**) and their legal and financial advisors.

The Company and its stakeholders are actively discussing potential ways of restructuring Mirabela's debt to reduce the burden on the Company. However, any restructuring of Mirabela's debts is complex as the Company and its advisors are required to deal across legal, financial, commercial and operational frameworks in three jurisdictions, being USA, Australia and Brazil. Accordingly, any potential restructuring transaction will have a high level of execution risk.

In order to give the Company the best chance of achieving a successful restructuring of its debt, Mirabela is currently discussing standstill arrangements with its financiers, including the Noteholders, to whom an interest payment of US\$17.3 million was due on 15 October 2013 (see ASX announcement dated 22 October 2013). If standstill arrangements with the Company's creditors are not achieved before 13 November 2013 and the interest payment on the Notes is not made, an event of default may be triggered pursuant to the indenture relating to the Notes and cross-defaults may also be triggered in the Company's other debt facilities. Although the Company currently has sufficient cash to make the outstanding interest payment on the Notes, such payment would reduce the Company's ability to fund its operations during any debt restructuring process. In such circumstances, the Company's Board would need to consider the options available to protect the Company's assets, including the appointment of an administrator.

Given the ongoing challenging nickel market conditions and the Company's current cash burn (cash on hand as at 29 October 2013 was US\$53.7 million, compared to US\$108.1 million at 30 June 2013) it is essential for Mirabela's continued financial viability that any restructuring of its debt is paired with a transaction involving a capital injection. The Company continues to assess its options in this regard and is in discussions with potential financiers.

Mirabela is also in the process of reviewing its customer arrangements given the situation with one its two customers, Votorantim Metais Niquel S.A. (**Votorantim**). The Company has commenced initial discussions with other potential off-take parties for the 50% of production Votorantim was buying. The negotiation of off-take arrangements presents additional challenges for Mirabela as it is possible that in the current nickel market conditions, the pricing in any new contract may be less than that paid by the Company's current counter-parties.

The Company has engaged the following advisors to assist in the restructuring process:

- Sidley Austin as U.S. legal counsel
- Hardy Bowen Lawyers and Herbert Smith Freehills as Australian legal counsel
- Pinheiro Neto Advogados as Brazilian legal counsel
- Ferrier Hodgson as financial advisors
- Houlihan Lokey as U.S. restructuring advisors

Currently, no binding agreements have been concluded nor has any opportunity or arrangement sufficiently progressed to be announced to the market. No assurance can be given at this stage that any definitive agreements or arrangements will be reached with any party that the Company may be in discussions with.

Mirabela has remained in voluntary suspension since 9 October 2013 as its Board is of the view that continued trading in its securities is likely to be materially prejudicial to its ability to successfully complete a complex transaction that is critical to its continued financial viability.

In accordance with ASX Guidance Note 8, as the Company is subject to a longer term suspension, it intends to implement a system of monthly disclosure to ensure the market and security holders are provided with regular updates as to its status.

CONTACT DETAILS

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