ABN 23 108 161 593

Unaudited Condensed Interim Consolidated Financial Report

For the three and nine months ended September 30, 2013

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

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

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Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the three and nine months ended September 30, 2013

		Three months ended		Nine months ended	
	Note	September 30, 2013 US$000	September 30, 2012 US$000	September 30, 2013 US$000	September 30, 2012 US$000
Sales revenue	*8*	36,097	97,393	160,376	264,809
Treatment, refining and transport charges		(7,148)	(20,157)	(31,705)	(53,870)
Net sales revenue		**28,949**	**77,236**	**128,671**	**210,939**
Direct costs		(35,687)	(50,057)	(125,956)	(157,328)
Royalties		(1,759)	(3,710)	(7,513)	(11,304)
Depreciation, amortisation and depletion		(4,147)	(15,544)	(18,897)	(51,916)
Cost of sales		**(41,593)**	**(69,311)**	**(152,366)**	**(220,548)**
Gross profit/(loss)		**(12,644)**	**7,925**	**(23,695)**	**(9,609)**
Expenses					
Impairment of property, plant and equipment	*16*	(192,894)	-	(192,894)	-
General and administration		(1,804)	(3,368)	(7,566)	(10,197)
Financial income	*9*	1,197	2,710	4,539	4,690
Financial expense	*9*	(10,662)	(10,947)	(32,413)	(32,541)
Net foreign exchange gain/(loss)		4,250	4,860	(28,605)	(8,570)
Other expenses - net	*10*	(1,110)	(1,697)	(1,944)	(4,902)
		(201,023)	(8,442)	(258,883)	(51,520)
Loss before income tax		(213,667)	(517)	(282,578)	(61,129)
Income tax		-	-	-	-
Loss for the period		**(213,667)**	**(517)**	**(282,578)**	**(61,129)**
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(5,965)	(7,245)	(18,644)	(63,036)
Net change in fair value of cash flow hedges transferred to profit or loss		1,313	769	3,574	(2,601)
Other comprehensive loss for the period, net of tax		**(4,652)**	**(6,476)**	**(15,070)**	**(65,637)**
Total comprehensive loss for the period		**(218,319)**	**(6,993)**	**(297,648)**	**(126,766)**
LOSS PER SHARE					
Basic loss per share ($ per share)		(0.244)	(0.001)	(0.322)	(0.091)
Diluted loss per share ($ per share)		(0.244)	(0.001)	(0.322)	(0.091)
Weighted basic average number of shares outstanding (000's)		876,801	883,303	876,767	674,299
Weighted diluted average number of shares outstanding (000's)		876,801	883,303	876,767	674,299

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

Unaudited condensed interim consolidated statement of changes in equity

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the nine months ended September 30, 2013

		Attributable to equity holders of the Group					
Period ended September 30, 2013	***Note***	**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 January 1, 2013		**797,110**	**(115,379)**	**7,186**	**(14,403)**	**(555,825)**	**118,689**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(282,578)	(282,578)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(18,644)	-	-	-	(18,644)
Net change in fair value of cash flow hedges transferred to profit or loss	*14*	-	-	-	3,574	-	3,574
Total other comprehensive expense		-	(18,644)	-	3,574	-	(15,070)
Total comprehensive expense for the period		-	(18,644)	-	3,574	(282,578)	(297,648)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue cost		(593)	-	-	-	-	(593)
Options lapsed during the period		-	-	(1,704)	-	1,704	-
Share based payment recognised		-	-	521	-	-	521
Total transactions with equity holders		(593)	-	(1,183)	-	1,704	(72)
Balance at September 30, 2013	*20*	**796,517**	**(134,023)**	**6,003**	**(10,829)**	**(836,699)**	**(179,031)**

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

Unaudited condensed interim consolidated statement of changes in equity

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the nine months ended September 30, 2013

		Attributable to equity holders of the Group					
		Issued capital	**Translation reserve**	**Share based payments reserve**	**Hedging reserve**	**Accumulated losses**	**Total equity**
Period ended September 30, 2012	***Note***	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Balance at January 1, 2012		**683,108**	**(47,906)**	**6,742**	**(12,761)**	**(103,673)**	**525,510**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(61,129)	(61,129)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(63,036)	-	-	-	(63,036)
Net change in fair value of cash flow hedges transferred to profit or loss	*14*	-	-	-	(2,601)	-	(2,601)
Total other comprehensive expense		-	(63,036)	-	(2,601)	-	(65,637)
Total comprehensive expense for the period		-	(63,036)	-	(2,601)	(61,129)	(126,766)
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period net of issue cost		114,002	-	-	-	-	114,002
Performance rights converted to shares		-	-	(1,707)	-	1,707	-
Options lapsed during the period		-	-	(438)	-	438	-
Share based payment recognised		-	-	1,121	-	-	1,121
Total transactions with equity holders		114,002	-	(1,024)	-	2,145	115,123
Balance at September 30, 2012	*20*	**797,110**	**(110,942)**	**5,718**	**(15,362)**	**(162,657)**	**513,867**

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

Unaudited condensed interim consolidated statement of financial position

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

As at September 30, 2013

	Note	September 30, 2013 US$000	December 31, 2012 US$000
ASSETS			
Cash and cash equivalents	*11*	69,768	143,007
Trade and other receivables	*12*	23,838	63,044
Inventories	*13*	63,661	56,892
Total current assets		**157,267**	**262,943**
Trade and other receivables	*12*	34,412	10,963
Property, plant and equipment	*16*	140,620	358,613
Exploration and evaluation assets	*15*	2,794	3,490
Total non-current assets		**177,826**	**373,066**
Total assets		**335,093**	**636,009**
LIABILITIES			
Trade and other payables	*17*	46,589	46,006
Provisions	*18*	4,049	3,281
Borrowings	*19*	42,965	34,920
Total current liabilities		**93,603**	**84,207**
Provisions	*18*	17,411	17,777
Borrowings	*19*	403,110	415,336
Total non-current liabilities		**420,521**	**433,113**
Total liabilities		**514,124**	**517,320**
Net (liabilities)/assets		**(179,031)**	**118,689**
EQUITY			
Contributed equity	*20*	796,517	797,110
Reserves		(138,849)	(122,596)
Accumulated losses		(836,699)	(555,825)
Total equity		**(179,031)**	**118,689**

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

Unaudited condensed interim consolidated statement of cash flow

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the three and nine months ended September 30, 2013

		Three months ended		Nine months ended	
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	Note	US$000	US$000	US$000	US$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		36,443	62,599	178,193	227,935
Cash paid to suppliers and employees		(64,300)	(60,484)	(190,298)	(237,073)
Interest received		1,197	2,710	4,539	4,690
Net cash from/(used in) operating activities		**(26,660)**	**4,825**	**(7,566)**	**(4,448)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(6,898)	(6,253)	(25,770)	(36,501)
Payment for exploration and evaluation expenditure		-	(544)	-	(2,900)
Net cash used in investing activities		**(6,898)**	**(6,797)**	**(25,770)**	**(39,401)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(1,855)	(2,084)	(21,314)	(19,907)
Repayment of borrowings		(2,776)	(2,776)	(7,591)	(7,636)
Share issue costs		-	(238)	(593)	(5,519)
Proceeds from the issue of share capital		-	-	-	119,521
Proceeds from borrowings		-	-	-	55,200
Net cash (used in)/from financing activities		**(4,631)**	**(5,098)**	**(29,498)**	**141,659**
Net (decrease)/increase in cash and cash equivalents		(38,189)	(7,070)	(62,834)	97,810
Cash and cash equivalents at beginning of the period		108,117	166,360	143,007	61,198
Effect of changes in foreign currency		(160)	902	(10,405)	1,184
Cash and cash equivalents at end of the period	*11*	**69,768**	**160,192**	**69,768**	**160,192**

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

Notes to unaudited condensed interim consolidated financial report

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the three and nine months ended September 30, 2013

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 unaudited condensed interim consolidated financial report of the Company for the quarter ended September 30, 2013 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. NATURE OF OPERATIONS AND GOING CONCERN

The Group is an international nickel producer engaged in the mining, production and sale of nickel concentrate. Its principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil. The Santa Rita operation is a world class asset, producing a high quality metal concentrate via a state of the art nickel flotation processing plant and supported by an open pit with a current life of mine of 21 years remaining reserves (including 2013). The Group also has a number of near-mine and regional exploration prospects that have a potential to provide additional, organic growth.

The Company notes the ongoing challenging nickel market conditions with the LME nickel prices continuing to trade below the Company's cashflow break-even position after overheads, financing and capital costs. There have also been recent changes in market analyst opinions regarding the likelihood of a recovery of nickel prices in early 2014 on the back of an expected ban of Indonesian nickel exports to China, with the market analysts now considering the possibility of continued weak nickel prices through to 2016.

In addition, as announced on September 26, 2013, Votorantim (one of the Company's two off-take partners) provided notice that its concentrate sales agreement (**Sales Agreement**) with the Group would terminate at the end of November 2013, in conjunction with Votorantim's announcement of its intention to close its Fortaleza smelting facilities due to adverse nickel market conditions. As required, the Group provided notice of this purported termination of the Sales Agreement to Banco Bradesco. Following receipt of legal advice in respect of the purported termination of the Sales Agreement by Votorantim, discussions were held with Votorantim and Votorantim subsequently confirmed to the Company in writing that its purported termination of the Sales Agreement was invalid, that the Sales Agreement remains on foot, and that it intends to comply with its obligations under the Sales Agreement until the end of 2014.

However, on November 4, 2013 the Group received notification from Votorantim that the main transformer at its Fortaleza smelter had malfunctioned and as such the electric furnace is not able to operate. Votorantim has claimed that these circumstances are an event of force majeure and that as a result it is not currently obligated to purchase nickel concentrate pursuant to the Sales Agreement. The Company has taken preliminary legal advice from its legal counsel and is of the view that the notice received from Votorantim may constitute an event of default under the Bradesco Facility – Banco Bradesco was advised of this fact. The Company is also taking legal advice on its position regarding this claimed force majeure and in particular the status of a force majeure when Votorantim closes its smelter and ceases trying to remedy the cause of the claimed force majeure.

The Company is currently progressing in discussions with other potential off-take parties for the 50% of production Votorantim was buying. The Company secured short term contract sales for November and December but is still in ongoing negotiations to replace the Votorantim off-take longer term. Norilsk Nickel continues to take product in accordance with their off-take agreement.

The Group has the following significant debt structures currently in place:

- The Company has on issue approximately US$395 million of 8.75% senior unsecured notes due 2018 (**Notes**). Bi-annual interest of US$17.28 million due on October 15, 2013 has been accrued for but was not paid on that date. The Company utilised the cure period of 30 days and has access to an initial 60 days standstill period, with a possible further extension of 30 days under certain circumstances (refer later in Note 2), while it continued to assess its funding options; and
- The Company's subsidiary, Mirabela Mineração do Brasil Ltda, has:
  a) a US$50 million facility with Banco Bradesco S.A. (**Bradesco Facility**), which is secured by the Company's off-take contracts with Votorantim Metais Niquel S.A (**Votorantim**) and Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) – a repayment of US$16.67 million of principal is due at the end of January 2014;
  b) a US$55 million master funding and lease agreement with Caterpillar Financial Services Corporation, with an outstanding balance of US$11.174 million at September 30, 2013; and
  c) a US$5.2 million financing facility with Atlas Copco Customer Finance, with an outstanding balance of US$2.21 million at September 30, 2013.

The Company and its stakeholders have actively been discussing potential ways of restructuring the Company's debt to reduce the burden on the Company. However, this is a complex process requiring dealings across legal, financial, commercial and operational frameworks in three jurisdictions, resulting in a high level of execution risk.

In order to give the Company the best chance of achieving a successful restructuring outcome, standstill arrangements with the Company's financiers, Banco Bradesco, Caterpillar and the Noteholders, were entered into for an initial period of 60 days with relevant conditions attached (the standstill may be extended for up to a further 30 days under certain circumstances, excluding Banco Bradesco that will be subject to negotiation).

At the date of this report the Company is in the advanced stage of negotiations with key stakeholders to secure a short-term bridging facility and a preliminary non-binding term sheet for recapitalisation of the Company with a view to finalising the recapitalisation structure in the near term.

No assurance can be given at this stage that any definitive final agreements or arrangements will be entered into with any party that the Company may be in discussions with.

Pending the final outcome of negotiations, the Directors of the Company are of the opinion that these recent events and material uncertainties raise significant doubt upon the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business (refer Note 3(d)).

3. BASIS OF PREPARATION

(a) Statement of compliance

This unaudited condensed interim consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and the Corporations Act 2001. The unaudited condensed interim consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the financial year ended December 31, 2012.

The unaudited condensed interim consolidated financial report was approved by the Audit Committee on behalf of the Board of Directors on December 16, 2013.

(b) Basis of measurement

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

- Derivative financial instruments; and
- Share based payments arrangements

The methods used to measure fair values are discussed further in the consolidated annual financial report as at and for the financial year ended December 31, 2012.

Certain comparative amounts in the condensed interim consolidated financial report have been reclassified to conform with the current year's presentation.

(c) Functional and presentation currency

The unaudited condensed interim consolidated financial report is presented in US dollars, which is the Group's 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 July 10, 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Financial position and going concern

The Group held cash on hand and on deposit as at September 30, 2013 of US$69.768 million.

The Group incurred a loss of US$282.578 million for the nine months ended September 30, 2013 (nine months ended September 30, 2012: US$61.129 million). This has resulted in the Group being in a net liability position of US$179.031 million as at September 30, 2013 (net asset position of US$118.689 million as at December 31, 2012). Net cash outflows from operating and investing activities for the nine months ended September 30, 2013 were US$33.336 million.

At the date of this report the Company is in the advanced stage of negotiations with key stakeholders to secure a short-term bridging facility and a preliminary non-binding term sheet for recapitalisation of the Company with a view to finalising the recapitalisation structure in the near term.

No assurance can be given at this stage that any definitive final agreements or arrangements will be entered into with any party that the Company may be in discussions with.

Pending the final outcome of negotiations and due to the recent events as outlined in Note 2 above, these material uncertainties raise significant doubt upon the Company's ability to continue as a going concern and as such the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. These unaudited condensed interim consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used, that would be necessary should the Company be unable to continue as a going concern. Any such necessary adjustments that may be required could be material in nature.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this unaudited condensed interim consolidated financial report are consistent with those applied by the Group in its consolidated annual financial report as at and for the financial year ended December 31, 2012, except for the following:

Deferred stripping cost

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, outlines how costs associated with waste removal (stripping) during the production phase of a surface mine are to be accounted for. Where the stripping activity gives rise to a benefit in the current period, stripping costs are to be accounted for as the cost of inventory. Where the activity results in improved access to ore in future periods, the costs are recognised as a non-current asset, providing certain criteria are met. In determining an appropriate allocation basis between inventory and non-current asset, IFRIC 20 provides guidance on possible metrics to use. After recognition, the stripping activity asset is then amortised on a systematic basis (unit of production method) over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The Group has identified two separate components within its surface mine. One of these components is immaterial in terms of effective life, volume of ore to be mined and cost of such mining, in comparison to the total mine. As such, the Group has determined that due to the immateriality of this specific component it may be combined with the core component when determining the allocation between inventory and non-current asset. Also, the Group's current allocation methodology is in line with IFRIC 20's suggested metrics, that being 'the volume of waste extracted compared with expected volume, for a given volume of ore production'.

The adoption of IFRIC 20 in the period has resulted in no material change to the Group's accounting for stripping costs.

5. 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.

The going concern basis of accounting relies on such estimates and assumptions and the comments as outlined in Note 2 and Note 3(d) should be read in conjunction with this Note 5.

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 of the Group's consolidated annual financial report as at and for the financial year ended December 31, 2012:

- Note 3(i) - revenue
- Note 12 - share based payments
- Note 13 - income tax expense
- Note 20 - property, plant and equipment
- Note 22 - provisions
- Note 27 - financial instruments

While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated annual financial report as at and for the financial year ended December 31, 2012.

Notes to unaudited condensed interim consolidated financial report

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the three and nine months ended September 30, 2013

Impairment of Property, Plant and Equipment

The Company identified impairment indicators such as declining nickel prices, the collapse of one of the Company's two offtake customers (as outlined in Note 2) and the Company's market capitalisation being lower than the value of the long term assets. In the third quarter of 2013, due to a number of factors including current market consensus on long-term nickel prices along with projected future losses, the Company has recognised an impairment charge of US$192.894 million on its assets for the period ended September 30, 2013 (refer note 16).

6. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the financial year ended December 31, 2012.

7. SEGMENT REPORTING

During the financial period, Mirabela Nickel Limited operated in one business and operating segment, mineral exploration and production, and in one primary geographical area, Brazil, with two customers: Votorantim Metais Niquel S.A. (Votorantim) (subsidiary of Votorantim Metais Ltda) and Norilsk Nickel Harjavalta Oy (Norilsk), subsidiary of OJSC MMC Norilsk Nickel. Sales for the three and nine month period ended September 30, 2013 were split 100% and 80% to Votorantim and Nil and 20% to Norilsk (three and nine month period ended September 30, 2012: 53% to Votorantim and 47% to Norilsk). Mirabela works actively with its customers to prioritise shipments as per the customers' requirements.

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

The Company has one reportable segment and no unallocated assets, liabilities, equity, profit or loss.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of this unaudited condensed interim consolidated financial report.

8. SALES REVENUE

	Three months ended		Nine months ended	
	September 30, 2013 US$000	September 30, 2012 US$000	September 30, 2013 US$000	September 30, 2012 US$000
Nickel Sales	32,766	85,380	137,123	230,836
Copper Sales	2,654	9,120	13,463	26,746
Cobalt Sales	677	1,101	2,086	3,170
Other Sales	-	1,792	7,704	4,057
Sales Revenue	**36,097**	**97,393**	**160,376**	**264,809**

Nickel sales are comprised as follows:

	Three months ended		Nine months ended	
	September 30, 2013 US$000	September 30, 2012 US$000	September 30, 2013 US$000	September 30, 2012 US$000
Realised nickel sales	32,405	69,050	151,394	211,056
Revaluation of unrealised nickel sales	1,051	16,610	(12,578)	16,344
Unwinding of metal and foreign exchange forward contracts designated as hedges	(690)	(280)	(1,693)	3,436
Nickel Sales	**32,766**	**85,380**	**137,123**	**230,836**

Realised nickel sales for the three and nine month period ended September 30, 2013 comprised 2,786 tonnes and 10,861 tonnes of nickel in concentrate respectively (three and nine month period ended September 30, 2012: 5,381 tonnes and 14,323 tonnes), 89% being payable at an average realised nickel price of US$5.94/lb and US$7.03/lb respectively; (three and nine months ended September 30, 2012: US$6.54/lb and US$7.51/lb).

Revaluation of unrealised nickel sales comprise of forward price revaluation on sales that have not been finalised as at the quarter end. In accordance with the Group's off-take agreements, all sales are initially recognised using a provisional sales price, being the average LME price of the month prior to the month of sale. Adjustments to the sales price subsequently occur, based on movements in quoted market prices up to the date of final pricing. Adjustments are also made to the sales volume upon finalisation of assays as per the Group's off-take agreements. The period between provisional invoicing and final pricing is typically between two to four months. Accordingly, the fair value of the final sales price adjustment is estimated at period end and changes in the fair value are recognised as an adjustment to revenue. For revaluation purposes fair value is estimated using the forward LME price of the second month after the month of the provisional sale.

Upon early termination of the metal and foreign exchange forward contracts designated as hedges during the year ended December 31, 2011, the fair value of these hedges crystalised in the hedge reserve. This hedge reserve unwinds to revenue upon realisation of the original underlying hedged transactions (refer note 14).

9. FINANCIAL INCOME/(EXPENSE)

	Three months ended		Nine months ended	
	September 30, 2013 US$000	September 30, 2012 US$000	September 30, 2013 US$000	September 30, 2012 US$000
Interest received	1,197	2,710	4,539	4,690
Financial income	**1,197**	**2,710**	**4,539**	**4,690**
Interest expense[(a)]	(10,365)	(10,720)	(31,476)	(31,840)
Discounting of rehabilitation costs	(297)	(227)	(937)	(701)
Financial expense	**(10,662)**	**(10,947)**	**(32,413)**	**(32,541)**

(a) For the three and nine months ended September 30, 2013 interest expense includes the amortisation of borrowing cost on the Senior Unsecured Notes of US$0.638 million and US$2.029 million, respectively (three and nine month period ended September 30, 2012: US$0.724 million and US$2.187 million, respectively).

Notes to unaudited condensed interim consolidated financial report

(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

For the three and nine months ended September 30, 2013

10. OTHER EXPENSES – NET

	Three months ended		Nine months ended	
	September 30, 2013 US$000	**September 30, 2012 US$000**	**September 30, 2013 US$000**	**September 30, 2012 US$000**
Indirect tax credit adjustment amortisation[(a)]	99	-	1,281	-
Other income	**99**	**-**	**1,281**	**-**
Research expenses	(420)	(820)	(1,996)	(3,066)
Indirect taxes	(500)	(480)	(940)	(1,752)
Sundry	(289)	(397)	(289)	(84)
Other expenses	**(1,209)**	**(1,697)**	**(3,225)**	**(4,902)**
Other expenses - net	**(1,110)**	**(1,697)**	**(1,944)**	**(4,902)**

(a) Indirect tax credit adjustment

This favourable adjustment relates to the amortisation of tax credits not previously claimed in 2011 and recorded in December 2012 year end. As part of its optimisation program the Company has been working with independent tax advisors to determine the ability to claim certain Brazilian input tax credits on its production costs.

11. CASH AND CASH EQUIVALENTS

	September 30, 2013 US$000	**December 31, 2012 US$000**
Cash at bank and on hand	18,094	26,414
Call deposits	51,674	116,593
	69,768	**143,007**

12. TRADE AND OTHER RECEIVABLES

	September 30, 2013 US$000	**December 31, 2012 US$000**
Current asset		
Trade receivables	14,473	39,816
Prepayments	9,365	23,228
	23,838	**63,044**
Non-current asset		
Other receivables	1,042	1,945
Prepayments	33,370	9,018
	34,412	**10,963**

Prepayments for the nine months ended September 30, 2013 include:

(a) payments in advance for consumables not yet delivered; and

(b) recoverable Brazilian federal and state taxes arising from the construction and commissioning stages of the Santa Rita operation as well as operating expense payments. It is anticipated that these taxes will be offset against future federal and state taxes payable.

13. INVENTORIES

	September 30, 2013	December 31, 2012
	US$000	US$000
Broken ore - net realisable value	15,388	21,621
Concentrate - net realisable value	13,402	4,166
Stores, spares and consumables - cost	34,871	31,105
	63,661	**56,892**

Stores, spares and consumables represent materials and supplies consumed in the production process. All stocks have been calculated at 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 the estimated cost of completion and the estimated costs necessary to make the sale.

During the nine months ended September 30, 2013 the write-down of broken ore inventories and concentrate to net realisable value amounted to US$6.899 million (nine months ended September 30, 2012: Nil), which is included in direct costs in the statement of profit or loss and other comprehensive income.

14. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

As at September 30, 2013 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended December 31, 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions.

Net change in fair value of cash flow hedges transferred to profit or loss:

	September 30, 2013	September 30, 2012
	US$000	US$000
Nickel and Copper- forward contracts	5,241	2,586
Foreign exchange - forward contracts	(1,667)	(5,187)
	3,574	**(2,601)**

15. EXPLORATION AND EVALUATION EXPENDITURE

	September 30, 2013	December 31, 2012
	US$000	US$000
Balance at the beginning of the period	3,490	476
Expenditure incurred during the period	-	3,119
Transferred to construction and development in progress	(422)	-
Effect of movements in foreign exchange	(274)	(105)
Balance at the period end	**2,794**	**3,490**

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.

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For the three and nine months ended September 30, 2013

16. PROPERTY, PLANT & EQUIPMENT

September 30, 2013 US$000	Plant & equipment	Leased assets	Land	Mine properties[a]	Construction & development expenditure	Total
Cost						
Balance at January 1, 2013	452,460	32,169	11,315	386,573	375	882,892
Additions	9,670	5,442	-	7,834	2,824	25,770
Transfers from exploration and evaluation expenditure	-	-	-	-	422	422
Transfer to stores spares and consumables	(1,344)	-	-	-	-	(1,344)
Disposals	(567)	-	-	-	-	(567)
Transfers	(28,394)	28,456	-	-	(62)	-
Effect of movement in exchange rates	(32,644)	(5,829)	(946)	(36,403)	(212)	(76,034)
Balance at September 30, 2013	**399,181**	**60,238**	**10,369**	**358,004**	**3,347**	**831,139**
Depreciation						
Balance at January 1, 2013	(275,353)	(26,397)	(5,822)	(216,516)	(191)	(524,279)
Depreciation charge for the period	(6,171)	(4,667)	-	(5,896)	-	(16,734)
Impairment charge for the year[b]	(90,105)	(7,409)	(2,912)	(90,643)	(1,825)	(192,894)
Transfers	20,854	(20,854)	-	-	-	-
Reclassification of critical spares	(1,982)	-	-	-	-	(1,982)
Effect of movement in exchange rates	21,292	4,490	487	19,101	-	45,370
Balance at September 30, 2013	**(331,465)**	**(54,837)**	**(8,247)**	**(293,954)**	**(2,016)**	**(690,519)**
Net book value at September 30, 2013	**67,716**	**5,401**	**2,122**	**64,050**	**1,331**	**140,620**

(a) Mine properties

Includes deferred stripping costs of US$56.130 million (December 31, 2012: US$48.296 million).

(b) Impairment

As the Group identified impairment indicators such as declining nickel prices, the collapse of one of the Company's two offtake customers (as outlined in Note 2) and the Company's market capitalisation being lower than the value of the long term assets, the Group performed an impairment test on the recoverability of its assets.

The Group is a single asset, single commodity producer and therefore the Group as a whole was determined a cash generating unit (CGU) for impairment purposes. The recoverable amount of the CGU was determined based on fair value less cost to sell (FVLCS). FVLCS was determined as the present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cash flows were discounted using a real after-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The basis for determination of the impairment was:

- *Nickel price* – future nickel prices were based on the quarter four 2013 consensus views from market participants. Market participant views on nickel price have materially declined since the second quarter of 2013 due to their revised short to medium term view of the nickel market;

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- *Nickel production* – future nickel production was based on the Group's latest life of mine model, that allows the Company to react to the challenges being faced in current market conditions;
- *Operating and capital cost* – these costs were based on the Group's latest life of mine model;
- *Foreign exchange rates* – Brazilian Real to US dollar exchange rates were based on quarter four 2013 forecast consensus views from market participants;
- *Discount rate* – a post–tax real discount rate of 9.92%; and
- *Underground inferred resource* – the fair value attributed to the underground inferred resource has continued to be excluded due to current views of long-term nickel prices, which will be reassessed on an on-going basis.

Based on the continued exclusion of the underground inferred resources and projected future losses, the Group has recognised an impairment charge of US$192.894 million for the period ended September 30, 2013 on production assets.

December 31, 2012 US$000	Plant & equipment	Leased assets	Land	Mine properties	Construction & development expenditure	Total
Cost						
Balance at January 1, 2012	456,951	35,045	12,327	403,063	3,071	910,457
Additions	22,502	-	-	9,111	11,396	43,009
Rehabilitation discount and inflation rate adjustment	-	-	-	8,960	-	8,960
Transfers	14,061	-	-	-	(14,061)	-
Effect of movement in exchange rates	(41,054)	(2,876)	(1,012)	(34,561)	(31)	(79,534)
Balance at December 31, 2012	**452,460**	**32,169**	**11,315**	**386,573**	**375**	**882,892**
Depreciation and Impairment						
Balance at January 1, 2012	(60,302)	(13,472)	-	(20,337)	-	(94,111)
Depreciation charge for the year	(35,485)	(8,621)	-	(19,219)	-	(63,325)
Impairment charge for the year	(187,664)	(6,117)	(5,822)	(180,206)	(191)	(380,000)
Effect of movement in exchange rates	8,098	1,813	-	3,246	-	13,157
Balance at December 31, 2012	**(275,353)**	**(26,397)**	**(5,822)**	**(216,516)**	**(191)**	**(524,279)**
Net book value at December 31, 2012	**177,107**	**5,772**	**5,493**	**170,057**	**184**	**358,613**

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For the three and nine months ended September 30, 2013

17. TRADE AND OTHER PAYABLES

	September 30, 2013	December 31, 2012
	US$000	US$000
Trade payables	22,702	22,687
Other payables and accrued expenses	23,887	23,319
	46,589	**46,006**

Other payables and accrued expenses as at September 30, 2013 mainly comprise interest on the senior unsecured notes, royalties on commodity sales and Brazilian federal and state taxes.

18. PROVISIONS

	September 30, 2013	December 31, 2012
	US$000	US$000
Current liability		
Provision for annual leave	4,049	3,281
	4,049	**3,281**
Non-current liability		
Provision for rehabilitation	17,179	17,777
Other provision non-current	232	-
	17,411	**17,777**
Reconciliation of movements in provisions		
Annual leave provision		
Balance at beginning of period	3,281	3,835
Provision made/(reversed) during the period	1,053	(275)
Effect of movements in foreign exchange	(285)	(279)
Balance at period end	**4,049**	**3,281**
Rehabilitation provision		
Balance at beginning of period	17,777	8,639
Accretion expense	938	932
Discount and inflation rate adjustment	-	8,960
Effect of movements in foreign exchange	(1,536)	(754)
Balance at period end	**17,179**	**17,777**
Other provision non-current		
Balance at beginning of period	-	2,231
Provision made/(used) during the period	254	(2,045)
Effect of movements in foreign exchange	(22)	(186)
Balance at period end	**232**	**-**

The rehabilitation provision is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita operation. The Group uses third parties to estimate these costs. The estimate will be reviewed over time as the operation develops. The unwinding of the effect of discounting on the provision is recognised as a finance cost. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine.

Other provisions non-current includes indirect taxes payable which are not repayable in the next twelve months.

19. BORROWINGS

September 30, 2013 US$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Banco Bradesco loan (iii)	Atlas Copco finance lease facility (iv)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2011 to 2018	2009 to 2014	2012 to 2014	2012 to 2015	
Carrying Value	**382,835**	**11,030**	**50,000**	**2,210**	**446,075**
Current borrowings	-	8,159	33,333	1,473	42,965
Non-current borrowings	382,835	2,871	16,667	737	403,110
	382,835	**11,030**	**50,000**	**2,210**	**446,075**

December 31, 2012 US$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Banco Bradesco loan (iii)	Atlas Copco finance lease facility (iv)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2011 to 2018	2009 to 2014	2012 to 2014	2012 to 2015	
Carrying Value	**379,348**	**17,225**	**50,000**	**3,683**	**450,256**
Current borrowings	-	8,447	25,000	1,473	34,920
Non-current borrowings	379,348	8,778	25,000	2,210	415,336
	379,348	**17,225**	**50,000**	**3,683**	**450,256**

(i) US$395.000 million of 8.75% Senior Unsecured Notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes. 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$2.029 million. The Company has entered into a debt standstill agreement with the Noteholders (refer Note 2 for further details).

(ii) The US$55.000 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 September 30, 2013, with US$11.030 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request at the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted-average interest rate of 4.14%). The Company has entered into a debt standstill agreement with Caterpillar (refer Note 2 for further details).

(iii) During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a US$50.000 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. During February 2013, the Company negotiated revised repayment terms on the Facility. Revised repayment terms

provided for three equal instalments, with the first in January 2014, the second in July 2014 and the final instalment in December 2014. Interest remains 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. These terms are unchanged. The Company has entered into a waiver agreement with Banco Bradesco (refer Note 2 for further details)

(iv) The Company entered into 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 nine semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

20. CONTRIBUTED EQUITY

Movement in share capital for the nine months ended September 30, 2013

	Ordinary shares	Number of shares	Issue price	US$
January 1, 2013	Opening balance	**876,582,736**		**797,110,316**
January 23, 2013	Shares issued on conversion of performance rights (Issued at A$1.84) [(1)]	182,358	-	-
May 31, 2013	Shares issued on conversion of performance rights (Issued at A$0.98) [(1)]	36,053	-	-
September 30, 2013	**Closing balance**	**876,801,147**		**797,110,316**
Less:	Share issue cost – prior period[(2)]	**-**		**(593,403)**
		876,801,147		**796,516,913**

(1) Performance rights converted to shares not for cash.
(2) Represents costs relating to the prior period equity raisings.

Movement in share capital for the nine months ended September 30, 2012

	Ordinary shares	Number of shares	Issue price	US$
January 1, 2012	Opening balance	491,781,237		683,108,327
February 2, 2012	Shares issued on conversion of performance rights (Issued at A$1.84) [(1)]	734,926	-	-
April 18, 2012	Shares issued on conversion of performance rights (Issued at A$1.84) [(1)]	123,427	-	-
May 17, 2012	Issue of ordinary shares fully paid (issued at A$0.40) [(2)]	50,000,000	US$0.40	19,908,000
May 29, 2012	Issue of ordinary shares fully paid (issued at A$0.30) [(3)]	183,637,836	US$0.30	54,837,931
May 29, 2012	Issue of ordinary shares fully paid (issued at C$0.30) [(3)]	82,277,147	US$0.30	24,478,541
June 5, 2012	Issue of ordinary shares fully paid (issued at A$0.30) [(4)]	13,691,530	US$0.30	4,102,015
June 12, 2012	Issue of ordinary shares fully paid (issued at A$0.30) [(5)]	39,560,413	US$0.30	11,854,238
June 12, 2012	Issue of ordinary shares fully paid (issued at C$0.30) [(5)]	14,765,129	US$0.30	4,340,115
September 28, 2012	Shares issued on conversion of performance rights (Issued at A$1.84) [(1)]	11,091	-	-
September 30, 2012	**Closing balance**	**876,582,736**		**802,629,167**
Less:	Share issue cost – current period	-		(5,518,851)
		876,582,736		**797,110,316**

(1) Performance rights converted to shares not for cash.
(2) These shares were issued to Resource Capital Fund V L.P. under the A$0.40 per share strategic placement.
(3) These shares were issued to institutional investors under the A$0.30 per share institutional entitlement offer.
(4) These shares were issued to retail investors under the A$0.30 per share retail entitlement offer.
(5) These shares were issued to institutional investors as part of the shortfall under the A$0.30 per share retail entitlement offer.

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(prepared on the basis that material uncertainties raise significant doubt upon the Company's ability to continue as a going concern – refer Note 2)

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Unissued Shares under Performance Rights at September 30, 2013

Vesting date	Number of Performance Rights
December 31, 2013	482,263
December 31, 2015	4,609,547
Balance	**5,091,810**

Unissued Shares under Performance Rights at December 31, 2012

Vesting date	Number of Performance Rights
December 31, 2012	182,358
December 31, 2013	506,900
March 31, 2014	140,806
September 30, 2014	704,029
December 31, 2014	338,847
Balance	**1,872,940**

During the nine months ended September 30, 2013, the Company issued 218,411 shares as a result of the conversion of 218,411 performance rights into shares; 827,587 performance rights were cancelled and 344,679 performance rights were forfeited in accordance with the Mirabela Nickel Ltd Performance Rights Plan. 338,847 performance rights that had been provisionally issued in prior years were not finally granted by the Board and are included in the number forfeited during the period.

Additionally, 4,609,547 performance rights were granted pursuant to the Mirabela Nickel Limited 2013 Performance Rights Plan, approved by shareholders on May 30, 2013.

For the 2013 grant of Performance Rights, the performance conditions comprise two components, being:

(a) 2013 non-market strategic objectives: 50% of the performance rights subject to the Company's Adjusted EBITDA per Share performance over the 2013 – 2015 performance period: and

(b) 2013 market performance objectives: 50% of the performance rights subject to the Company's relative total shareholder return performance (***RTSR***) over the 2013 – 2015 performance period.

The Group measures 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.

2013 non-market strategic objectives:

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.

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The Adjusted EBITDA per Share milestone will measure the Company's total Adjusted EBITDA per Share over the 2013-2015 performance period against target and stretch performance hurdles. The Board has set the following Target and Stretch Adjusted EBITDA per share for the 2013 LTIP allocation:

EBITDA will be the reported EBITDA in the Company's financial statements adding back or deducting for exploration expenditure, impairment adjustments and other material non-cash adjustments. The number of shares will be the weighted average basic number of shares over the 2013-2015 performance period.

The Target and Stretch Adjusted EBITDA per Share will be reviewed by the Board after the end of each calendar year and may be adjusted, at the Board's absolute discretion, for exploration expenditure, impairment adjustments and other material non-cash adjustments to EBITDA; target and stretch may be lowered if realised nickel prices are materially lower than budget; and target and stretch may be lowered if additional shares are issued by the Company.

Within three months of the end of the performance period, the Board will review whether the performance conditions have been satisfied or partially satisfied. Performance rights will be cancelled to the extent the relevant performance conditions have not been satisfied.

The Board may make adjustments to ensure that the performance targets are fair and appropriate in light of the volatile nickel market. Any adjustments made by the Board to the Target and Stretch EBITDA per Share will be communicated to all Participants.

2013 market performance objectives:

These performance rights are subjected to both service conditions and market vesting conditions. The Group 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 Group 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.

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 Monte Carlo 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 based on publicly available information.

The RTSR milestone will measure the return on investment in the Shares (capital growth together with income returned to Shareholders) against that of a selected group of peer companies listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX), representing a broad base of mid-tier mining companies.

The following table presents the TSR Performance Condition targets and the percentage of the maximum number of Performance Based Shares:

Company's TSR relative to the TSR of the comparator group over the Performance Period	Maximum percentage of Performance Based Shares
Less than the 50th percentile	Nil
50th percentile	25%
Greater than the 50th percentile but less than the 75th percentile	Pro-rata straight-line between 25% and 50%
Greater than or equal to the 75th percentile	50%

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The following table summarises the key data in relation to the valuation of performance rights granted under the 2013 Plan are as follows:

2013 Plan Terms		
Performance condition	**Adjusted EBITDA per share performance over the performance period (December 31, 2012 and December 31, 2015)**	**Company's share price against group of peer companies for 2015**
Market or non-market based	Non-Market	Market
Underlying spot price	A$0.18	A$0.18
Exercise price	$0.00	$0.00
Valuation date	May 30, 2013	May 30, 2013
Vesting date	December 31, 2015	December 31, 2015
Vesting period from grant date (Days)	1,094	1,094
Number of rights	2,304,774	2,304,773
Valuation per right	A$0.18	A$0.07
Valuation per performance condition	A$414,859	A$161,334
Entitled number of employees	19	19

Unissued Shares under Options at September 30, 2013

Exercise Price A$	Exercise Price US$(1)	Expiry Date	Number of Options
A$3.00	US$2.80	Sept 30, 2014	400,000
Balance			**400,000**

All options are exercisable in A$ (presented in US$ at September 30, 2013 rate of 0.934)

Unissued Shares under Options at December 31, 2012

Exercise Price A$	Exercise Price US$(1)	Expiry Date	Number of Options
A$3.00	US$3.11	July 7, 2013	3,000,000
A$3.00	US$3.11	July 7, 2013	750,000
A$3.00	US$3.11	Sept 30, 2014	400,000
Balance			**4,150,000**

(1) All options are exercisable in A$ (presented in US$ at December 31, 2012 rate of 1.037)

On July 7, 2013 a total of 3,750,000 options previously issued at an exercise price of A$3.00 were unexercised and as a result have expired.

21. CAPITAL AND OTHER COMMITMENTS

	September 30, 2013	December 31, 2012
	US$000	US$000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	808	864
One year or later and no later than five years	629	1,375
	1,437	**2,239**
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	1,615	1,324
	1,615	**1,324**
Contractual, capital and operating commitments		
Contracted but not provided for and payable:		
Within one year	35,574	62,367
One year or later and no later than five years	39,714	86,177
	75,288	**148,544**

22. SHARE BASED PAYMENTS

During the three and nine month period ended September 30, 2013, the Company recognised an employee share based payment expense of US$0.045 million and US$0.521 million respectively (three and nine month period ended September 30, 2012: expense of US$0.466 million and US$1.121 million respectively).

23. RELATED PARTIES

Key management personnel receive remuneration in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total remuneration of US$0.593 million and US$2.096 million for the three and nine month period ended September 30, 2013 (three and nine month period ended September 30, 2012: US$1.168 million and US$3.152 million).

Transactions with key management personnel

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities may enter into transactions with the Company or its subsidiaries. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-director related entities dealing at arm's length with the Company. During the three and nine month period ended September 30, 2013, there were no such transactions between the Company and the key management personnel or their related parties (three and nine month period ended September 30, 2012: Nil).

24. SUBSEQUENT EVENTS

The Company has remained in voluntary trading suspension on the Australian Stock Exchange (**ASX**) since October 9, 2013 as the Board is of the view that continued trading in the Company's securities is likely to be materially prejudicial to its ability to successfully complete the complex financing processes noted earlier.

The Company de-listed from the Toronto Stock Exchange (**TSX**) on October 4, 2013, due to the limited trading volume of the Company's shares on the TSX over a sustained period of time and as a result it is not expected that maintaining the listing will deliver significant future value for the Company and its Canadian shareholders. On

November 21, 2013 the British Columbia Securities Commission (**BCSC**) issued a cease trading order (**CTO**) against the Company due to non-filing, by November 14, 2013, of its unaudited condensed interim consolidated financial report for the third quarter ended September 30, 2013 and the associated management discussion and analysis (collectively, the **Default Interim Filings**). The Ontario Securities Commission (**OSC**) also issued a CTO against the Company on December 2, 2013. The CTOs are to remain in effect until the Default Interim Filings are filed in Canada and the Executive Director of the BCSC and the Director of the OSC revoke the respective CTOs.

Refer Note 2 and Note 3(d) for further details on subsequent events.

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MIRABELA NICKEL LTD

Management's Discussion and Analysis

For the three and nine month periods ended September 30, 2013

All amounts in thousands of US dollars (US$'000) unless otherwise stated

INTRODUCTION

The following management discussion and analysis ("MD&A") of Mirabela Nickel Limited, including its subsidiaries, ("Mirabela", the "Company" or the "Group") is for the three and nine months ended September 30, 2013 and should be read in conjunction with the unaudited condensed interim consolidated financial report for the same period, and the notes thereto.

The Company's annual financial reports, interim financial reports and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"); however, reference should be made to page 5, *Outlook*.

The effective date of this report is December 16, 2013.

THE COMPANY

Mirabela is an international nickel producer engaged in the mining, production and sale of nickel concentrate. The ordinary shares of Mirabela are listed on the Toronto Stock Exchange under the symbol "MNB" and on the Australian Securities Exchange under the symbol "MBN".

Mirabela's principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil. The Santa Rita operation is a world class asset, producing a high quality metal concentrate via a state of the art nickel flotation processing plant and supported by an open pit with a current life of mine of 21 years remaining reserves. Mirabela has secured its strategic importance in the nickel market through the successful delivery of the Santa Rita Project into full production at a globally competitive cost, underpinned by excellent safety and environmental records. Mirabela also has a number of near-mine and regional exploration prospects that have a potential to provide additional, organic growth.

OVERALL PERFORMANCE & SELECTED ANNUAL INFORMATION

Financial Statistics	Three months ended		Nine months ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales revenue	36,097	97,393	160,376	264,809
Net sales revenue	28,949	77,236	128,671	210,939
Cost of sales	(41,593)	(69,311)	(152,366)	(220,548)
Gross (loss)/profit	(12,644)	7,925	(23,695)	(9,609)
Loss for the period	(213,667)	(517)	(282,578)	(61,129)
EBITDA[1]	(6,655)	20,101	(5,465)	32,110
Basic loss per share	($0.244)	($0.001)	($0.322)	($0.091)
Diluted loss per share	($0.244)	($0.001)	($0.322)	($0.091)
Dividends Paid	-	-	-	-
Total assets	335,093	1,033,085	335,093	1,033,085
Total non-current liabilities	420,521	425,716	420,521	425,716
Total liabilities	514,124	519,218	514,124	519,218
Net (liabilities)/assets	(179,031)	513,867	(179,031)	513,867

Production Statistics	Measure	Three months ended		Nine months ended	
		Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Mining					
Total Material Mined	Tonnes	9,221,753	8,947,179	28,107,075	29,707,870
Ore Mined	Tonnes	1,720,711	1,748,416	4,546,464	5,026,397
Nickel Grade	%	0.41	0.52	0.46	0.49
Processing					
Total Ore Processed	Tonnes	1,753,329	1,798,040	5,010,851	4,781,097
Nickel Grade	%	0.43	0.52	0.46	0.50
Copper Grade	%	0.09	0.13	0.10	0.13
Cobalt Grade	%	0.01	0.01	0.02	0.01
Nickel Recovery	%	53	59	53	58
Copper Recovery	%	71	75	69	72
Cobalt Recovery	%	27	36	28	35
Production					
Nickel in Concentrate Produced	DMT	3,962	5,441	12,193	13,962
Copper in Concentrate Produced	DMT	1,137	1,704	3,431	4,351
Cobalt in Concentrate Produced	DMT	71	96	214	244
Sales					
Nickel in Concentrate Sold[2]	DMT	2,786	5,381	10,861	14,323
Copper in Concentrate Sold[2]	DMT	805	1,780	3,067	4,799
Cobalt in Concentrate Sold[2]	DMT	51	92	191	256

Unit Cash Costs	Measure	Three months ended		Nine months ended	
		Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Payable Nickel Production[3]	lbs	7,773,887	10,675,850	23,924,029	27,395,915
Production Costs					
Mining Cost	USD/lb	3.66	2.90	3.21	3.23
Processing Costs	USD/lb	1.59	1.34	1.65	1.70
Administration Cost	USD/lb	0.53	0.43	0.58	0.54
Subtotal	USD/lb	5.78	4.67	5.44	5.47
Selling Costs					
Transport/Shipping Cost	USD/lb	0.05	0.20	0.11	0.21
By-Product Credit [4]	USD/lb	(0.52)	(1.17)	(1.04)	(1.27)
Smelter Charges	USD/lb	0.88	1.68	1.20	1.76
Subtotal	USD/lb	0.41	0.71	0.27	0.70
Unit Cash Cost	USD/lb	**6.19**	**5.38**	**5.71**	**6.17**
Unit Royalty Cost	USD/lb	0.23	0.35	0.31	0.40
Realised Nickel Price[4]	USD/lb	5.94	6.54	7.03	7.51
Realised Copper Price[4]	USD/lb	2.54	3.27	2.97	3.48
Realised Cobalt Price[4]	USD/lb	13.73	12.00	11.07	12.00
Average Real/US$ Exchange Rate		2.29	2.03	2.12	1.92

(1) EBITDA is defined as earnings before net financial expense, net derivative loss, net foreign exchange gain/loss, taxation, other expenses - net, depreciation, amortisation, depletion, impairment charge and net realisable value adjustment to inventory. See "Non GAAP Measures"
(2) Includes sales volume adjustments upon finalisation of assays
(3) Average payability of 89%
(4) Includes prior period QP adjustments and excludes hedge accounting

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2013

OPERATING REVIEW

Mirabela's third quarter was challenging with the Brazil-wide nitrate supply disruption during July 2013 severely restricting mining operations during July and resulting in the mine being out of sequence for the duration of the quarter. Since the end of the quarter, the Company's operations have also been adversely impacted by the destabilising effect of the announcement by one of Mirabela's two offtake customers, Votorantim Metais Niquel S.A. (Votorantim), relating to the planned closure of its smelting facilities, and subsequent events (refer page 5, *Outlook*).

SAFETY

Mirabela's strong safety performance continued with no lost time injuries during the quarter. The Company's twelve month moving average Lost Time Injury Frequency Rate closed the quarter at 0.57. Mirabela continues to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes, including critical risk inspections on thirteen key safety areas within the business.

MIRABELA NICKEL LTD

MINING

Total material movement for the quarter was 9.2 million tonnes of material moved for 1.7 million tonnes of ore. Material movement was below expectations for the quarter mainly due to the nitrate supply disruption during July. The restricted nitrate resulted in limited mining for the month with the preferential mining of ore ahead of waste production. Extra contract loading capacity has been organised to increase the waste mining with a view to returning to the planned mine sequence.

Material movement was also adversely affected by poor mobile equipment availability, particularly the Company's front end loaders which are maintained by the Company's OEM endorsed service provider. The Company continues to explore alternatives to the current maintenance arrangements. U&M, Mirabela's mining service provider, also had issues with its loading fleet availability during the quarter.

Mine grades of 0.41% were lower than the previous quarter driven by the mine being out of sequence for the duration of the quarter and poor mined nickel grades. The improvement in ore quality expected during the third quarter with mining resuming in the Southern end of the pit has not been realised with disappointing nickel grades mined for the quarter. However, the improved MgO levels positively affected the plant performance during the quarter. The average mined nickel grade for the year (0.46%) is approximately 10% below expectations. The Company's grade control RC drilling programme, which commenced during September, is expected to improve mining dilution. The Company is currently completing its annual independent review of Reserves and Resources.

PROCESSING

During the quarter 1.7 million tonnes of ore was milled, at an average head grade of 0.43% nickel and achieving an average recovery of 53%. Ore quality limitations were the most significant constraint on nickel production levels. Recovery performance remained in line with expectations with recovery improving from the prior quarter due to lower MgO levels in the mine feed.

The marginally lower than target processing plant throughput was primarily driven by power supply disruption in Northeast Brazil, ongoing remediation work on the primary crusher and unplanned maintenance work on the SAG mill. Further remediation work on the Primary Crusher is scheduled for January 2014 over a twelve day period. This work will include the redressing of concrete, removal and replacement of the inner chamber wear plates, removal and redressing of old welding seams to remove stress concentration points and the replacement of the eccentric bush housing which has developed a crack.

SALE OF CONCENTRATE

During the quarter Mirabela produced 3,962 tonnes of contained nickel in concentrate, 1,137 tonnes of contained copper in concentrate, and 71 tonnes of contained cobalt in concentrate. A total of 2,786 tonnes of nickel in concentrate was sold to Votorantim with no shipments to Norilsk Nickel during the quarter.

The planned Norilsk Nickel shipment was delayed due to new storage and shipping requirements at the Ilheus port imposed by the Brazilian authorities. The Company continues to work with the Brazilian regulators to ensure that its Norilsk shipments from the Ilheus port can continue by way of bagged nickel concentrate or an alternate port facility. The Company is also assessing the possibility of transporting its concentrate in half height containers.

OUTLOOK

The Company notes the ongoing challenging nickel market conditions with the LME nickel prices continuing to trade below the Company's cashflow break-even position after overheads, financing and capital costs. There have also been recent changes in market analyst opinions regarding the likelihood of a recovery of nickel prices in early 2014 on the back of an expected ban of Indonesian nickel exports to China, with the market analysts now considering the possibility of continued weak nickel prices for 2014.

In addition, as announced on September 26, 2013, Votorantim (one of the Company's two off-take partners) provided notice that its concentrate sales agreement (**Sales Agreement**) with the Group would terminate at the end of November 2013, in conjunction with Votorantim's announcement of its intention to close its Fortaleza smelting facilities due to adverse nickel market conditions. As required, the Group provided notice of this purported termination of the Sales Agreement to Banco Bradesco. Following receipt of legal advice in respect of the purported termination of the Sales Agreement by Votorantim, discussions were held with Votorantim and Votorantim subsequently confirmed to the Company in writing that its purported termination of the Sales Agreement was invalid, that the Sales Agreement remains on foot, and that it intends to comply with its obligations under the Sales Agreement until the end of 2014.

However, on November 4, 2013 the Group received notification from Votorantim that the main transformer at its Fortaleza smelter had malfunctioned and as such the electric furnace is not able to operate. Votorantim has claimed that these circumstances are an event of force majeure and that as a result it is not currently obligated to purchase nickel concentrate pursuant to the Sales Agreement. The Company has taken preliminary legal advice from its legal counsel and is of the view that the notice received from Votorantim may constitute an event of default under the Bradesco Facility – Banco Bradesco was advised of this fact. The Company is also taking legal advice on its position regarding this claimed force majeure and in particular the status of a force majeure when Votorantim closes its smelter and ceases trying to remedy the cause of the claimed force majeure.

The Company is currently progressing in discussions with other potential off-take parties for the 50% of production Votorantim was buying. The Company secured short term contract sales for November and December but is still in ongoing negotiations to replace the Votorantim off-take longer term. Norilsk Nickel continues to take product in accordance with their off-take agreement.

The Group has the following significant debt structures currently in place:

- The Company has on issue approximately US$395 million of 8.75% senior unsecured notes due 2018 (**Notes**). Bi-annual interest of US$17.28 million due on October 15, 2013 has been accrued for but was not paid on that date. The Company utilised the cure period of 30 days and has access to an initial 60 days standstill period, with a possible further extension of 30 days under certain circumstances (refer later in this *Outlook* section), while it continued to assess its funding options; and
- The Company's subsidiary, Mirabela Mineração do Brasil Ltda, has:
  a) a US$50 million facility with Banco Bradesco S.A. (**Bradesco Facility**), which is secured by the Company's off-take contracts with Votorantim Metais Niquel S.A (**Votorantim**) and Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) – a repayment of US$16.67 million of principal is due at the end of January 2014;
  b) a US$55 million master funding and lease agreement with Caterpillar Financial Services Corporation, with an outstanding balance of US$11.174 million at September 30, 2013; and
  c) a US$5.2 million financing facility with Atlas Copco Customer Finance, with an outstanding balance of US$2.21 million at September 30, 2013.

The Company and its stakeholders have actively been discussing potential ways of restructuring the Company's debt to reduce the burden on the Company. However, this is a complex process requiring dealings across legal, financial, commercial and operational frameworks in three jurisdictions, resulting in a high level of execution risk.

In order to give the Company the best chance of achieving a successful restructuring outcome, standstill arrangements with the Company's financiers, Banco Bradesco, Caterpillar and the Noteholders, were entered into for an initial period of 60 days with relevant conditions attached (the standstill may be extended for up to a further 30 days under certain circumstances, excluding Banco Bradesco that will be subject to negotiation).

At the date of this report the Company is in the advanced stage of negotiations with key stakeholders to secure a short-term bridging facility and a preliminary non-binding term sheet for recapitalisation of the Company with a view to finalising the recapitalisation structure in the near term.

No assurance can be given at this stage that any definitive final agreements or arrangements will be entered into with any party that the Company may be in discussions with.

Pending the final outcome of negotiations, the Directors of the Company are of the opinion that these recent events and material uncertainties raise significant doubt upon the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business (refer page 12, *Financial Position and Going Concern*).

EXPLORATION & STUDIES

Exploration activity for the quarter continued to focus on tenement maintenance only.

FINANCIAL REVIEW

THREE MONTHS ENDED SEPTEMBER 30, 2013

NET SALES REVENUE

Sales generated during the quarter comprised 2,786 tonnes of nickel in concentrate at an average realised nickel price of $5.94/lb excluding realised hedges, and 805 tonnes of copper in concentrate at an average copper price of $2.54/lb excluding realised hedges. This resulted in gross nickel revenue of $32.77 million, copper revenue of $2.65 million and cobalt revenue of $0.68 million. Treatment, refining and transport charges associated with the sale of concentrate totalled $7.15 million.

The comparative quarter ended September 30, 2012 comprised 5,381 tonnes of nickel in concentrate at an average realised nickel price of $6.54/lb excluding realised hedges, and 1,780 tonnes of copper in concentrate at an average copper price of $3.27/lb excluding realised hedges. This resulted in gross nickel revenue of $85.38 million, copper revenue of $9.12 million, cobalt revenue of $1.10 million and platinum and other metals revenue of $1.79 million. Treatment, refining and transport charges associated with the sale of concentrate totalled $20.16 million.

The lower net sales revenue during the current quarter compared to the comparative quarter resulted primarily from 48.2% lower nickel sales volume along with a 9.2% lower average realised nickel price.

COST OF SALES

Cost of sales for the quarter of $41.59 million comprised direct costs of $35.69 million, royalties of $1.76 million and indirect costs of $4.15 million. Direct costs were driven by expenditure on mining ($29.12 million), processing ($12.34 million), administration ($4.15 million) and write down of inventories to net

realisable value ($3.65 million), offset by stockpile movements associated with the timing of production and sales.

Cost of sales for the comparative quarter ended September 30, 2012 of $69.31 million comprised direct costs of $50.06 million, royalties of $3.71 million and indirect costs of $15.54 million.

The lower cost of sales during the current quarter was driven by lower direct and indirect operating costs resulting from decreased production, ongoing cost saving initiatives, lower depreciation and amortisation charges (as a result of the December 31, 2012 impairment charge on production assets) and the continued softening of the BRL against the USD (period to September 30, 2013: US$1: R$2.29 vs. period to September 30, 2012: US$1: R$2.03).

Royalties of $1.76 million reflect the leasing of mining rights for the mining of nickel sulphide ore, federal royalties and royalty agreements with former landowners.

Subsequent to the Company recognising impairment on property, plant and equipment for the year ended December 31, 2012, depreciation and amortisation for the quarter ended September 30, 2013 was $5.47 million (compared to $12.99 million for the comparative period in 2012), calculated based on a combination of unit of production and the useful life of equipment.

LOSS FOR THE QUARTER

The Santa Rita Operation incurred a gross loss for the quarter of $12.64 million and a net loss of $213.67 million for the quarter (September 30, 2012: gross profit of $7.92 million and a net loss of $0.51 million). The net loss was mainly due to a $192.89 million impairment charge (refer below), gross loss from operations as discussed above, financing costs, general and administrative and other costs, offset by foreign exchange gain. The comparative quarter net loss was mainly due to financing costs and general and administrative costs, offset by the gross profit and foreign exchange gain.

Net financing costs for the quarter ended September 30, 2013 of $9.47 million, mainly comprise of net interest expense ($10.37 million) associated with the Senior Unsecured Notes, Banco Bradesco S.A. working capital facility and the Caterpillar and Atlas Copco finance lease facilities. Net financing costs of $8.24 million for the comparative quarter ended September 30, 2012 mainly comprised net interest expense ($10.72 million). The marginally lower net interest expense for the current quarter was driven by higher interest income on short term investments.

Net foreign exchange gain of $4.25 million primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings. The comparative quarter ended September 30, 2012 reflected a foreign exchange gain of $4.86 million which primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings.

Other expenses of $1.11 million for the quarter ended September 30, 2013 mainly comprise exploration expenditure; transaction fees; and general expenditure.

Impairment of Property, Plant and Equipment

The Company identified impairment indicators such as declining nickel prices, the collapse of one of the Company's two offtake customers (as outlined on page 5, *Outlook*), and the Company's market capitalisation being lower than the value of the long term assets. In the third quarter of 2013, due to a number of factors including current market consensus on long-term nickel prices along with projected future losses, the Company has recognised an impairment charge of US$192.894 million on its assets for the period ended September 30, 2013

UNIT CASH COSTS

Unit cash costs represent the total of all cash costs directly attributable to operations after deductions of credits in respect of by-product sales.

Unit cash costs are presented in US dollars. A strengthening of the Brazilian real against the US dollar will have a negative effect on unit cash costs, whilst a weakening of the Brazilian real to the US dollar will have a positive effect on unit cash costs.

By-product credits, in particular copper (7% of sales revenue) and cobalt (2% of sales revenue), are an important factor in determining cash costs. The Company's cost per pound will be positively affected by increases in the prices for copper and cobalt, and adversely affected with decreases in those prices.

Mirabela recorded a C1 unit cash cost for the quarter ended September 30, 2013, of $6.19 per pound (September 30, 2012: $5.38 per pound). Unit cash costs for the third quarter were higher than the second quarter predominately due to lower production levels.

Unit processing and administration costs per payable pound improved on the previous quarter primarily due to various cost saving initiatives and an improved exchange rate. Unit mining costs per payable pound were higher in the third quarter primarily due to lower capitalised mining costs, lower payable nickel production, higher explosive costs (due to higher nitrate prices), higher usage of fuel and tyres (due to greater average haulage distance) and preventative maintenance. The improved exchange rate helped to soften these impacts. Selling costs were also higher in the third quarter mostly as a result of no PGM (platinum group metals) by-product credits for the quarter.

The following table reflects a reconciliation of the Company's unit cash cost to the income statement prepared in accordance with IFRS:

	Three months ended September 30, 2013	Three months ended September 30, 2012
Costs as reported in the income statement (US$000):		
Gross (loss)/profit	(12,644)	7,925
Add back:		
Royalties	1,759	3,710
Depreciation, amortization and depletion	4,147	15,544
Direct concentrate stockpile movement	-	274
Inventory write-down to net realisable value	3,646	-
Copper Hedge expense	622	491
Less:		
Nickel sales revenue	(32,766)	(85,380)
Direct concentrate stockpile movement	(12,885)	-
Total cash operating cost of production (US$000)	**48,121**	**57,436**
Payable nickel (pounds)	7,773,887	10,675,850
Unit Cash Cost (US$) per pound of payable nickel	**6.19**	**5.38**

NINE MONTHS ENDED SEPTEMBER 30, 2013

NET SALES REVENUE

Sales generated during the nine month period comprised 10,861 tonnes of nickel in concentrate at an average nickel price of $7.03/lb excluding realised hedges, and 3,067 tonnes of copper in concentrate at an average copper price of $2.97/lb excluding realised hedges. This resulted in gross nickel revenue of $137.12 million, copper revenue of $13.46 million, cobalt revenue of $2.09 million, platinum and other

metals revenue of $7.70 million. Treatment, refining and transport charges associated with the sale of concentrate totalled $31.70 million.

The comparative nine month period ended September 30, 2012 comprised 14,323 tonnes of nickel in concentrate at an average nickel price of $7.51/lb excluding realised hedges, and 4,799 tonnes of copper in concentrate at an average copper price of $3.48/lb excluding realised hedges. This resulted in gross nickel revenue of $230.84 million, copper revenue of $26.75 million, cobalt revenue of $3.17 million, platinum and other metals revenue of $4.05 million. Treatment, refining and transport charges associated with the sale of concentrate totalled $53.87 million.

The lower net sales revenue during the current nine month period compared to the comparative nine month period resulted primarily from 24.2% lower nickel sales volume along with a 6.4% lower average realised nickel price.

COST OF SALES

Cost of sales for the nine month period of $152.37 million comprised direct costs of $125.96 million, royalties of $7.51 million and indirect costs of $18.90 million. Direct costs were driven by expenditure on mining ($79.4 million), processing ($39.69 million), administration ($13.95 million) and write down of inventories to net realisable value ($6.90 million), partly offset by stockpile movements associated with the timing of production and sales.

Cost of sales for the comparative nine month period ended September 30, 2012 of $220.55 million comprised direct costs of $157.32 million, royalties of $11.30 million and indirect costs of $51.92 million.

The lower cost of sales during the current period was driven by lower direct and indirect operating costs resulting from decreased production, ongoing cost saving initiatives, lower depreciation and amortisation charges (as a result of the December 31, 2012 impairment charge on production assets) and the weaker Real/USD exchange rate (period to September 30, 2013: US$1: R$2.12 vs. period to September 30, 2012: US$1: R$1.92).

Royalties of $7.51 million reflect the leasing of mining rights to nickel sulphide ore, federal royalties and landowner royalties in connection with surface rights.

Subsequent to the Company recognising impairment on property, plant and equipment for the year ended December 31, 2012, depreciation and amortisation for the nine months ended September 30, 2013 was $16.73 million (compared to $50.40 million for the comparative period in 2012), calculated based on a combination of unit of production and the useful life of equipment.

LOSS FOR THE PERIOD

The Santa Rita Operation incurred a gross loss for the period of $23.70 million and a net loss of $282.58 million for the period (September 30, 2012: gross loss of $9.61 million and a net loss of $61.13 million). The net loss was mainly due to a $192.89 million impairment charge (refer page 7, *Impairment of Property, Plant and Equipment*), gross loss from operations discussed above, as well as net financing costs, general and administrative costs and foreign exchange losses. The comparative period net loss was mainly due to the gross loss from operations as well as net financing costs, general and administrative costs, foreign exchange losses and other costs.

Net financing costs for the period ended September 30, 2013 of $27.87 million, mainly comprise of net interest expense ($32.41 million) associated with the Senior Unsecured Notes, Banco Bradesco S.A. working capital facility and the Caterpillar and Atlas Copco finance lease facilities. Net financing costs for the comparative period ended September 30, 2012 was $27.85 million and mainly comprised of net interest expense ($31.84 million). The marginally higher interest expense in the current quarter was driven by lower interest income on short term investments.

Net foreign exchange losses of $28.60 million primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings. The comparative period ended September 30, 2012 reflected a foreign exchange loss of $8.57 million which primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings.

Other expenses of $1.94 million for the nine months ended September 30, 2013 comprise exploration expenditure; transaction fees; and general expenditure.

UNIT CASH COSTS

Unit cash costs represent the total of all cash costs directly attributable to operations after deductions of credits in respect of by-product sales.

Unit cash costs are presented in US dollars. A strengthening of the Brazilian real against the US dollar will have a negative effect on unit cash costs, whilst a weakening of the Brazilian real to the US dollar will have a positive effect on unit cash costs.

By-product credits, in particular copper (8% of sales revenue) and cobalt (1% of sales revenue), are an important factor in determining cash costs. The Company's cost per pound will be positively affected by increases in the prices for copper and cobalt, and adversely affected with decreases in those prices.

The unit cash cost of production for the nine months ended September 30, 2013 was $5.71 per pound of payable nickel (September 30, 2012: $6.17 per pound of payable nickel). The improvement was mainly the result of ongoing cost saving initiatives, continued softening of the BRL against USD (period to September 30, 2013: US$1:R$2.12 vs. period to September 30, 2012: US$1:R$1.92) and lower shipping and smelter charges driven by lower volume of sales.

The following table reflects a reconciliation of the Company's unit cash cost to the income statement prepared in accordance with IFRS:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Costs as reported in the income statement (US$000):		
Gross loss	(23,695)	(9,609)
Add back:		
Royalties	7,513	11,304
Depreciation, amortization and depletion	18,897	51,916
Inventory write-down to net realisable value	6,899	-
Copper Hedge expense	1,880	875
Direct concentrate stockpile movement	-	7,317
Less:		
Nickel sales revenue	(137,123)	(230,836)
Direct concentrate stockpile movement	(10,978)	-
Total cash operating cost of production (US$000)	**136,607**	**169,033**
Payable nickel (pounds)	23,924,029	27,395,915
Unit Cash Cost (US$) per pound of payable nickel	**5.71**	**6.17**

SUMMARY OF QUARTERLY RESULTS

Selected financial data for each of the eight most recently completed quarters is included in the table below.

For the three months ended *	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11
Sales revenue	36,097	56,398	67,881	78,589	97,393	84,791	82,625	104,754
Net sales revenue	28,949	44,724	54,998	62,479	77,236	66,008	67,695	83,749
Cost of Sales	(41,593)	(61,882)	(48,891)	(59,627)	(69,311)	(71,727)	(79,510)	(87,467)
Gross (loss)/profit	(12,644)	(17,158)	6,107	2,852	7,925	(5,719)	(11,815)	(3,718)
Expenses	(201,023)	(40,387)	(17,473)	(394,598)	(8,442)	(27,391)	(15,687)	(1,382)
(Loss)/profit for the period	(213,667)	(57,545)	(11,366)	(391,746)	(517)	(33,110)	(27,502)	(5,100)
Basic (loss)/profit per share ($ per share)	(0.24)	(0.07)	(0.01)	(0.44)	(0.00)	(0.05)	(0.06)	(0.01)
Diluted (loss)/profit per share ($ per share)	(0.24)	(0.07)	(0.01)	(0.44)	(0.00)	(0.05)	(0.06)	(0.01)

** Quarterly results have been prepared in accordance with International Accounting Standard IAS34. The Group's quarterly results are presented in US dollars, which is the Group's presentation currency. The Company's functional currency is Australian dollars and the functional currency of the Company's foreign subsidiary is Brazilian Real. Revenue and expenses have been converted using the average exchange rates, ranging from BRL$1 = US$1.5639 to US$2.3422 during the period October 2011 to September 2013.*

LIQUIDITY

The following table sets out the Company's cash flows for the quarter and Nine months ended September 30, 2013 as compared to the periods ended September 30, 2012:

Cash Flows from	Three months ended		Nine months ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Operating activities	(26,660)	4,825	(7,566)	(4,448)
Investing activities	(6,898)	(6,797)	(25,770)	(39,401)
Financing activities	(4,631)	(5,098)	(29,498)	141,659

Net cash outflows from operating activities for the nine month period ended September 30, 2013 were $7.57 million, compared to $4.45 million outflow for the nine month period ended September 30, 2012. Cash receipts totalled $178.19 million, primarily reflecting the sale of 10,861 tonnes of nickel in concentrate to Votorantim and finalisations of nickel sales that occurred during October 2012 and January 2013. This was offset by cash outflows of $185.76 million, driven primarily by mining costs, plant maintenance costs and operational costs.

Net cash outflows from investing activities for the nine month period ended September 30, 2013 were $25.77 million, compared to $39.40 million outflow for the nine month period ended September 30, 2012. The cash outflow for the current period included budgeted capital expenditure, including planned machinery rebuilds, the purchase of critical stores and spare parts, deferred waste removal costs, as well as the ongoing lifting of the tailings dam wall. The cash outflow for the comparative period included the acquisition of four DML drill rigs, the construction of the second line primary crusher, installation and optimisation of the desliming circuit, rebuilds on the mining fleet, exploration and evaluation expenditure, purchase of critical stores and spare parts as well as deferred waste removal costs.

The net cash outflow from financing activities of $29.50 million mainly reflects the interest paid on the Senior Unsecured Notes, the working capital facility with Banco Bradesco S.A. and the Caterpillar and

Atlas Copco finance lease facilities ($21.31 million) along with principal repayments on the Caterpillar and Atlas Copco finance lease facilities ($7.60 million). The net cash inflow for the comparative period ended September 30, 2012 of $141.66 million reflects the A$120.20 million equity raising through a Strategic Placement to Resource Capital Fund V L.P. together with an accelerated 8 for 13 pro-rata non-renounceable entitlement offer, the drawdown of the $50.00 million Banco Bradesco S.A. working capital facility, and the $5.20 million Atlas Copco finance lease facility. This cash inflow was offset by interest paid on the Senior Unsecured Notes, the working capital facility with Banco Bradesco S.A. and the Caterpillar and Atlas Copco finance lease facilities ($19.91 million) along with principal repayments on the Caterpillar and Atlas Copco finance lease facilities ($7.64 million).

FINANCIAL POSITION AND GOING CONCERN

The Group held cash on hand and on deposit as at September 30, 2013 of US$69.77 million.

The Group incurred a loss of US$282.58 million for the nine months ended September 30, 2013 (nine months ended September 30, 2012: US$61.13 million). This has resulted in the Group being in a net liability position of US$179.03 million as at September 30, 2013 (net asset position of US$118.69 million as at December 31, 2012). Net cash outflows from operating and investing activities for the nine months ended September 30, 2013 were US$33.34 million.

At the date of this report the Company is in the advanced stage of negotiations with key stakeholders to secure a short-term bridging facility and a preliminary non-binding term sheet for recapitalisation of the Company with a view to finalising the recapitalisation structure in the near term.

No assurance can be given at this stage that any definitive final agreements or arrangements will be entered into with any party that the Company may be in discussions with.

Pending the final outcome of negotiations and due to the recent events as outlined on page 5, *Outlook*, above, these material uncertainties raise significant doubt upon the Company's ability to continue as a going concern and as such the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The unaudited condensed interim consolidated financial report for the period ended September 30, 2013 does not reflect the adjustment to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used, that would be necessary should the Company be unable to continue as a going concern. Any such necessary adjustments that may be required could be material in nature.

FINANCING

During the quarter the Company paid interest on the working capital facility with Banco Bradesco S.A. and the Caterpillar and Atlas Copco finance lease facilities ($1.86 million) and principal repayments on the Caterpillar and Atlas Copco finance lease facilities ($2.78 million). The $17.28 million interest payable on the Senior Unsecured Notes, was not paid by the due date of October 15, 2013. Debt standstill arrangements with the Company's financiers, Banco Bradesco, Caterpillar and the Noteholders, were entered into for an initial period of 60 days in order to give the Company the best chance of achieving a successful debt restructuring outcome.

SHARE CAPITAL

As at September 30, 2013 the Company's issued share capital consisted of 876,801,147 ordinary shares. A balance of 400,000 unlisted options and 5,091,810 performance rights were outstanding.

During the quarter a total of 3,750,000 options previously issued at an exercise price of A$3.00 (US$3.21) were unexercised and as a result have expired.

No options were exercised during the quarter.

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CONTRACTUAL COMMITMENTS

The Company's contractual commitments as at September 30, 2013 are as follows:

		Payments due by period			
As at September 30, 2013	**Total**	**Within 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating leases	1,437	808	629	-	-
Exploration	1,615	1,615	-	-	-
Purchase obligations	75,288	35,574	39,714	-	-
Loans and borrowings	446,075	42,965	20,275	382,835	-
Provision for rehabilitation	17,179	-	-	-	17,179
Total	**541,594**	**80,962**	**60,618**	**382,835**	**17,179**

The table on contractual commitments excludes trade payables, and should be read in conjunction with the table under the heading "loans and borrowings". Operating lease commitments relate to the Company's rental properties. Exploration commitments are those required to maintain Mirabela's rights to its exploration tenements in good standing.

Purchase obligations reflect contracts entered into during the ramp up of the Company's operations and consist primarily of contracts relating to fuel, electricity, mining contractors and explosives.

CAPITAL EXPENDITURE

The Company incurred capital expenditure of $25.77 for the nine months ended September 30, 2013, which primarily included budgeted capital expenditure, including planned machinery rebuilds, the purchase of critical stores and spare parts, capitalisation of mining costs, and the ongoing work on the tailings dam lift.

The Company is not anticipating material expenditure on growth activities for 2013.

CAPITAL RESOURCES

LOANS AND BORROWINGS

The following interest-bearing loans entered into for the financing of the Santa Rita mine (non-current and current) were outstanding as at September 30, 2013:

	Senior unsecured notes*	**Caterpillar finance lease facility**	**Bradesco loan**	**Atlas Copco finance lease facility**	**Total**
Current borrowings	-	8,159	33,333	1,473	42,965
Non-current borrowings	382,835	2,871	16,667	737	403,110
Total	**382,835**	**11,030**	**50,000**	**2,210**	**446,075**

** US$395 million senior unsecured notes, offset by unamortised capitalised borrowing costs of $12.16 million.*

$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. Borrowing costs of $20.48 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 $2.03 million. The Company has entered into a debt standstill agreement with the Noteholders (refer page 5, *Outlook*, for further details).

The $55 million master funding and leasing agreement with Caterpillar Financial SARL 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 $40.80 million as at September 30, 2013, with $11.03 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 4.14%). The Company has entered into a debt standstill agreement with Caterpillar (refer page 5, *Outlook*, for further details).

During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a $50 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. During February 2013, the Company negotiated revised repayment terms on the Facility. Revised repayment terms provided for three equal instalments, with the first in January 2014, the second in July 2014 and the final instalment in December 2014. Interest remains 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. These terms are unchanged. The Company has entered into a waiver agreement with Banco Bradesco (refer page 5, *Outlook*, for further details).

The Company entered in a $5.20 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 Nine semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2013 there were no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

During the three months ended September 30, 2013, there were no transactions between the Company and the key management personnel or any other related parties (three months ended September 30, 2012: Nil).

SUBSEQUENT EVENTS

The Company has remained in voluntary trading suspension on the Australian Stock Exchange (**ASX**) since October 9, 2013 as the Board is of the view that continued trading in the Company's securities is likely to be materially prejudicial to its ability to successfully complete the complex process noted earlier.

The Company de-listed from the Toronto Stock Exchange (**TSX**) on October 4, 2013, due to the limited trading volume of the Company's shares on the TSX over a sustained period of time and as a result it is not expected that maintaining the listing will deliver significant future value for the Company and its Canadian shareholders. On November 21, 2013 the British Columbia Securities Commission (**BCSC**) issued a cease trading order (**CTO**) against the Company due to non-filing, by November 14, 2013, of its unaudited condensed interim consolidated financial report for the third quarter ended September 30, 2013 and the associated management discussion and analysis (collectively, the **Default Interim Filings**). The Ontario Securities Commission (**OSC**) also issued a CTO against the Company on December 2, 2013. The CTOs are to remain in effect until the Default Interim Filings are filed in Canada and the Executive Director of the BCSC and the Director of the OSC revoke the respective CTOs.

Also refer to page 5, *Outlook*, and page 12, *Financial Position and Going Concern*, for further details of subsequent events.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The going concern basis of accounting relies on such estimates and assumptions and the comments as outlined on page 5, *Outlook*, and page 12, *Financial Position and Going Concern,* should be read in conjunction with this section. While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. A summary of the Company's critical accounting estimates is set out below.

PROPERTY, PLANT AND EQUIPMENT, INCLUDING DETERMINATION OF RESERVES AND RESOURCES

Reserves are estimates of the amount of nickel product 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. 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 statement of comprehensive income 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.

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

The carrying value of property plant and equipment is assessed for impairment at each reporting date, or upon any changes in circumstances that may indicate that the carrying amounts may not be recoverable. The Company assesses the recoverability of its assets carrying values based on estimated future cash flows, having consideration to the quantity of mineral reserves and resources, future metal prices, and expected future operating and capital costs. The uncertainty of future events requires the Company to make assumptions that may result in accounting estimates changing from one period to another. This may result in asset balances being materially impacted if other assumptions and estimates had been used. Further, future operating results could be impacted if different assumptions and estimates are applied in future periods.

REVENUE RECOGNITION

The Company's off-take agreements require nickel and other commodity sales to be determined on a provisional basis at the time of sale, with final prices to be determined in a future period. For this purpose, it is necessary for management to estimate the final prices received. Significant volatility in metal prices may result in actual results upon sales finalisation being materially different to those estimated. Management follows the industry practice of re-pricing any provisionally priced sales at the

end of each reporting period based on published forward curve prices with differences being recorded in the current period's earnings.

INCOME TAX

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.

PROVISION FOR MINE CLOSURE AND RESTORATION

The rehabilitation provision is an estimate of the value of future costs for the dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita Operation site. The Company relies on estimates from third parties to estimate these costs. The estimate is subject to change over the life of the mine as more data becomes available. As at September 30, 2013 the Company has recognised a liability of $17.18 million (present value) for rehabilitation costs at the Santa Rita Operation and will accrete costs through periodic charges to the income statement. In addition, the rehabilitation obligation asset has been recognised and will be amortised over the life of the mine. Future changes to the rehabilitation obligation will be prospectively reflected in the year the estimates change.

SHARE BASED PAYMENTS

The fair value of performance rights 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 and performance conditions. Service conditions require the employee to complete a specified period of service with failure to do so resulting in forfeiture of the award. Performance conditions require the employee to meet performance targets. 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 share price 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.

The Company utilises the binomial model for valuing options. The value derived from the option pricing model is highly subjective and depends entirely on the input assumptions made. These input assumptions 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.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the three month periods ended September 30, 2013 and September 30, 2012, except for the following, as per note 3 of the condensed interim consolidated financial report for the Nine month period September 30, 2013:

Deferred stripping cost

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, outlines how costs associated with waste removal (stripping) during the production phase of a surface mine are to be accounted for. Where the stripping activity gives rise to a benefit in the current period, stripping costs are to be accounted for as the cost of inventory. Where the activity results in improved access to ore in future periods, the costs are recognised as a non-current asset, providing certain criteria are met. In determining an appropriate allocation basis between inventory and non-current asset, IFRIC 20 provides guidance on possible metrics to use. After recognition, the stripping activity asset is then amortised on a systematic basis (unit of production method) over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The Group has identified two separate components within its surface mine. One of these components is immaterial in terms of effective life, volume of ore to be mined and cost of such mining, in comparison to the total mine. As such, the Group has determined that due to the immateriality of this specific component it may be combined with the core component when determining the allocation between inventory and non-current asset. Also, the Group's current allocation methodology is in line with IFRIC 20's suggested metrics, that being 'the volume of waste extracted compared with expected volume, for a given volume of ore production'.

The adoption of IFRIC 20 in the period has resulted in no material change to the Group's accounting for stripping costs.

FINANCIAL INSTRUMENTS

As at September 30, 2013 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended December 31, 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions.

OTHER MD&A REQUIREMENTS

Information about the Company and its business activities, including its annual financial statements and annual information form (AIF), is available under the Company's profile at www.sedar.com and on the Company's website at www.mirabela.com.au.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure.

The internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS.

The Company's management are of the opinion that any disclosure controls and processes or internal controls over financial reporting, no matter how well developed and executed, can provide only reasonable and not absolute assurance that the objectives of the control systems are met.

During the quarter ended September 30, 2013 no material changes were made to the Company's disclosure and internal controls over financial reporting. The Company is committed to monitor and improve the control environment on an ongoing basis.

The CEO and CFO conducted an evaluation of the Company's disclosure controls and processes and internal controls over financial reporting for the period ended September 30, 2013 and have concluded that the controls were effective.

RISKS AND UNCERTAINTIES

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Mirabela and the value of its ordinary shares. These include the risks discussed on page 5, *Outlook*, and page 12, *Financial Position and Going Concern*, along with risks that are widespread and associated with any form of business and specific risks associated with Mirabela's business and its involvement in the exploration and mining industry generally and in Brazil in particular. While most risk factors are largely beyond the control of Mirabela and its directors, the Company will seek to mitigate the risks where possible. An investment in the Company's shares is considered to be speculative due to the nature of Mirabela's business and the present stage of its development. In addition to the risk factors disclosed in Mirabela's public filings available at www.sedar.com and www.asx.com.au, investors and prospective investors should consider the risk factors below.

THE COMPANY'S FINANCIAL CONDITION

There can be no assurance that the Company will not continue to incur losses. Numerous factors, including declining metal prices, adverse currency exchange rate movements (in particular the Brazilian Real and United States dollar), lower than expected ore grades or higher than expected operating costs (including increased commodity prices), and impairment write-offs of mine property and/or exploration property costs, could cause the Company to continue to be unprofitable in the future. Continued losses could have important consequences, including the following:

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- Increasing the Company's vulnerability to general adverse economic conditions and industry conditions;
- Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to dedicate a significant portion of the Company's cash flow from operations, anticipated from the Santa Rita Operation, to make debt service payments, which would reduce its ability to fund working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to re-assess the recoverability of the carrying value of its assets based on estimated future cash flows, that could result in a write down in the value of its assets;
- Limiting the Company's flexibility in planning for, or reacting to, changes in our business and the industry; and
- Placing the Company at a disadvantage when compared to its competitors that have less debt relative to their market capitalisation.

ADDITIONAL FUNDING REQUIREMENTS

The Company is not cash flow positive. Becoming cash flow positive will depend on a number of factors including, but not limited to, the price of nickel and other base metals, the optimisation of operations without delay, operating costs, production, recovery and exchange rates.

If the Company is not cash flow positive prior to the depletion of its cash reserves and available credit, the Company will require third party financing to fund future working capital, capital expenditures, operating and exploration costs, and other general corporate requirements.

Refer to page 5, *Outlook*, and page 12, *Financial Position and Going Concern*, for further details.

DECREASES IN THE PRICE OF NICKEL

The price of nickel will affect the profitability of the Santa Rita Operation. The price of nickel fluctuates widely and is affected by numerous factors beyond the control of Mirabela such as industrial and retail supply and demand, exchange rates, inflation rate fluctuation, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

Future production from Mirabela's mining properties, including in particular the Santa Rita Operation, is dependent upon the price of nickel being adequate to make it economic. The Company's mineral reserves have been calculated at a price of US$8.00/lb.

Future price declines in the market value of nickel and copper could cause commercial production from the Santa Rita Operation to be rendered uneconomic. Declining metal prices will also adversely affect the Company's ability to obtain financing both now and in the long term.

PRODUCTION ESTIMATES

The Company may not achieve its production estimates. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial conditions. The realization of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), the

physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing.

Actual production may vary from estimates for a variety of reasons, including: the availability of certain types of ores; the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; lack of required labour; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production.

COST ESTIMATES

Mirabela provides forecasts of its C1 unit cash costs. Mirabela may not achieve such cost estimates, which could have a material adverse effect on its profitability, results of operations and financial condition. Operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events, among the other events and uncertainties described in this MD&A, could affect the ultimate accuracy of such estimate and result in an increase in actual operating costs incurred: (i) unanticipated changes in grade and tonnage of ore to be mined and processed; (ii) incorrect data on which engineering assumptions are made; (iii) equipment delays; (iv) labour disputes and negotiations; (v) changes in government regulation including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals; and (vi) title claims. Material increases in operating costs at the Santa Rita Operation could cause the Company to suspend operation of the Santa Rita Operation as currently planned, either temporarily or permanently.

MINERAL RESERVES AND MINERAL RESOURCES ESTIMATES

The estimated costs of the Santa Rita mining operation, the tonnages and grades anticipated to be achieved and the anticipated level of recovery are based on the Company's estimated mineral reserves and mineral resources for the Santa Rita mine. No assurance can be given that the anticipated tonnages and grades will be achieved, that anticipated level of recovery will be realised or that mineral reserves will be mined or processed profitably. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Short term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mining operations to be unprofitable in any particular accounting period. In addition, there can be no assurance that recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

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Fluctuations in nickel prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate of reserves or resources may require revisions to such estimates. As a result, the volume and grade of reserves the Company mines and processes, the recovery rate it achieves and the cost of its operations may not be the same as currently anticipated. Any material reductions in the Company's estimated mineral reserves and mineral resources, or of its ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

FOREIGN EXCHANGE RISK

Exchange rate fluctuations affect the Company's costs, revenue and cash flows. Although the Company raises equity in Canadian and Australian dollars and the Company's indebtedness is denominated in United States dollars, portions of the Company's operating expenses and portions of the remainder of its capital expenditures are incurred in Brazilian real. Further, nickel is sold worldwide, predominantly in United States dollars.

Accordingly, adverse fluctuations in the relative price of the Brazilian real and the Canadian, Australian and United States dollars would effectively increase the costs of development and production at the Santa Rita mine and could materially and adversely affect the Company's earnings and financial condition.

DELAYS IN PROCURING NEW EQUIPMENT

Delays in procuring new equipment, or maintaining and supporting existing equipment may impact the Company's ability to achieve its production forecasts. Equipment delays may result from difficulties in procurement, funding constraints the Company may face, late ordering of equipment, shipping and customs delays, or fabrication, drilling, blasting and loading problems. Additionally, excessive wear on equipment could create the need for unexpected repairs or new equipment or spares, creating further delays and increasing operating costs.

Supply shortages may also result from an excess of demand over supply for mining equipment and competition for supplies from competitors. If the Company is unable to secure sufficient supplies for its operations, it may suffer reductions in its production capacity, which could have a material adverse effect on its financial and operating results.

CONCENTRATE SPECIFICATIONS

The Company's concentrate is subject to risks of process upsets and equipment malfunctions. Head grade, mill throughput recovery rates, or anticipated metallurgical recoveries may ultimately be lower than expected. Concentrate produced by Mirabela is subject to off-take agreements and must meet certain specifications. Failure to meet such specifications could entitle purchasers to refuse delivery or seek price adjustments, which in either case, could have a material adverse effect on the Company's revenue, cash flows and financial condition.

ENVIRONMENTAL RISKS AND REGULATIONS

All phases of Mirabela's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Mirabela's operations. Environmental hazards

may exist on the properties on which Mirabela holds interests which are unknown to Mirabela at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are current and may in the future be required in connection with the operations of Mirabela. To the extent such approvals are required and not obtained, Mirabela may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties or sale of concentrate.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties or the sale of concentrate may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Mirabela and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production, or require abandonment or delays in development of new mining properties.

CHANGES IN THE TERMS OF THE LEASING FACILITY

Mirabela Mineração do Brasil Ltda, as lessee, and Mirabela Nickel Limited, as guarantor, entered into a master funding and lease agreement dated March 23, 2009 with Caterpillar Financial SARL, as arranger, and Caterpillar Financial Services Corporation, as lender (together with the arranger, "**Caterpillar Financial**"), pursuant to which Caterpillar Financial agreed to extend a master funding and lease facility in the principal amount of not more than $55 million (the "**Leasing Facility**") for the purpose of lease financing up to 90% of the purchase price of Caterpillar mobile equipment from Marcosa SA and Sotreq SA, Brazil.

By the terms of the Leasing Facility, Caterpillar Financial may syndicate up to $30 million of the Leasing Facility and is entitled to make changes to the pricing and structure of the Leasing Facility (subject to limitations to be determined by the parties), in order to achieve a successful syndication (such changes applying only to the syndicated portion of the facility). There can be no assurance that such changes to the pricing and structure of the Leasing Facility will not have an adverse effect on the Company and its financial condition.

FORWARD LOOKING INFORMATION

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflect management's expectations regarding Mirabela's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. In this MD&A this specifically includes statements regarding C1 unit cash costs for 2013 being between $5.00/lb and $6.00/lb, production not expected to meet the low end of the guidance of 17,000 tonnes of nickel in concentrate for 2013 and capital expenditure, exploration and study costs for 2013 of between $35 million and $45 million. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words

and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In making and providing the forward-looking information included in this MD&A, the Company has made numerous assumptions. These assumptions include among other things: (i) assumptions about the price of nickel and other base metals; (ii) that there are no material delays in the optimisation of operations at the Santa Rita Operation; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that the supply and demand for nickel develops as expected; (vi) that there is no unanticipated fluctuation in foreign exchange rates; and (vii) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of nickel and copper; (ii) the risk that the Company will continue to have negative cash flow; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; (vi) the risk that concentrate produced will not meet certain minimum specifications; (vii) production estimates may not be accurate; (viii) environmental risks and changes in environmental legislation; and (ix) failure to comply with restrictions and covenants under the Unsecured Senior Notes.

This MD&A (See "*Risk Factors*") and the Company's annual information form contain information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

NON-GAAP/IFRS MEASURES

This MD&A makes reference to several non-GAAP/IFRS measurements that may not be comparable to similar measures presented by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with GAAP/IFRS, certain investors use this information to evaluate the Company. The terms are intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP/IFRS. Non-GAAP/IFRS financial measures referred to in this MD&A include:

- "Cash operating cost per pound of nickel produced" or to "unit cash costs". This includes all mining, processing, site administration, transport and smelter costs, less by-product credits (refer page 7 for reconciliation);
- "Realised nickel price". This includes total gross nickel revenue, prior period quotational period adjustments, realised nickel and foreign exchange hedges, but excludes call options;
- "Realised copper price". This includes total gross copper revenue, prior period quotational period adjustments, realised copper and foreign exchange hedges, but excludes call option adjustments;
- "EBITDA". This includes earnings before net financial expense, net derivative loss, net foreign exchange gain/loss, taxation, other expenses-net, depreciation, amortisation, depletion,

impairment charge and net realisable value adjustment to inventory (refer EBITDA reconciliation below).

EBITDA Reconciliation

The following tables reflect a reconciliation of the Company's EBITDA to the income statement prepared in accordance with IFRS:

US$000	Three months ended		Nine months ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
As reported in the income statement				
Loss for the period	(213,667)	(517)	(282,578)	(61,129)
Add back:				
Income tax expense	-	-	-	-
Impairment of property, plant and equipment	192,894	-	192,894	-
Inventory write-down to net realisable value	3,646	-	6,899	-
Depreciation, amortisation and depletion	4,147	15,544	18,897	51,916
Financial expense	10,662	10,947	32,413	32,541
Net foreign exchange loss	-	-	28,605	8,570
Other expenses - net	1,110	1,697	1,944	4,902
Less:				
Income tax benefit	-	-	-	-
Financial Income	(1,197)	(2,710)	(4,539)	(4,690)
Net foreign exchange gain	(4,250)	(4,860)	-	-
EBITDA	**(6,655)**	**20,101**	**(5,465)**	**32,110**