



MIRABELA NICKEL LTD

ABN 23 108 161 593

Unaudited Condensed Interim Consolidated Financial Report

For the three and six months ended June 30, 2013

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
For the three and six months ended June 30, 2013

	Note	Three months ended		Six months ended	
		June 30, 2013 US\$000	June 30, 2012 US\$000	June 30, 2013 US\$000	June 30, 2012 US\$000
Sales revenue	7	56,398	84,791	124,279	167,416
Treatment, refining and transport charges		(11,674)	(18,783)	(24,557)	(33,713)
Net sales revenue		44,724	66,008	99,722	133,703
Direct costs		(51,852)	(49,680)	(90,269)	(107,271)
Royalties		(2,667)	(4,177)	(5,754)	(7,594)
Depreciation, amortisation and depletion		(7,363)	(17,870)	(14,750)	(36,372)
Cost of sales		(61,882)	(71,727)	(110,773)	(151,237)
Gross loss		(17,158)	(5,719)	(11,051)	(17,534)
Expenses					
General and administration		(2,946)	(3,365)	(5,762)	(6,829)
Financial income	8	1,307	847	3,342	1,980
Financial expense	8	(10,877)	(10,785)	(21,751)	(21,594)
Net foreign exchange loss		(27,799)	(13,457)	(32,855)	(13,430)
Other expenses		(72)	(631)	(834)	(3,205)
		(40,387)	(27,391)	(57,860)	(43,078)
Loss before income tax		(57,545)	(33,110)	(68,911)	(60,612)
Income tax		-	-	-	-
Loss for the period		(57,545)	(33,110)	(68,911)	(60,612)
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(25,754)	(76,871)	(12,679)	(55,791)
Net change in fair value of cash flow hedges transferred to profit or loss		1,052	(1,140)	2,261	(3,370)
Other comprehensive expense for the period, net of tax		(24,702)	(78,011)	(10,418)	(59,161)
Total comprehensive expense for the period		(82,247)	(111,121)	(79,329)	(119,773)
LOSS PER SHARE					
Basic loss per share (\$ per share)		(0.07)	(0.05)	(0.08)	(0.11)
Diluted loss per share (\$ per share)		(0.07)	(0.05)	(0.08)	(0.11)
Weighted basic average number of shares outstanding (000's)		876,777	638,923	876,749	568,648
Weighted diluted average number of shares outstanding (000's)		876,777	638,923	876,749	568,648

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

Unaudited condensed interim consolidated statement of changes in equity

For the six months ended June 30, 2013

		Attributable to equity holders of the Group					
		Issued	Translation	Share based	Hedging	Accumulated	Total
		capital	reserve	payments	reserve	losses	equity
Period ended June 30, 2013	Note	US\$000	US\$000	US\$000	US\$000	US\$000	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		-	-	-	-	(68,911)	(68,911)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(12,679)	-	-	-	(12,679)
Net change in fair value of cash flow hedges transferred to profit or loss	12	-	-	-	2,261	-	2,261
Total other comprehensive expense		-	(12,679)	-	2,261	-	(10,418)
Total comprehensive expense for the period		-	(12,679)	-	2,261	(68,911)	(79,329)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue cost		(593)	-	-	-	-	(593)
Share based payment recognised		-	-	476	-	-	476
Total transactions with equity holders		(593)	-	476	-	-	(117)
Balance at June 30, 2013	18	796,517	(128,058)	7,662	(12,142)	(624,736)	39,243

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

Unaudited condensed interim consolidated statement of changes in equity

For the six months ended June 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 June 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		-	-	-	-	(60,612)	(60,612)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(55,791)	-	-	-	(55,791)
Net change in fair value of cash flow hedges transferred to profit or loss	12	-	-	-	(3,370)	-	(3,370)
Total other comprehensive expense		-	(55,791)	-	(3,370)	-	(59,161)
Total comprehensive expense for the period		-	(55,791)	-	(3,370)	(60,612)	(119,773)
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period net of issue cost		114,240	-	-	-	-	114,240
Share based payment transactions		-	-	655	-	-	655
Total transactions with equity holders		114,240	-	655	-	-	114,895
Balance at June 30, 2012	18	797,348	(103,697)	7,397	(16,131)	(164,285)	520,632

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

Unaudited condensed interim consolidated statement of financial position

As at June 30, 2013

	Note	June 30, 2013 US\$000	December 31, 2012 US\$000
ASSETS			
Cash and cash equivalents	9	108,117	143,007
Trade and other receivables	10	48,059	63,044
Inventories	11	50,738	56,892
Total current assets		206,914	262,943
Trade and other receivables	10	7,418	10,963
Property, plant and equipment	14	334,299	358,613
Exploration and evaluation assets	13	2,802	3,490
Total non-current assets		344,519	373,066
Total assets		551,433	636,009
LIABILITIES			
Trade and other payables	15	42,669	46,006
Provisions	16	3,814	3,281
Borrowings	17	26,007	34,920
Total current liabilities		72,490	84,207
Provisions	16	17,314	17,777
Borrowings	17	422,386	415,336
Total non-current liabilities		439,700	433,113
Total liabilities		512,190	517,320
Net assets		39,243	118,689
EQUITY			
Contributed equity	18	796,517	797,110
Reserves		(132,538)	(122,596)
Accumulated losses		(624,736)	(555,825)
Total equity		39,243	118,689

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

Unaudited condensed interim consolidated statement of cash flow
For the three and six months ended June 30, 2013

	Note	Three months ended		Six months ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		US\$000	US\$000	US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		72,931	90,586	141,750	165,336
Cash paid to suppliers and employees		(66,846)	(64,587)	(125,998)	(176,589)
Interest received		1,306	847	3,342	1,980
Net cash from/(used in) operating activities		7,391	26,846	19,094	(9,273)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(9,009)	(11,728)	(18,872)	(30,248)
Payment for exploration and evaluation expenditure		-	(2,356)	-	(2,356)
Net cash used in investing activities		(9,009)	(14,084)	(18,872)	(32,604)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(17,442)	(17,546)	(19,459)	(17,823)
Repayment of borrowings		(2,038)	(2,041)	(4,815)	(4,860)
Share issue costs		(593)	(5,281)	(593)	(5,281)
Proceeds from the issue of share capital		-	119,521	-	119,521
Proceeds from borrowings		-	-	-	55,200
Net cash (used in)/from financing activities		(20,073)	94,653	(24,867)	146,757
Net (decrease)/increase in cash and cash equivalents		(21,691)	107,415	(24,645)	104,880
Cash and cash equivalents at beginning of the period		140,799	59,727	143,007	61,198
Effect of changes in foreign currency		(10,991)	(782)	(10,245)	282
Cash and cash equivalents at end of the period	9	108,117	166,360	108,117	166,360

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

**Notes to unaudited condensed interim consolidated financial report
For the three and six months ended June 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 June 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. 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 Board of Directors on August 13, 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

The Group held cash on hand and on deposit as at June 30, 2013 of US\$108.117 million.

As at June 30, 2013 the Group held net assets of US\$39.243 million and had a net working capital surplus of US\$134.424 million. For the six months ended June 30, 2013 the Group incurred a loss of US\$68.911 million. Net cash outflows from operations and investing activities for the six months ended June 30, 2013 were US\$0.222 million.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast depends upon the successful execution of mining and production

Notes to unaudited condensed interim consolidated financial report
For the three and six months ended June 30, 2013

activities in accordance with the budget, nickel price and foreign exchange assumptions. Should the operations not successfully achieve budgeted production or forecast nickel prices and foreign exchange assumptions not be achieved, the Group may be required to source additional funds through debt or equity markets or a combination of the two.

3. 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.

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

Notes to unaudited condensed interim consolidated financial report For the three and six months ended June 30, 2013

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.

5. 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.

6. 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 six month period ended June 30, 2013 were split 73% and 74% to Votorantim and 27% and 26% to Norilsk (three and six month period ended June 30, 2012: 40% and 53% to Votorantim and 60% 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.

7. SALES REVENUE

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	US\$000	US\$000	US\$000	US\$000
Nickel Sales	45,937	72,822	104,357	145,456
Copper Sales	4,936	10,063	10,809	17,626
Cobalt Sales	756	1,136	1,409	2,069
Other Sales	4,769	770	7,704	2,265
Sales Revenue	56,398	84,791	124,279	167,416

Nickel sales are comprised as follows:

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	US\$000	US\$000	US\$000	US\$000
Realised nickel sales	58,818	80,074	118,989	142,006
Revaluation of unrealised nickel sales	(12,478)	(8,705)	(13,629)	(266)
Unwinding of metal and foreign exchange forward contracts designated as hedges	(403)	1,453	(1,003)	3,716
Nickel Sales	45,937	72,822	104,357	145,456

Notes to unaudited condensed interim consolidated financial report

For the three and six months ended June 30, 2013

Realised nickel sales for the three and six month period ended June 30, 2013 comprised 4,168 tonnes and 8,075 tonnes of nickel in concentrate respectively (three and six month period ended June 30, 2012: 4,787 tonnes and 8,942 tonnes), 89% being payable at an average realised nickel price of US\$7.27/lb and US\$7.54/lb respectively; (three and six months ended June 30, 2012: US\$8.52/lb and US\$8.10/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 31 December 2011, the fair value of these hedges crystallised in the hedge reserve. This hedge reserve unwinds to revenue upon realisation of the original underlying hedged transactions (refer note 12).

8. FINANCIAL INCOME/(EXPENSE)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	US\$000	US\$000	US\$000	US\$000
Interest received	1,307	847	3,342	1,980
Financial income	1,307	847	3,342	1,980
Interest expense	(10,558)	(10,558)	(21,111)	(21,120)
Discounting of rehabilitation costs	(319)	(227)	(640)	(474)
Financial expense	(10,877)	(10,785)	(21,751)	(21,594)

9. CASH AND CASH EQUIVALENTS

	June 30, 2013	December 31, 2012
	US\$000	US\$000
Cash at bank and on hand	24,535	26,414
Call deposits	83,582	116,593
	108,117	143,007

10. TRADE AND OTHER RECEIVABLES

	June 30, 2013	December 31, 2012
	US\$000	US\$000
Current asset		
Trade receivables	16,700	39,816
Prepayments	31,359	23,228
	48,059	63,044
Non-current asset		
Other receivables	999	1,945
Prepayments	6,419	9,018
	7,418	10,963

Notes to unaudited condensed interim consolidated financial report For the three and six months ended June 30, 2013

Prepayments for the six months ended June 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 expenses payment. It is anticipated that these taxes will be offset against future federal and state taxes payable and are classified into current and non-current based on their expected period of recovery.

11. INVENTORIES

	June 30, 2013	December 31, 2012
	US\$000	US\$000
Broken ore - net realisable value	16,321	21,621
Concentrate - cost	1,026	4,166
Stores, spares and consumables - cost	33,391	31,105
	50,738	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 six months ended June 30, 2013 the write-down of broken ore inventories to net realisable value amounted US\$3.191 million. (six months ended June 30, 2012: Nil), which is included in direct costs in the statement of profit or loss and other comprehensive income.

12. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

As at June 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:

	June 30, 2013	June 30, 2012
	US\$000	US\$000
Nickel and Copper- forward contracts	3,726	960
Foreign exchange - forward contracts	(1,465)	(4,330)
	2,261	(3,370)

Notes to unaudited condensed interim consolidated financial report
For the three and six months ended June 30, 2013

13. EXPLORATION AND EVALUATION EXPENDITURE

	June 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	(454)	-
Effect of movements in foreign exchange	(234)	(105)
Balance at the period end	2,802	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.

14. PROPERTY, PLANT & EQUIPMENT

June 30, 2013	Plant &	Leased		Mine	Construction &	
US\$000	equipment	assets	Land	properties ^(a)	development	Total
					expenditure	
Cost						
Balance at January 1, 2013	452,460	32,169	11,315	386,573	375	882,892
Additions	7,391	2,715	-	7,491	1,275	18,872
Transfers from exploration and evaluation expenditure	-	-	-	-	454	454
Transfer to stores spares and consumables	(829)	-	-	-	-	(829)
Transfers	(27,708)	27,775	-	-	(67)	-
Effect of movement in exchange rates	(33,227)	(5,496)	(879)	(32,624)	(223)	(72,449)
Balance at June 30, 2013	398,087	57,163	10,436	361,440	1,814	828,940
Depreciation						
Balance at January 1, 2013	(275,353)	(26,397)	(5,822)	(216,516)	(191)	(524,279)
Depreciation charge for the period	(4,064)	(3,116)	-	(4,079)	-	(11,259)
Transfers	20,787	(20,787)	-	-	-	-
Reclassification of critical spares	(1,982)	-	-	-	-	(1,982)
Effect of movement in exchange rates	19,826	4,236	452	18,365	-	(42,879)
Balance at June 30, 2013	(240,786)	(46,064)	(5,370)	(202,230)	(191)	(494,641)
Net book value at June 30, 2013	157,301	11,099	5,066	159,210	1,623	334,299

(a) Mine properties include deferred stripping costs of US\$55.786 million (December 31, 2012: US\$48.296 million).

Recoverable Amount

As the Group identified impairment indicators such as declining nickel prices, a reduction in market capitalisation and a significant decline in the market value of entities producing the same commodity, the Group performed an impairment test on the recoverability of its assets.

Notes to unaudited condensed interim consolidated financial report

For the three and six months ended June 30, 2013

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 recoverable amount was:

- *Nickel price* – future nickel prices were based on the 2013 consensus views from market participants in the period;
- *Nickel production* – future nickel production was based on the Group's Life of Mine Plan;
- *Operating and capital cost* – these costs were based on management's best estimates at the time of the impairment testing;
- *Foreign exchange rates* – Brazilian Real to US dollar exchange rates were based on the forward curve and consensus views;
- *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 above review, the Group is of the opinion that no impairment exists for the six months ended June 30, 2013. However, any material negative change in the above assumptions may result in a future impairment occurring.

December 31, 2012	Plant &	Leased		Mine	Construction &	
US\$000	equipment	assets	Land	properties	development	Total
					expenditure	
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

Notes to unaudited condensed interim consolidated financial report
For the three and six months ended June 30, 2013

15. TRADE AND OTHER PAYABLES

	June 30, 2013	December 31, 2012
	US\$000	US\$000
Trade payables	24,331	22,687
Other payables and accrued expenses	18,338	23,319
	42,669	46,006

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

16. PROVISIONS

	June 30, 2013	December 31, 2012
	US\$000	US\$000
Current liability		
Provision for annual leave	3,814	3,281
	3,814	3,281
Non-current liability		
Provision for rehabilitation	16,984	17,777
Other provision non-current	330	-
	17,314	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	812	(275)
Effect of movements in foreign exchange	(279)	(279)
Balance at period end	3,814	3,281
Rehabilitation provision		
Balance at beginning of period	17,777	8,639
Accretion expense	640	932
Discount and inflation rate adjustment	-	8,960
Effect of movements in foreign exchange	(1,433)	(754)
Balance at period end	16,984	17,777
Other provision non-current		
Balance at beginning of period	-	2,231
Provision made/(used) during the period	360	(2,045)
Effect of movements in foreign exchange	(30)	(186)
Balance at period end	330	-

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.

Notes to unaudited condensed interim consolidated financial report
For the three and six months ended June 30, 2013

17. BORROWINGS

June 30, 2013	Senior unsecured notes	Caterpillar finance lease facility	Bradesco loan	Atlas Copco finance lease facility	Total
US\$000	(i)	(ii)	(iii)	(iv)	
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	382,418	13,029	50,000	2,946	448,393
Current borrowings	-	7,867	16,667	1,473	26,007
Non-current borrowings	382,418	5,162	33,333	1,473	422,386
	382,418	13,029	50,000	2,946	448,393

December 31, 2012	Senior unsecured notes	Caterpillar finance lease facility	Bradesco loan	Atlas Copco finance lease facility	Total
US\$000	(i)	(ii)	(iii)	(iv)	
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\$1.391 million. The fair value of the Senior Unsecured Notes at June 30, 2013 is US\$308.594 million (December 31, 2012: 349.575 million).
- (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 June 30, 2013, with US\$13.029 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 4.29%).
- (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

Notes to unaudited condensed interim consolidated financial report

For the three and six months ended June 30, 2013

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.

- (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 six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

18. CONTRIBUTED EQUITY

Movement in share capital for the six months ended June 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	-	-
June 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 six months ended June 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
June 30, 2012	Closing balance	876,571,645		802,629,167
	Less: Share issue cost – current period	-		(5,281,128)
		876,571,645		797,348,039

(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.

Notes to unaudited condensed interim consolidated financial report For the three and six months ended June 30, 2013

Unissued Shares under Performance Rights at June 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
June 30, 2014	704,029
December 31, 2014	338,847
Balance	1,872,940

During the six months ended June 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 subjected 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.

Notes to unaudited condensed interim consolidated financial report For the three and six months ended June 30, 2013

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, 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 markets. 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%

Notes to unaudited condensed interim consolidated financial report For the three and six months ended June 30, 2013

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 (Dec 31, 2012 and Dec 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 June 30, 2013

Exercise Price A\$	Exercise Price US\$ ⁽¹⁾	Expiry Date	Number of Options
A\$3.00	US\$2.75	July 7, 2013	3,000,000
A\$3.00	US\$2.75	July 7, 2013	750,000
A\$3.00	US\$2.75	June 30, 2014	400,000
Balance			4,150,000

All options are exercisable in A\$ (presented in US\$ at June 30, 2013 rate of 0.917)

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	June 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)

**Notes to unaudited condensed interim consolidated financial report
For the three and six months ended June 30, 2013**

19. CAPITAL AND OTHER COMMITMENTS

	June 30, 2013	December 31, 2012
	US\$000	US\$000
Operating lease commitments		
<i>Non-cancellable operating lease rentals:</i>		
Within one year	783	864
One year or later and no later than five years	822	1,375
	1,605	2,239
Exploration expenditure commitments		
<i>Commitments for rental fees under exploration licence agreements:</i>		
Within one year	1,229	1,324
	1,229	1,324
Contractual, capital and operating commitments		
<i>Contracted but not provided for and payable:</i>		
Within one year	56,698	62,367
One year or later and no later than five years	53,795	86,177
	110,493	148,544

20. SHARE BASED PAYMENTS

During the three and six month period ended June 30, 2013, the Company recognised an employee share based payment income of US\$0.129 million and expense of US\$0.476 million respectively (three and six month period ended June 30, 2012: expense of US\$0.328 million and US\$0.655 million respectively).

21. 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\$0.772 million and US\$1.503 million for the three and six month period ended June 30, 2013 (three and six month period ended June 30, 2012: US\$0.834 million and US\$1.984 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 six month period ended June 30, 2013, there were no such transactions between the Company and the key management personnel or their related parties.

22. SUBSEQUENT EVENTS

On July 7, 2013 a total of 3,750,000 options previously issued at an exercise price of A\$3.00 (US\$2.75) were unexercised and as a result have expired.



Management's Discussion and Analysis

For the three and six month periods ended June 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 six months ended June 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").

The effective date of this report is August 13, 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.

Management's Discussion and Analysis

For the three and six month periods ended June 30, 2013



MIRABELA NICKEL
LTD

OVERALL PERFORMANCE & SELECTED ANNUAL INFORMATION

Financial Statistics	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Sales revenue	56,398	84,791	124,279	167,416
Net sales revenue	44,724	66,008	99,722	133,703
Cost of sales	(61,882)	(71,727)	(110,773)	(151,237)
Gross loss	(17,158)	(5,719)	(11,051)	(17,534)
Loss for the period	(57,545)	(33,110)	(68,911)	(60,612)
EBITDA ⁽¹⁾	(9,488)	8,786	1,190	12,009
Basic loss per share	(\$0.07)	(\$0.05)	(\$0.08)	(\$0.11)
Diluted loss per share	(\$0.07)	(\$0.05)	(\$0.08)	(\$0.11)
Dividends Paid	-	-	-	-
Total assets	551,433	1,028,656	551,433	1,028,656
Total non-current liabilities	439,700	427,801	439,700	427,801
Total liabilities	512,190	508,024	512,190	508,024
Net assets	39,243	520,632	39,243	520,632

Production Statistics	Measure	Three months ended		Six months ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Mining					
Total Material Mined	Tonnes	10,387,040	10,042,953	18,885,322	20,760,691
Ore Mined	Tonnes	1,661,192	1,504,081	2,825,753	3,277,981
Nickel Grade	%	0.50	0.50	0.49	0.47
Processing					
Total Ore Processed	Tonnes	1,695,559	1,447,765	3,275,522	2,983,057
Nickel Grade	%	0.47	0.51	0.47	0.50
Copper Grade	%	0.10	0.13	0.10	0.13
Cobalt Grade	%	0.02	0.01	0.02	0.01
Nickel Recovery	%	51	58	53	58
Copper Recovery	%	65	71	68	70
Cobalt Recovery	%	27	35	28	34
Production					
Nickel in Concentrate Produced	DMT	4,080	4,276	8,231	8,521
Copper in Concentrate Produced	DMT	1,125	1,316	2,294	2,647
Cobalt in Concentrate Produced	DMT	71	72	143	148
Sales					
Nickel in Concentrate Sold ⁽²⁾	DMT	4,168	4,787	8,075	8,942
Copper in Concentrate Sold ⁽²⁾	DMT	1,143	1,570	2,262	3,019
Cobalt in Concentrate Sold ⁽²⁾	DMT	71	84	140	164

Management's Discussion and Analysis

For the three and six month periods ended June 30, 2013



MIRABELA NICKEL
LTD

Unit Cash Costs	Measure	Three months ended		Six months ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Payable Nickel Production ⁽³⁾	lbs	8,005,416	8,389,990	16,150,142	16,720,064
Production Costs					
Mining Cost	USD/lb	3.44	3.02	2.98	3.44
Processing Costs	USD/lb	1.69	1.65	1.69	1.93
Administration Cost	USD/lb	0.65	0.58	0.61	0.62
Subtotal	USD/lb	5.78	5.25	5.28	5.99
Selling Costs					
Transport/Shipping Cost	USD/lb	0.16	0.27	0.15	0.22
By-Product Credit ⁽⁴⁾	USD/lb	(1.42)	(1.45)	(1.33)	(1.33)
Smelter Charges	USD/lb	1.32	1.96	1.38	1.80
Subtotal	USD/lb	0.06	0.78	0.20	0.69
Unit Cash Cost	USD/lb	5.84	6.03	5.48	6.68
Unit Royalty Cost	USD/lb	0.33	0.44	0.36	0.43
Realised Nickel Price ⁽⁴⁾	USD/lb	7.27	8.52	7.54	8.10
Realised Copper Price ⁽⁴⁾	USD/lb	2.99	3.97	3.23	3.60
Realised Cobalt Price ⁽⁴⁾	USD/lb	10.83	14.00	10.11	13.00
Average Real/US\$ Exchange Rate		2.07	1.96	2.03	1.87

(1) EBITDA is defined as earnings before net financial expense, net derivative loss, net foreign exchange gain/loss, taxation, other expenses, 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 JUNE 30, 2013

OPERATING REVIEW

Mirabela's second quarter saw the open pit material movement return to expected levels with the successful reconfiguration of the excavator fleet. Remediation works on the primary crusher and the remediation of the geotechnical fault zone, between the central zone and south zone of the open pit, progressed to plan during the quarter. Nickel production continued to be restricted by ore quality limitations.

SAFETY

Mirabela's strong safety performance continued with no lost time injuries during the quarter. The Company's 12 month moving average Lost Time Injury Frequency Rate closed the quarter at 1.12. Mirabela continues to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes. The Company completed a comprehensive safety review

Management's Discussion and Analysis

For the three and six month periods ended June 30, 2013



MIRABELA NICKEL
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and third party audit with DuPont during the quarter. The audit has highlighted areas for further improvement which will be implemented with the assistance of DuPont.

MINING

Total material movement for the quarter was 10.4 million tonnes of material moved for 1.7 million tonnes of ore. Material movement was in line with expectations with the result driven by improved excavator performance following the outsourcing of excavator services to U&M during April 2013. The higher excavator availability and volumes were achieved using U&M's two Hitachi 2600 excavators which were fully commissioned during the quarter. Both machines have performed above expectations in terms of tonnes mined per hour and total material movement, and realised additional benefits such as savings on ground engaging tools, fuel and lubrication. The improved excavator performance allowed the Company to park-up its underperforming O&K excavator fleet during the quarter. The removal of the excavators from the open pit has resulted in less congestion and larger mining areas.

Mine grades of 0.50% were marginally higher than the previous quarter although ore quality remained below expectations due to elevated levels of MgO, (over 30%), continuing in the central zone ore. Remedial works to remove the geotechnical fault between the South and Central zones advanced as planned during the quarter with access to the South pit re-established for the second half of the year.

In late June 2013, a disruption to the supply of nitrate in Brazil restricted the supply of explosives to the Company, severely limiting material movement and ore production in the open pit. Restricted mining operations continued during July 2013 with a return to normal nitrate deliveries occurring at end of July.

PROCESSING

During the quarter 1.7 million tonnes of ore was milled, at an average head grade of 0.47% nickel and achieving an average recovery of 51%. Ore quality limitations were the most significant limitation on nickel production levels. Recovery performance remained in line or above the expected grade vs. recovery algorithm for processed ore quality due to continued improvements in the process plant setup and the reagent regime.

The marginally lower than target processing plant throughput was primarily driven by ongoing remediation work on the primary crusher. The Company continues to work with Metso Brazil and Lycopodium to improve the performance of its gyratory crusher and resolve stress problems in the civil footings.

During the quarter the primary crusher was stood down for 72 hours to inspect and repair the pinion end float. Metso supervised the repair of the pinion which has now been rectified and reinstalled. An inspection of the crusher casings was also undertaken, revealing no cracks but with some remediation work required to remove potential stress raisers. Inspection of the civil footings revealed that some redressing of the concrete footings would be required and that this work could be done in-situ with no existing concrete required to be removed.



SALE OF CONCENTRATE

During the quarter Mirabela produced 4,080 tonnes of contained nickel in concentrate, 1,125 tonnes of contained copper in concentrate, and 71 tonnes of contained cobalt in concentrate. 4,168 tonnes of nickel in concentrate was sold to Mirabela's off-take partners, Votorantim Metais Niquel S.A. and Norilsk Nickel. One export shipment to Norilsk Nickel was completed during the quarter with steady deliveries to Votorantim continuing.

OUTLOOK

The Company provided updated guidance for 2013 with production expected to be 17,000 to 18,500 tonnes of nickel in concentrate; capital expenditure, exploration and study costs at between US\$35 million and US\$45 million; and unit cash costs expected to average between US\$5.00/lb and US\$6.00/lb for the year.

EXPLORATION & STUDIES

Exploration activity for the quarter continued to focus on tenement maintenance only. Due to the current depressed nickel market, growth activities remain deferred in order to preserve cash.

FINANCIAL REVIEW

THREE MONTHS ENDED JUNE 30, 2013

NET SALES REVENUE

Sales generated during the quarter comprised 4,168 tonnes of nickel in concentrate at an average realised nickel price of \$7.27/lb excluding realised hedges, and 1,143 tonnes of copper in concentrate at an average copper price of \$2.99/lb excluding realised hedges. This resulted in gross nickel revenue of \$45.94 million, copper revenue of \$4.94 million, cobalt revenue of \$0.76 million and platinum and other metals revenue of \$4.77 million. Treatment, refining and transport charges associated with the sale of concentrate totalled \$11.67 million.

The comparative quarter ended June 30, 2012 comprised 4,787 tonnes of nickel in concentrate at an average realised nickel price of \$8.52/lb excluding realised hedges, and 1,570 tonnes of copper in concentrate at an average copper price of \$3.97/lb excluding realised hedges. This resulted in gross nickel revenue of \$72.82 million, copper revenue of \$10.06 million, cobalt revenue of \$1.14 million and platinum revenue of \$0.77 million. Treatment, refining and transport charges associated with the sale of concentrate totalled \$18.78 million.

The lower net sales revenue during the current quarter compared to the comparative quarter resulted primarily from 12.9% lower nickel sales volume along with a 14.7% lower average realised nickel price.

COST OF SALES

Cost of sales for the quarter of \$61.88 million comprised direct costs of \$51.85 million, royalties of \$2.67 million and indirect costs of \$7.36 million. Direct costs were driven by expenditure on mining (\$30.05 million), processing (\$13.59 million), administration (\$5.14 million) and write down of inventories to net realisable value (\$3.25 million), partly offset by stockpile movements associated with the timing of production and sales.

Cost of sales for the comparative quarter ended June 30, 2012 of \$71.73 million comprised direct costs of \$49.68 million, royalties of \$4.18 million and indirect costs of \$17.87 million.

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The lower cost of sales during the current quarter was driven by lower direct and indirect operating costs resulting from ongoing cost saving initiatives, decreased production, 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 June 30, 2013: US\$1: R\$2.07 vs. period to June 30, 2012: US\$1: R\$1.96).

Royalties of \$2.67 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 June 30, 2013 was \$7.36 million (compared to \$17.87 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 \$17.16 million and a net loss of \$57.55 million for the quarter (June 30, 2012: gross loss of \$5.72 million and a net loss of \$33.11 million). The net loss was driven by the gross loss from operations as discussed above, financing costs, general and administrative costs and foreign exchange losses. The comparative quarter net loss was mainly due to the gross loss from operations as well as foreign exchange losses, financing costs and general and administrative costs.

Net financing costs for the quarter ended June 30, 2013 of \$9.57 million, mainly comprise of net interest expense (\$10.88 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 quarter ended June 30, 2012 comprised net interest expense of \$9.94 million. The marginally lower net interest expense for the current quarter was driven by higher interest income on short term investments.

Net foreign exchange losses of \$27.80 million primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings. The comparative quarter ended June 30, 2012 reflected a foreign exchange loss of \$13.46 million which primarily resulted from unrealised movements on the translation of non- USD cash held and borrowings.

Other expenses of \$0.07 million for the quarter ended June 30, 2013 mainly 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 (9% 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.

Mirabela recorded a C1 unit cash cost for the quarter ended June 30, 2013, of \$5.84 per pound (June 30, 2012: \$6.03 per pound). Unit mining costs per payable pound were higher in the second quarter primarily due to the higher level of mining activity during the quarter and lower capitalised mining costs. Total mining costs per tonne were steady quarter on quarter, (Q2: US\$3.03/tonne vs. Q1:

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US\$3.06/tonne). Higher explosive costs, (due to higher nitrate prices), mining staff redundancies and higher usage of tyres were offset by improved efficiencies associated with the new excavators. Selling costs for the quarter were favourably impacted by PGM by-product credits.

The realised nickel price for the quarter was favourably impacted by the finalisation of prior period sales invoices which were subject to arbitration for a period of time.

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 June 30, 2013	Three months ended June 30, 2012
Costs as reported in the income statement (US\$000):		
Gross loss	(17,158)	(5,719)
Add back:		
Royalties	2,667	4,177
Depreciation, amortization and depletion	7,363	17,870
Direct concentrate stockpile movement	2,411	5,582
Inventory write-down to net realisable value	3,253	-
Copper Hedge expense	649	320
Less:		
Nickel sales revenue	(45,937)	(72,822)
Total cash operating cost of production (US\$000)	46,752	50,592
Payable nickel (pounds)	8,005,416	8,389,990
Unit Cash Cost (US\$) per pound of payable nickel	5.84	6.03

SIX MONTHS ENDED JUNE 30, 2013

NET SALES REVENUE

Sales generated during the six month period comprised 8,075 tonnes of nickel in concentrate at an average nickel price of \$7.54/lb excluding realised hedges, and 2,262 tonnes of copper in concentrate at an average copper price of \$3.23/lb excluding realised hedges. This resulted in gross nickel revenue of \$104.36 million, copper revenue of \$10.81 million, cobalt revenue of \$1.41 million, platinum and other metals revenue of \$7.70 million. Treatment, refining and transport charges associated with the sale of concentrate totalled \$24.56 million.

The comparative six month period ended June 30, 2012 comprised 8,942 tonnes of nickel in concentrate at an average nickel price of \$8.10/lb excluding realised hedges, and 3,019 tonnes of copper in concentrate at an average copper price of \$3.60/lb excluding realised hedges. This resulted in gross nickel revenue of \$145.46 million, copper revenue of \$17.63 million, cobalt revenue of \$2.07 million, platinum and other revenue of \$2.26. Treatment, refining and transport charges associated with the sale of concentrate totalled \$33.71 million.

The lower net sales revenue during the current six month period compared to the comparative six month period resulted primarily from 9.7% lower nickel sales volume along with a 6.9% lower average realised nickel price.



COST OF SALES

Cost of sales for the six month period of \$110.77 million comprised direct costs of \$90.27 million, royalties of \$5.75 million and indirect costs of \$14.75 million. Direct costs were driven by expenditure on mining (\$50.28 million), processing (\$27.35 million), administration (\$9.80 million) and write down of inventories to net realisable value (\$3.25 million), partly offset by stockpile movements associated with the timing of production and sales.

Cost of sales for the comparative six month period ended June 30, 2012 of \$151.24 million comprised direct costs of \$107.27 million, royalties of \$7.59 million and indirect costs of \$36.38 million.

The lower cost of sales during the current period was driven by lower direct and indirect operating costs resulting from ongoing cost saving initiatives, decreased production, 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 June 30, 2013: US\$1: R\$2.03 vs. period to June 30, 2012: US\$1: R\$1.87).

Royalties of \$5.75 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 six months ended June 30, 2013 was \$14.75 million (compared to \$36.37 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 \$11.05 million and a net loss of \$68.91 million for the period (June 30, 2012: gross loss of \$17.53 million and a net loss of \$60.61 million), mainly driven by the 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 June 30, 2013 of \$18.41 million, mainly comprise of net interest expense (\$21.75 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 June 30, 2012 was \$19.61 million. The lower interest expense in the current quarter was driven by higher interest income on short term investments.

Net foreign exchange losses of \$32.86 million primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings. The comparative period ended June 30, 2012 reflected a foreign exchange loss of \$13.43 million which primarily resulted from unrealised movements on the translation of non-USD cash held and borrowings.

Other expenses of \$0.83 million for the six months ended June 30, 2013 comprise exploration expenditure, transaction fees and general expenditure.

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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 (9% 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 six months ended June 30, 2013 was \$5.48 per pound of payable nickel (June 30, 2012: \$6.68 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 June 30, 2013: US\$1:R\$2.03 vs. period to June 30, 2012: US\$1:R\$1.87) and lower shipping and smelter charges driven by lower volume of sales to Norilsk Nickel (period to June 30, 2013: 2,128 DMT vs. period to June 30, 2012: 4,232 DMT).

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

	Six months ended June 30, 2013	Six months ended June 30, 2012
Costs as reported in the income statement (US\$000):		
Gross loss	(11,051)	(17,534)
Add back:		
Royalties	5,754	7,594
Depreciation, amortization and depletion	14,750	36,372
Inventory write-down to net realisable value	3,253	-
Copper Hedge expense	1,258	367
Direct concentrate stockpile movement	1,890	6,967
Less:		
Nickel sales revenue	(104,357)	(145,456)
Total cash operating cost of production (US\$000)	88,503	111,690
Payable nickel (pounds)	16,150,142	16,720,064
Unit Cash Cost (US\$) per pound of payable nickel	5.48	6.68

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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 *	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11
Sales revenue	56,398	67,881	78,589	97,393	84,791	82,625	104,754	75,326
Net sales revenue	44,724	54,998	62,479	77,236	66,008	67,695	83,749	60,132
Cost of Sales	(61,882)	(48,891)	(59,627)	(69,311)	(71,727)	(79,510)	(87,467)	(68,256)
Gross (loss)/profit	(17,158)	6,107	2,852	7,925	(5,719)	(11,815)	(3,718)	(8,124)
Expenses	(40,387)	(17,473)	(394,598)	(8,442)	(27,391)	(15,687)	(1,382)	(294)
(Loss)/profit for the period	(57,545)	(11,366)	(391,746)	(517)	(33,110)	(27,502)	(5,100)	(8,418)
Basic (loss)/profit per share (\$ per share)	(0.07)	(0.01)	(0.44)	(0.00)	(0.05)	(0.06)	(0.01)	(0.02)
Diluted (loss)/profit per share (\$ per share)	(0.07)	(0.01)	(0.44)	(0.00)	(0.05)	(0.06)	(0.01)	(0.02)

* 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\$2.1730 during the period July 2012 to June 2013.

LIQUIDITY

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

Cash Flows from	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Operating activities	7,391	26,846	19,094	(9,273)
Investing activities	(9,009)	(14,084)	(18,872)	(32,604)
Financing activities	(20,073)	94,653	(24,867)	146,757

Net cash inflows from operating activities for the six month period ended June 30, 2013 were \$19.09 million, compared to \$9.27 million outflow for the six month period ended June 30, 2012. Cash receipts totalled \$145.09 million, primarily reflecting the sale of 8,075 tonnes of nickel in concentrate to Votorantim and Norilsk Nickel and finalisations of all nickel sales that occurred during the second half of 2012. This was offset by cash outflows of \$125.99 million, driven primarily by mining costs, plant maintenance costs and operational costs.

Net cash outflows from investing activities for the six month period ended June 30, 2013 were \$18.87 million, compared to \$32.60 million outflow for the six month period ended June 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 construction of the tailings dam. 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, as well as deferred waste removal costs.

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The net cash outflow from financing activities of \$24.87 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 (\$19.46 million) along with principal repayments on the Caterpillar and Atlas Copco finance lease facilities (\$4.82 million). The net cash inflow for the comparative period ended June 30, 2012 of \$146.76 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 and 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 and on the Caterpillar finance lease facility (\$17.82 million) and principal repayments on the Caterpillar and Atlas Copco finance lease facilities (\$4.86 million).

FINANCIAL POSITION

The Group held cash on hand and on deposit as at June 30, 2013 of \$108.18 million (December 31, 2012: \$143.01 million). As at June 30, 2013 the Group has a net working capital surplus of \$134.42 million (December 31, 2012: \$178.74 million surplus). For the quarter ended June 30, 2013 the Group incurred a loss of \$57.55 million (June 30, 2012: \$33.11 million). At June 30, 2013 the Group held net assets of \$39.24 million (December 31, 2012: \$118.69 million). Net cash outflows from operations and investing activities for the quarter ended June 30, 2013 were \$1.62 million.

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

FINANCING

During the quarter the Company paid interest on the Senior Unsecured Notes and on the Caterpillar finance lease facility (\$17.44 million) and principal repayments on the Caterpillar finance lease facility (\$2.03 million).

SHARE CAPITAL

As at 30 June 2013 the Company's issued share capital consisted of 876,801,147 ordinary shares. A balance of 4,150,000 unlisted options and 5,091,810 performance rights were outstanding.

The Company issued 36,053 shares during the quarter as a result of the conversion of 36,053 performance rights into shares. During the quarter 827,587 performance rights were cancelled and 344,679 performance rights were forfeited in accordance with the Mirabela Nickel Ltd performance rights plan. 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.

CONTRACTUAL COMMITMENTS

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

As at June 30, 2013	Payments due by period				
	Total	Within 1 year	1-3 years	4-5 years	After 5 years
Operating leases	1,605	783	822	-	-
Exploration	1,229	1,229	-	-	-
Purchase obligations	110,493	56,698	53,795	-	-
Loans and borrowings	448,393	26,007	39,968	382,418	-
Provision for rehabilitation	16,984	-	-	-	16,984
Total	578,704	84,717	94,585	382,418	16,984

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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 provided updated guidance for 2013 with expected capital expenditure, exploration and study cost at between \$35 million and \$45 million, of which \$18.87 million has been spent to June 30, 2013. Capital expenditure for the six months ended June 30, 2013 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 June 30, 2013:

	Senior unsecured notes*	Caterpillar finance lease facility	Bradesco loan	Atlas Copco finance lease facility	Total
Current borrowings	-	7,867	16,667	1,473	26,007
Non-current borrowings	382,418	5,162	33,333	1,473	422,386
Total	382,418	13,029	50,000	2,946	448,393

* US\$395 million senior unsecured notes, offset by unamortised capitalised borrowing costs of \$12.58 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 \$1.39 million.

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 June 30, 2013, with \$13.03 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 4.29%).

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

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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 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 six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

OFF BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

On July 7, 2013 a total of 3,750,000 options previously issued at an exercise price of A\$3.00 (US\$2.75) were unexercised and as a result have expired.

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. 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 June 30, 2013 the Company has recognised a liability of \$16.98 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 June 30, 2013 and June 30, 2012, except for the following, as per note 3 of the condensed interim consolidated financial report for the six month period June 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.

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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 June 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 June 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 June 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 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.

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.

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:

- 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 MAY BE REQUIRED

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.

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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.

The success and the pricing of any such capital raisings and/or debt financing will be dependent upon the prevailing market conditions at that time and upon the ability of a company without significant projects already in production and with significant amounts of existing indebtedness, to attract significant amounts of debt and/or equity. There is no assurance that such financing will be obtained or on terms satisfactory to the Company. Failure to obtain sufficient financing, as and when required, could cause the Company to realise assets and extinguish liabilities other than in the normal course of business and not be able to continue as a going concern.

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.

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

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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 S.A.R.L., 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 of between 17,000 and 18,500 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

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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, 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		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
As reported in the income statement				
Loss for the period	(57,545)	(33,110)	(68,911)	(60,612)
Add back:				
Income tax expense	-	-	-	-
Inventory write-down to net realisable value	3,253	-	3,253	-
Depreciation, amortisation and depletion	7,363	17,870	14,750	36,372
Financial expense	10,877	10,785	21,751	21,594
Net foreign exchange loss	27,799	13,457	32,855	13,430
Other expenses	72	631	834	3,205
Less:				
Income tax benefit	-	-	-	-
Financial Income	(1,307)	(847)	(3,342)	(1,980)
EBITDA	(9,488)	8,786	1,190	12,009