



MIRABELA NICKEL
LTD

ABN 23 108 161 593

Unaudited Condensed Consolidated Interim Financial Report

For the three months ended March 31, 2013

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

CONTENTS

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME	3
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	4
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	6
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	7
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT	8

Unaudited condensed consolidated interim statement of comprehensive income
For the three months ended March 31, 2013

	Note	Three months ended	
		March 31, 2013	March 31, 2012
		US\$000	US\$000
Sales revenue	7	67,881	82,625
Treatment, refining and transport charges		(12,883)	(14,930)
Net sales revenue		54,998	67,695
Direct costs		(38,417)	(57,591)
Royalties		(3,087)	(3,417)
Depreciation, amortisation and depletion		(7,387)	(18,502)
Cost of sales		(48,891)	(79,510)
Gross profit/(loss)		6,107	(11,815)
Expenses			
General and administration		(2,816)	(3,464)
Financial income	8	2,035	1,133
Financial expense	8	(10,874)	(10,809)
Net foreign exchange (loss)/gain		(5,056)	27
Other expenses - net		(762)	(2,574)
		(17,473)	(15,687)
Loss before income tax		(11,366)	(27,502)
Income tax		-	-
Loss for the period		(11,366)	(27,502)
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Foreign currency translation differences		13,075	21,080
Net change in fair value of cash flow hedges transferred to profit or loss		1,209	(2,230)
Other comprehensive income for the period		14,284	18,850
Total comprehensive income/(expense) for the period		2,918	(8,652)
LOSS PER SHARE			
Basic loss per share (\$ per share)		(0.01)	(0.06)
Diluted loss per share (\$ per share)		(0.01)	(0.06)
Weighted basic average number of shares outstanding (000's)		876,721	492,266
Weighted diluted average number of shares outstanding (000's)		876,221	492,266

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

Unaudited condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2013

Period ended March 31, 2013	Note	Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
		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		-	-	-	-	(11,366)	(11,366)
Other comprehensive income/(expense)							
Foreign currency translation differences		-	13,075	-	-	-	13,075
Net change in fair value of cash flow hedges transferred to profit or loss	12	-	-	-	1,209	-	1,209
Total other comprehensive income/(expense)		-	13,075	-	1,209	-	14,284
Total comprehensive income/(expense) for the period		-	13,075	-	1,209	(11,366)	2,918
TRANSACTIONS WITH EQUITY HOLDERS							
Share based payment recognised		-	-	60	-	-	60
Total transactions with equity holders		-	-	60	-	-	60
Balance at March 31, 2013	18	797,110	(102,304)	7,246	(13,194)	(567,191)	121,667

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

Unaudited condensed consolidated interim statement of changes in equity

For the three months ended March 31, 2013

Period ended March 31, 2012	Note	Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve		Accumulated losses	Total equity
				payments reserve	Hedging reserve		
		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		-	-	-	-	(27,502)	(27,502)
Other comprehensive income/(expense)							
Foreign currency translation differences		-	21,080	-	-	-	21,080
Net change in fair value of cash flow hedges transferred to profit or loss	12	-	-	-	(2,230)	-	(2,230)
Total other comprehensive income/(expense)		-	21,080	-	(2,230)	-	18,850
Total comprehensive income/(expense) for the period		-	21,080	-	(2,230)	(27,502)	(8,652)
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period		1,452	-	(1,452)	-	-	-
Share based payment transactions		-	-	327	-	-	327
Total transactions with equity holders		1,452	-	(1,125)	-	-	327
Balance at March 31, 2012	18	684,560	(26,826)	5,617	(14,991)	(131,175)	517,185

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

Unaudited condensed consolidated interim statement of financial position

As at March 31, 2013

		March 31, 2013	December 31, 2012
	Note	US\$000	US\$000
ASSETS			
Cash and cash equivalents	9	140,799	143,007
Trade and other receivables	10	62,959	63,044
Inventories	11	56,970	56,892
Total current assets		260,728	262,943
Trade and other receivables	10	9,110	10,963
Property, plant and equipment	14	366,196	358,613
Exploration and evaluation assets	13	3,098	3,490
Total non-current assets		378,404	373,066
Total assets		639,132	636,009
LIABILITIES			
Trade and other payables	15	47,139	46,006
Provisions	16	3,595	3,281
Borrowings	17	25,942	34,920
Total current liabilities		76,676	84,207
Provisions	16	18,770	17,777
Borrowings	17	422,019	415,336
Total non-current liabilities		440,789	433,113
Total liabilities		517,465	517,320
Net assets		121,667	118,689
EQUITY			
Contributed equity	18	797,110	797,110
Reserves		(108,252)	(122,596)
Accumulated losses		(567,191)	(555,825)
Total equity		121,667	118,689

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

Unaudited condensed consolidated interim statement of cash flows
For the three months ended March 31, 2013

	<i>Note</i>	Three months ended	
		March 31, 2013	March 31, 2012
		US\$000	US\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		68,819	74,750
Cash paid to suppliers and employees		(59,152)	(112,002)
Interest received		2,036	1,133
Net cash from/(used in) operating activities		11,703	(36,119)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(9,863)	(18,520)
Net cash used in investing activities		(9,863)	(18,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,777)	(2,819)
Interest paid		(2,017)	(277)
Proceeds from borrowings		-	55,200
Net cash (used in)/from financing activities		(4,794)	52,104
Net decrease in cash and cash equivalents		(2,954)	(2,535)
Cash and cash equivalents at beginning of the period		143,007	61,198
Effect of changes in foreign currency		746	1,064
Cash and cash equivalents at end of the period	9	140,799	59,727

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

Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 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 consolidated interim financial report of the Company for the quarter ended March 31, 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 consolidated interim 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 consolidated interim 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 consolidated interim financial report was approved by the Audit Committee on behalf of the Board of Directors on May 13, 2013.

(b) Basis of measurement

The unaudited condensed consolidated interim 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 payment 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.

(c) Functional and presentation currency

The unaudited condensed consolidated interim 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 10 July 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 March 31, 2013 of \$140.799 million.

As at March 31, 2013 the Group has a net working capital surplus of \$184.052 million. For the three months ended March 31, 2013 the Group incurred a loss of \$11.366 million. As at March 31, 2013 the Group held net assets of \$121.667 million. Net cash inflows from operations and investing activities for the three months ended March 31, 2013 were US\$1.840 million.

**Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013**

The directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The meeting of the cash flow forecast depends upon the successful operation of mining and production activities in accordance with the budget and achievement of nickel price, foreign exchange and cost assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this unaudited condensed consolidated interim 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.

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

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.

Notes to the unaudited condensed consolidated interim financial report

For the three months ended March 31, 2013

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 quarter ended March 31, 2013 were split 74% to Votorantim and 26% to Norilsk (quarter ended March 31, 2012: 67% to Votorantim and 33% to Norilsk).

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 consolidated interim financial report.

7. SALES REVENUE

	March 31, 2013	March 31, 2012
	US\$000	US\$000
Nickel sales	58,420	72,634
Copper sales	5,873	7,563
Cobalt sales	653	933
Other sales	2,935	1,495
Sales revenue	67,881	82,625

Nickel sales are comprised as follows:

	March 31, 2013	March 31, 2012
	US\$000	US\$000
Realised nickel sales	60,171	61,932
Revaluation of unrealised nickel sales	(1,151)	8,439
Unwinding of metal and foreign exchange forward contracts from equity	(600)	2,263
Nickel Sales	58,420	72,634

Realised nickel sales for the quarter ended March 31, 2013 comprised 3,907 tonnes of nickel in concentrate (quarter ended March 31, 2012: 4,155 tonnes), 89% being payable at an average realised nickel price of US\$7.82/lb; (quarter ended March 31, 2012: US\$7.49/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.

Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013

During the year ended December 31, 2011 the Group terminated all of its outstanding metal and foreign exchange forward contracts designated as hedges. The ineffective portion of the termination costs relating to these hedges were recognised as an expense and the effective portion were recognised 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	
	March 31, 2013	March 31, 2012
	US\$000	US\$000
Interest received	2,035	1,133
Financial income	2,035	1,133
Interest expense	(10,553)	(10,562)
Discounting of rehabilitation costs	(321)	(247)
Financial expense	(10,874)	(10,809)

9. CASH AND CASH EQUIVALENTS

	March 31, 2013	December 31, 2012
	US\$000	US\$000
Cash at bank and on hand	22,423	26,414
Call deposits	118,376	116,593
	140,799	143,007

10. TRADE AND OTHER RECEIVABLES

	March 31, 2013	December 31, 2012
	US\$000	US\$000
Current asset		
Trade receivables	39,493	39,816
Prepayments	23,466	23,228
	62,959	63,044
Non-current asset		
Other receivables	1,057	1,945
Prepayments	8,053	9,018
	9,110	10,963

Prepayments for the three months ended March 31, 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.

Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013

11. INVENTORIES

	March 31, 2013	December 31, 2012
	US\$000	US\$000
Broken ore - cost	19,775	21,621
Concentrate - cost	4,460	4,166
Stores, spares and consumables - cost	32,735	31,105
	56,970	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 any further costs expected to be incurred in respect of such disposal.

12. DERIVATIVE FINANCIAL INSTRUMENTS

As at March 31, 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:

	March 31, 2013	March 31, 2012
	US\$000	US\$000
Nickel and Copper- forward contracts	1,981	146
Foreign exchange - forward contracts	(772)	(2,376)
	1,209	(2,230)

13. EXPLORATION AND EVALUATION ASSETS

	March 31, 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	(446)	-
Effect of movements in foreign exchange	54	(105)
Balance at the period end	3,098	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.

Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013

14. PROPERTY, PLANT & EQUIPMENT

March 31, 2013 US\$000	Plant & equipment	Leased assets	Land	Mine properties^(a)	Construction & development expenditure	Total
Cost						
Balance at January 1, 2013	452,460	32,169	11,315	386,573	375	882,892
Additions	3,477	-	-	5,824	562	9,863
Transfers from exploration and evaluation expenditure	112	-	-	-	334	446
Transfer to stores spares and consumables	(1,932)	-	-	-	-	(1,932)
Effect of movement in exchange rates	5,759	474	167	5,662	19	12,081
Balance at March 31, 2013	459,876	32,643	11,482	398,059	1,290	903,350
Depreciation						
Balance at January 1, 2013	(275,353)	(26,397)	(5,822)	(216,516)	(191)	(524,279)
Depreciation charge for the period	(2,558)	(1,021)	-	(1,490)	-	(5,069)
Effect of movement in exchange rates	(4,187)	(404)	-	(3,215)	-	(7,806)
Balance at March 31, 2013	(282,098)	(27,822)	(5,822)	(221,221)	(191)	(537,154)
Net book value at March 31, 2013	177,778	4,821	5,660	176,838	1,099	366,196

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

(a) Mine properties include deferred stripping costs of US\$54.128 million (December 31, 2012: US\$48.296 million).

Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013

15. TRADE AND OTHER PAYABLES

	March 31, 2013	December 31, 2012
	US\$000	US\$000
Trade payables	20,164	22,687
Other payables and accrued expenses	26,975	23,319
	47,139	46,006

Other payables and accrued expenses as at March 31, 2013 mainly comprise interest on the Senior Unsecured Notes, royalties on commodity sales and Brazilian federal and state taxes.

16. PROVISIONS

	March 31, 2013	December 31, 2012
	US\$000	US\$000
Current liability		
Provision for annual leave	3,595	3,281
	3,595	3,281
Non-current liability		
Provision for rehabilitation	18,358	17,777
Other provision non-current	412	-
	18,770	17,777
Reconciliation of movements in provisions		
Annual leave provision		
Balance at beginning of period	3,281	3,835
Provision made/ (reversed) during the financial period	272	(275)
Effect of movements in foreign exchange	42	(279)
Balance at period end	3,595	3,281
Rehabilitation provision		
Balance at beginning of period	17,777	8,639
Accretion expense	321	932
Discount and inflation rate adjustment	-	8,960
Effect of movements in foreign exchange	260	(754)
Balance at period end	18,358	17,777
Other provision non-current		
Balance at beginning of period	-	2,231
Provision made/(used) during the period	412	(2,045)
Effect of movements in foreign exchange	-	(186)
Balance at period end	412	-

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 the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013

17. BORROWINGS

March 31, 2013 US\$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Bradesco loan (iii)	Atlas Copco finance lease facility (iv)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2011 to 2018	2009 to 2014	2012 to 2014	2012 to 2015	
Carrying Value	379,978	15,037	50,000	2,946	447,961
Current borrowings	-	7,802	16,667	1,473	25,942
Non-current borrowings	379,978	7,235	33,333	1,473	422,019
	379,978	15,037	50,000	2,946	447,961

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

- (i) US\$395.000 million of 8.75% Senior Unsecured Notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes. Borrowing costs of US\$20.476 million to secure this funding have been offset against the principal borrowings amount and are amortised using the effective interest rate method. Effective interest for the period relating to the capitalised borrowing costs was US\$0.734 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 March 31, 2013, with US\$15.037 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 4.26%).
- (iii) During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a US\$50.000 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. During February 2013, the Company negotiated revised repayment terms on the Facility. Revised repayment terms provided for three equal instalments, with the first in January 2014, the second in July 2014 and the final

Notes to the unaudited condensed consolidated interim financial report

For the three months ended March 31, 2013

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 in 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 three months ended March 31, 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	-	-
March 31, 2013	Closing balance	876,765,094		797,110,316

(1) Performance rights converted to shares not for cash.

Movement in share capital for the three months ended March 31, 2012

	Ordinary shares	Number of shares	Issue price	US\$
Jan 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)	734,926	US\$1.98	1,451,638
March 31, 2012	Closing balance	492,516,163		684,559,965

Unissued Shares under Performance Rights at March 31, 2013

Vesting date	Number of Performance Rights
December 31, 2013	506,900
March 31, 2014	140,806
June 30, 2014	704,029
December 31, 2014	338,847
Balance	1,690,582

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

Notes to the unaudited condensed consolidated interim financial report

For the three months ended March 31, 2013

Unissued Shares under Options at March 31, 2013

Exercise Price A\$	Exercise Price US\$ ⁽¹⁾	Expiry Date	Number of Options
A\$3.00	US\$3.12	Jul 7, 2013	3,000,000
A\$3.00	US\$3.12	Jul 7, 2013	750,000
A\$3.00	US\$3.12	Jun 30, 2014	400,000
Balance			4,150,000

(1) All options are exercisable in A\$ (presented in US\$ at March 31, 2013 rate of 1.043)

Unissued Shares under Options at December 31, 2012

Exercise Price A\$	Exercise Price US\$ ⁽¹⁾	Expiry Date	Number of Options
A\$3.00	US\$3.06	Jul 7, 2013	3,000,000
A\$3.00	US\$3.06	Jul 7, 2013	750,000
A\$3.00	US\$3.06	Jun 30, 2014	400,000
Balance			4,150,000

(1) All options are exercisable in A\$ (presented in US\$ at December 31, 2012 rate of 1.019)

19. CAPITAL AND OTHER COMMITMENTS

	March 31, 2013 US\$000	December 31, 2012 US\$000
Operating lease commitments		
<i>Non-cancellable operating lease rentals:</i>		
Within one year	879	864
One year or later and no later than five years	1,160	1,375
	2,039	2,239
Exploration expenditure commitments		
<i>Commitments for rental fees under exploration licence agreements:</i>		
Within one year	1,344	1,324
	1,344	1,324
Contractual, capital and operating commitments		
<i>Contracted but not provided for and payable:</i>		
Within one year	58,354	62,367
One year or later and no later than five years	63,830	86,177
	122,184	148,544

20. SHARE BASED PAYMENTS

During the three months ended March 31, 2013, the Company recognised an employee share based payment expense of US\$0.605 million (three months ended March 31, 2012: US\$0.327 million).

Notes to the unaudited condensed consolidated interim financial report
For the three months ended March 31, 2013

21. RELATED PARTIES

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total compensation of US\$0.731 million for the three months ended March 31, 2013 (three months ended March 31, 2012: US\$1.150 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 months ended March 31, 2013, there were no transactions between the Company and the key management personnel or their related parties.

22. SUBSEQUENT EVENTS

On April 15, 2013 the Company paid the fourth bi-annual interest instalment of US\$17.281 million on the Senior Unsecured Notes.



Management's Discussion and Analysis

For the three month period ended March 31, 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 quarter ended March 31, 2013 and should be read in conjunction with the unaudited condensed consolidated interim financial report for the same period, and the notes thereto.

The Company's results for the quarter ended March 31, 2013 are discussed throughout this document, with further information disclosed for previous quarters within the respective quarterly financial statements and related management's discussion and analysis located on www.sedar.com

The Company's annual financial statements, interim financial statements 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 May 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 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



MIRABELA NICKEL
LTD

OVERALL PERFORMANCE & SELECTED ANNUAL INFORMATION

Financial Statistics		Three months ended March 31, 2013	Three months ended March 31, 2012
Sales revenue		67,881	82,625
Net sales revenue		54,998	67,695
Cost of sales		(48,891)	(79,510)
Gross profit/(loss)		6,107	(11,815)
Loss for the period		(11,366)	(27,502)
EBITDA ⁽¹⁾		10,678	3,223
Basic loss per share		(\$0.01)	(\$0.06)
Diluted loss per share		(\$0.01)	(\$0.06)
Dividends Paid		-	-
Total assets		639,132	1,045,928
Total non-current liabilities		440,789	430,506
Total liabilities		517,465	528,743
Net assets		121,667	517,185

Production Statistics	Measure	Three months ended March 31, 2013	Three months ended March 31, 2012
Mining			
Total Material Mined	Tonnes	8,498,282	10,717,738
Ore Mined	Tonnes	1,164,561	1,773,900
Nickel Grade	%	0.48	0.43
Processing			
Total Ore Processed	Tonnes	1,579,963	1,535,292
Nickel Grade	%	0.47	0.48
Copper Grade	%	0.10	0.12
Cobalt Grade	%	0.02	0.01
Nickel Recovery	%	56	58
Copper Recovery	%	71	70
Cobalt Recovery	%	29	34
Production			
Nickel in Concentrate Produced	DMT	4,151	4,245
Copper in Concentrate Produced	DMT	1,169	1,331
Cobalt in Concentrate Produced	DMT	72	76
Sales			
Nickel in Concentrate Sold ⁽²⁾	DMT	3,907	4,155
Copper in Concentrate Sold ⁽²⁾	DMT	1,119	1,449
Cobalt in Concentrate Sold ⁽²⁾	DMT	69	80

Unit Cash Costs	Measure	Three months ended March 31, 2013	Three months ended March 31, 2012
Payable Nickel Production ⁽³⁾	lbs	8,144,726	8,330,074
Production Costs			
Mining Cost	USD/lb	2.50	3.90
Processing Costs	USD/lb	1.69	2.24
Administration Cost	USD/lb	0.57	0.65
Subtotal	USD/lb	4.76	6.79
Selling Costs			
Transport/Shipping Cost	USD/lb	0.13	0.16
By-Product Credit ⁽⁴⁾	USD/lb	(1.23)	(1.19)
Smelter Charges	USD/lb	1.44	1.61
Subtotal	USD/lb	0.34	0.58
Unit Cash Cost	USD/lb	5.10	7.37
Unit Royalty Cost	USD/lb	0.40	0.41
Realised Nickel Price ⁽⁴⁾	USD/lb	7.82	7.49
Realised Copper Price ⁽⁴⁾	USD/lb	3.49	3.14
Realised Cobalt Price ⁽⁴⁾	USD/lb	9.49	11.61
Average Real/US\$ Exchange Rate		2.00	1.77

(1) EBITDA as used by Mirabela is defined as earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation, other expenses, depreciation, amortisation, depletion and impairment charge. See "Non GAAP/IFRS 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 MARCH 31, 2013

OPERATING REVIEW

Mirabela has completed a challenging first quarter with lower than expected performance in both the open pit mine and the processing plant. The open pit continued to be affected by excavator performance as well as access restrictions in the South zone, resulting in lower quality ore through the plant. Despite the lower production volumes, the Company successfully achieved unit cash costs at the lower end of guidance and managed to maintain its strong cash balance.

During April 2013, the Company implemented a structural change to its mining operations, replacing its three underperforming O&K 120 tonne excavators with two Hitachi 2500 excavators owned and operated by the Company's contract mining service provider, U&M. U&M has the second largest excavator fleet in Brazil and has been mining for Mirabela for the past three years, already performing over 30% of the Company's excavation and haulage. This change was driven by the continued poor performance of the O&K excavators. As part of this restructure Mirabela has retrenched approximately 60 personnel from the maintenance and stores areas.

SAFETY

Mirabela's safety performance included two lost time injuries during the quarter. The Company's safety performance remains strong with the 12 month moving average Lost Time Injury Frequency Rate closing the quarter at 1.28. Mirabela is continuing to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes.

MINING

Total material movement for the quarter was 8.5 million tonnes of material moved for 1.2 million tonnes of ore. The material movement was below expectations for the second successive quarter mainly due to restricted excavator and loader availabilities. Activities undertaken to improve availability included: the services of a dedicated maintenance consultant; improved contamination control for both fuel and lubricants; improved housekeeping; and extended shut downs for clearing equipment maintenance backlogs. Despite these initiatives, excavator issues continued during the quarter, driven by the inability to obtain spare parts in-country for the problematic O&K equipment, (including hydraulic pumps), and difficulty in obtaining quality technical support.

During April 2013, Mirabela took definitive action to address the excavator issues by outsourcing its excavator operations to its contract mining service provider, U&M. The U&M agreement is based on a cost per tonne, incentivising higher availability and material movement whilst also delivering significant cost savings. The increase in U&M excavator volumes will be achieved by the addition of two Hitachi 2500 excavators, each capable of moving 1Mt of material per month. Mirabela has parked-up its three O&K excavators and terminated 60 personnel in the maintenance and stores areas. The move from three to two excavators is also expected to result in the open pit mining operations becoming less constricted, whilst still allowing for excess capacity within the excavator fleet together with increased flexibility in the production schedule. The Company will continue to operate its two CAT 994 front-end loaders.

Mine grades of 0.48% were lower than the previous quarter primarily driven by the sourcing of lower grade ore from the Central zone. Access to the better quality ore in the South pit continues to be restricted by geotechnical instability in the temporary pit wall between the higher Central zone and lower South zone. Remedial works continued to relocate the pit access ramp and once complete the plan is to mine the area from the top.

PROCESSING

During the quarter 1.6 million tonnes of ore was milled, at an average head grade of 0.47% nickel and achieving an average recovery of 56%. During the quarter low-grade stockpiled material was processed due to restricted ore availability in the mine. The recovery performance for the quarter was better than the expected grade vs. recovery algorithm for ore quality processed due to continued improvements in the process plant setup and the reagent regime.

The lower plant throughput was driven by several factors including: the reduced availability of quality ore to process; plant instability caused by local power failures associated with heavy rainfall; and restricted availability of the primary crusher. The Company is working with Metso Brazil and Lycopodium to assess the best course of action to improve the performance of its gyratory crusher with the crusher requiring major maintenance due to notable stress problems in the civil footings. The Company is looking to mitigate the poor performance of its primary crusher through improved performance of its second crushing line and possible deployment of mobile crushers.



SALE OF CONCENTRATE

During the quarter Mirabela produced 4,151 tonnes of contained nickel in concentrate, 1,169 tonnes of contained copper in concentrate, and 72 tonnes of contained cobalt in concentrate. 3,907 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. The next shipment to Norilsk Nickel is expected in late May to early June.

OUTLOOK

The Company provided the following guidance for 2013: production of 22,000 to 24,000 tonnes of nickel in concentrate; unit cash costs to average between US\$5.00/lb and US\$6.00/lb for the year; and capital expenditure, exploration and study costs forecast at between US\$40 million and US\$50 million. Year to date, Mirabela is approximately 2,000 tonnes of nickel production behind budget and as such, the lower end of the Company's 2013 production guidance is achievable. However, the Company will need to operate at its budgeted production level for the remainder of the year. The Company will assess the production performance after the recent changes made to the mining operations and provide the market with further production guidance if required. The Company is currently on track to achieve the lower end of both its unit cash cost and capital guidance due to its continued focus on cost reduction.

EXPLORATION & STUDIES

Exploration activity for the quarter was focused on tenement maintenance only. The Company has deferred all growth activities in order to preserve cash.

Mirabela's priority remains continued production optimisation and low capital, incremental expansion. The Company continues to supplement its in-house technical capability with expert consultants, Optiro and Lycopodium. Both Optiro and Lycopodium have completed their initial site visits and identified opportunities for improvement which are undergoing further technical evaluation.

FINANCIAL REVIEW

THREE MONTHS ENDED MARCH 31, 2013

NET SALES REVENUE

Sales generated during the quarter comprised 3,907 tonnes of nickel in concentrate at an average realised nickel price of \$7.82/lb excluding realised hedges, and 1,119 tonnes of copper in concentrate at an average copper price of \$3.49/lb excluding realised hedges. This resulted in gross nickel revenue of \$58.42 million, copper revenue of \$5.87 million, cobalt revenue of \$0.65 million and platinum and other metals revenue of \$2.94 million. Treatment, refining and transport charges associated with the sale of concentrate totalled \$12.88 million.

The comparative period ended March 31, 2012 comprised 4,155 tonnes of nickel in concentrate at an average nickel price of \$7.49/lb excluding realised hedges, and 1,449 tonnes of copper in concentrate at an average copper price of \$3.14/lb excluding realised hedges. This resulted in gross nickel revenue of \$72.63 million, copper revenue of \$7.56 million, cobalt revenue of \$0.93 million and platinum and other metals revenue of \$1.50 million. Treatment, refining and transport charges associated with the sale of concentrate totalled \$14.93 million. The lower sales revenue for the current quarter was mainly driven by the lower nickel sales volume, partly offset by a higher average realised nickel price.



COST OF SALES

Cost of sales for the quarter of \$48.89 million comprised direct costs of \$38.42 million, royalties of \$3.09 million and indirect costs of \$7.39 million. Direct costs were driven by expenditure on mining (\$20.23 million), processing & plant (\$13.71 million) and administration (\$4.68 million) offset by stockpile movements (\$0.20 million) associated with the timing of production and sales.

Cost of sales for the comparative period ended March 31, 2012 of \$79.51 million comprised direct costs of \$57.59 million, royalties of \$3.42 million and indirect costs of \$18.50 million.

The lower cost of sales during the current quarter was driven by lower production volumes and lower direct and indirect operating costs resulting from ongoing cost saving initiatives and weakening of the BRL against the USD (period to March 31, 2013: US\$1:R\$2.00 vs. period to March 31, 2012: US\$1: R\$1.77).

Royalties of \$3.09 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 amortization for the quarter ended March 31, 2013 was \$5.07 million (compared to \$18.50 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 profit of \$6.11 million and a net loss of \$11.37 million for the quarter (March 31, 2012: gross loss of \$11.82 million and a net loss of \$27.50 million). The net loss was mainly due to financing costs, foreign exchange losses and general and administration expenses. The comparative period net loss was mainly due to the gross loss from operations, financing costs, general and administration expenses and other costs.

Net financing costs for the quarter ended March 31, 2013 of \$8.84 million, mainly comprise of net interest expense (\$8.52 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 March 31, 2012 comprised net interest expense of \$9.43 million. The lower interest expense in the current quarter was driven by higher interest income on short term investments.

Foreign exchange losses of \$5.06 million comprise of realised and unrealised movements on the conversion of non-USD cash held and borrowings. The comparative period ended March 31, 2012 reflected a foreign exchange gain of \$0.03 million primarily related to realised and unrealised movements on the conversion of non-USD cash held and borrowings.

Other net expenses of \$0.76 million for the quarter ended March 31, 2013 mainly comprise of 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.

Management's Discussion and Analysis

For the three month period ended March 31, 2013



MIRABELA NICKEL
LTD

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 an excellent C1 unit cash cost for the quarter ended March 31, 2013, being \$5.10 per pound (March 31, 2012: \$7.37 per pound). The unit cash cost result occurred despite lower nickel production (down 22% from Plan) and significant inflationary pressures that included: an increase in explosive costs of 22%, diesel costs of 14%, employee food services of 11%, and Caterpillar service costs of 21% during the quarter ended March 31, 2013. The lower unit cash cost was driven by: the realisation of cost reduction initiatives, reduced mining and processing activity costs, and a weaker Real/USD exchange rate (quarter ended March 31, 2013: US\$1:R\$2.00 vs. quarter ended March 31, 2012: US\$1:R\$1.77).

The Company recognises that its best response to the current challenging nickel market is its continued focus on cost reduction and production optimisation initiatives. The Company continues to remove and reduce costs from all areas of the business and this, together with an expectation of improving production, should underpin continuing strong unit cash cost results.

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 March 31, 2013	Three months ended March 31, 2012
Costs as reported in the income statement (US\$000):		
Gross profit/(loss)	6,107	(11,815)
Add back:		
Royalties	3,087	3,417
Depreciation, amortization and depletion	7,387	18,502
Direct concentrate stockpile movement	-	1,105
Copper Hedge expense	609	32
Less:		
Nickel sales revenue	(58,420)	(72,634)
Direct concentrate stockpile movement	(308)	-
Total cash operating cost of production (US\$000)	41,538	61,393
Payable nickel (pounds)	8,144,726	8,330,074
Unit Cash Cost (US\$) per pound of payable nickel	5.10	7.37

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 *	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11
Sales revenue	67,881	78,589	97,393	84,791	82,625	104,754	75,326	80,307
Net sales revenue	54,998	62,479	77,236	66,008	67,695	83,749	60,132	66,228
Cost of Sales	(48,891)	(59,627)	(69,311)	(71,727)	(79,510)	(87,467)	(68,256)	(77,648)
Gross profit/(loss)	6,107	2,852	7,925	(5,719)	(11,815)	(3,718)	(8,124)	(11,420)
Expenses	(17,473)	(394,598)	(8,442)	(27,391)	(15,687)	(1,382)	(294)	(14,831)
Loss for the period	(11,366)	(391,746)	(517)	(33,110)	(27,502)	(5,100)	(8,418)	(26,251)
Basic (loss)/profit per share (\$ per share)	(0.01)	(0.44)	(0.00)	(0.05)	(0.06)	(0.01)	(0.02)	(0.05)
Diluted (loss)/profit per share (\$ per share)	(0.01)	(0.44)	(0.00)	(0.05)	(0.06)	(0.01)	(0.02)	(0.05)

* 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\$2.0778 during the period April 2011 to March 2013.

LIQUIDITY

The following sets out the Company's cash flows for the quarter ended March 31, 2013 as compared to the comparative period ended March 31, 2012:

Cash Flows from	Three months ended	
	March 31, 2013	March 31, 2012
Operating activities	11,703	(36,119)
Investing activities	(9,863)	(18,520)
Financing activities	(4,794)	52,104

Net cash inflows from operating activities for the quarter ended March 31, 2013 were \$11.70 million, compared to a \$36.12 million outflow for the comparative period ended March 31, 2012. Cash receipts totalled \$68.82 million, primarily reflecting the sale of 3,907 tonnes of nickel in concentrate, and associated by-products, to Votorantim and Norilsk Nickel offset by downwards finalisations on nickel sales occurring between June to September 2012 at an average finalisation price of \$7.37/lb compared to an average provisional price of \$7.40/lb. The cash inflow was offset by cash outflows of \$59.15 million primarily driven by operational costs.

Net cash outflows from investing activities for the quarter ended March 31, 2013 were \$9.86 million, compared to an \$18.52 million outflow for the comparative period ended March 31, 2012. The cash outflow for the current period included the planned rebuilds on the truck and power shovel fleets as well as the purchase of critical stores and spare parts. The cash outflow for the comparative period included the strengthening of the drilling fleet with four DML drill rigs, commissioning of the desliming plant, installation of the second crusher and associated civil works, as well as deferred waste removal costs.

The net cash outflow from financing activities of \$4.79 million mainly reflects the principle repayments on the Caterpillar and Atlas Copco finance lease facilities (\$2.78 million) as well as interest paid on the Banco Bradesco S.A. working capital facility and the Atlas Copco and Caterpillar Finance facilities (\$2.02 million). The net cash inflow for the comparative period ended March 31, 2012 of \$52.10 million mainly

Management's Discussion and Analysis

For the three month period ended March 31, 2013



MIRABELA NICKEL
LTD

reflects the drawdown of the \$50.00 million Banco Bradesco S.A. working capital facility, and \$5.20 million Atlas Copco Customer Finance facility for four DML drill rigs, offset by interest paid (\$0.28 million) and principle repayments on the Caterpillar Leasing Facility and Atlas Copco funding facility (\$2.82 million).

FINANCIAL POSITION

The Group held cash on hand and on deposit as at March 31, 2013 of \$140.80 million (December 31, 2012: \$143.01 million). As at March 31, 2013 the Group has a net working capital surplus of \$184.05 million (December 31, 2012: \$178.74 million surplus). For the quarter ended March 31, 2013 the Group incurred a loss of \$11.37 million (March 31, 2012: \$27.50 million). At March 31, 2013 the Group held net assets of \$121.67 million (December 31, 2012: \$118.69 million). Net cash inflows from operations and investing activities for the quarter ended March 31, 2013 were \$1.84 million.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The meeting of the cash flow forecast depends upon the successful operation of mining and production activities in accordance with the budget and achievement of nickel price, foreign exchange and cost assumptions.

FINANCING

During the quarter ended March 31, 2013 Mirabela successfully negotiated revised payment terms on its \$50 million debt facility with Banco Bradesco S.A. The revised repayment terms provide for three equal instalments of \$16.67 million, repayable in January, July and December 2014. Interest paid during the quarter on this facility was \$1.72 million, and remains payable bi-annually at a rate of LIBOR plus 6%

In addition, during the quarter the Company also paid the second semi-annual instalment to Atlas Copco Customer Finance (\$0.79 million) and the quarterly instalment to Caterpillar Financial SARL (\$2.04 million).

SHARE CAPITAL

As at March 31, 2013 the Company's issued share capital consisted of 876,765,094 ordinary shares. A balance of 4,150,000 unlisted options and 1,690,582 performance rights were outstanding.

The Company issued 182,358 shares during the quarter as a result of the conversion of 182,358 performance rights into shares. During the quarter 56,322 performance rights lapsed and 215,595 performance rights were cancelled in accordance with the Mirabela Nickel Limited Performance Rights Plan.

No options were exercised during the quarter.

CONTRACTUAL COMMITMENTS

The Company's contractual commitments as at March 31, 2013 are as follows:

As at March 31, 2013	Payments due by period				
	Total	Within 1 year	1-3 years	4-5 years	After 5 years
Operating leases	2,039	879	1,160	-	-
Exploration	1,344	1,344	-	-	-
Purchase obligations	122,184	58,354	63,830	-	-
Loans and borrowings	447,961	25,942	42,041	-	379,978
Provision for rehabilitation	18,358	-	-	-	18,358
Total	591,886	86,519	107,031	-	398,336



MIRABELA NICKEL LTD

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

Capital expenditure for 2013 is forecast at between \$40 million and \$50 million, of which \$9.86 million has been spent to March 31, 2013. Capital expenditure for the current quarter primarily included the planned rebuilds on the trucks and power shovel fleets, purchase of critical stores and spares and capitalisation of mining costs.

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 March 31, 2013:

	Senior unsecured notes*	Caterpillar finance lease facility	Bradesco loan	Atlas Copco finance lease facility	Total
Current borrowings	-	7,802	16,667	1,473	25,942
Non-current borrowings	379,978	7,235	33,333	1,473	422,019
Total	379,978	15,037	50,000	2,946	447,961

* \$395 million senior unsecured notes, offset by unamortised capitalised borrowing costs of \$15.02 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 \$0.73 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 March 31, 2013, with \$15.04 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 4.26%).



MIRABELA NICKEL
LTD

During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a \$50 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. During February 2013, the Company negotiated revised repayment terms on the Facility. Revised repayment terms provided for three equal instalments, with the first in January 2014, the second in July 2014 and the final instalment in December 2014. Interest remains payable bi-annually at a rate of LIBOR plus 6%. The loan is unsubordinated and secured by a Guarantee from Mirabela Nickel Ltd and a fiduciary assignment on the Votorantim receivables. These terms are unchanged.

The Company 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 March 31, 2013 there were no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During the quarter ended March 31, 2013 there were no transactions between the company and the key management personnel or any other related parties (quarter ended March 31, 2012: Nil)

SUBSEQUENT EVENTS

On April 15, 2013 the Company paid the fourth bi-annual interest instalment of \$17.28 million on the Senior Unsecured Notes.

No other matters or circumstances have arisen since the period ended March 31, 2013 that have significantly affected or may affect the operations of the Group.

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



MIRABELA NICKEL
LTD

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 March 31, 2013 the Company has recognised a liability of \$18.36 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 March 31, 2013 and March 31, 2012.

FINANCIAL INSTRUMENTS

During the year ended December 31, 2011 the Group terminated all of its outstanding metal and foreign exchange forward contracts designated as hedges. The ineffective portion of the termination costs relating to these hedges was recognised as an expense and the effective portion was recognised in hedge reserve, which unwinds to revenue upon realisation of the underlying hedge transactions.

The Group has no derivative financial instruments.

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 March 31, 2013 no changes were made that materially affected or were reasonably likely to materially affect 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 quarter ended March 31, 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.



MIRABELA NICKEL
LTD

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

As at March 31, 2013 the Company had a net working capital surplus of \$184.05 million (December 31, 2012: \$178.74 million surplus). For the quarter ended March 31, 2013 the Group incurred a loss of \$11.37 million (March 31, 2012: \$27.50 million) and had a net operating cash inflow of \$11.70 million. At March 31, 2013 the Company held net assets of \$121.67 million (December 31, 2012: \$118.69 million).

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.

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 customs delays, or fabrication, drilling, blasting and loading problems. Additionally, excessive wear on equipment could create the need for unexpected repairs or new equipment or spares, creating further delays and increasing operating costs.

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



CONCENTRATE SPECIFICATIONS

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

ENVIRONMENTAL RISKS AND REGULATIONS

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

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

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

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

CHANGES IN THE TERMS OF THE LEASING FACILITY

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

By the terms of the Leasing Facility, Caterpillar Financial may syndicate up to \$30 million of the Leasing Facility and is entitled to make changes to the pricing and structure of the Leasing Facility (subject to limitations to be determined by the parties), in order to achieve a successful syndication (such changes



applying only to the syndicated portion of the facility). There can be no assurance that such changes to the pricing and structure of the Leasing Facility will not have an adverse effect on the Company and its financial condition.

FORWARD LOOKING INFORMATION

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflect management's expectations regarding Mirabela's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. In this MD&A this specifically includes statements regarding C1 unit cash costs for 2013 being between \$5.00/lb and \$6.00/lb, production of between 22,000 and 24,000 tonnes of nickel in concentrate for 2013 and capital expenditure, exploration and study costs for 2013 of between \$40 million and \$50 million. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

NON-GAAP/IFRS MEASURES

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

- “Cash operating cost per pound of nickel produced” or to “unit cash costs”. This includes all mining, processing, site administration, transport and smelter costs, less by-product credits (refer page 7 for reconciliation);
- “Realised nickel price”. This includes total gross nickel revenue, prior period quotational period adjustments, realised nickel and foreign exchange hedges, but excludes call options;
- “Realised copper price”. This includes total gross copper revenue, prior period quotational period adjustments, realised copper and foreign exchange hedges, but excludes call option adjustments;
- “EBITDA”. This includes earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation, other expenses, depreciation, amortisation, depletion and impairment charge (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 Mar 31, 2013	Three months ended Mar 31, 2012
As reported in the income statement		
Loss for the period	(11,366)	(27,502)
Add back:		
Income tax expense	-	-
Impairment of property, plant and equipment	-	-
Depreciation, amortisation and depletion	7,387	18,502
Financial expense	10,874	10,809
Net derivative loss	-	-
Net foreign exchange loss	5,056	-
Other expenses net	762	2,574
Less:		
Income tax benefit	-	-
Financial Income	(2,035)	(1,133)
Net derivative gain	-	-
Net foreign exchange gain	-	(27)
EBITDA	10,678	3,223