

## QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013

Perth, Australia – 31 January 2014: Mirabela Nickel Limited (**Mirabela** or the **Company**) (ASX: MBN) announces its unaudited fourth quarter results for the period ended 31 December 2013.

### ***Production Statistics***

|                                      |        | Three months<br>ended<br>31 Dec 2013 | Three months<br>ended<br>30 Sep 2013 | % change<br>favourable/<br>(unfavourable) | Full Year<br>2013 |
|--------------------------------------|--------|--------------------------------------|--------------------------------------|-------------------------------------------|-------------------|
| <b>Mining</b>                        |        |                                      |                                      |                                           |                   |
| Total Material Mined                 | Tonnes | <b>9,898,834</b>                     | 9,221,753                            | 7                                         | 38,005,909        |
| Ore Mined                            | Tonnes | <b>1,794,129</b>                     | 1,720,711                            | 4                                         | 6,340,593         |
| Nickel Grade                         | %      | <b>0.47</b>                          | 0.41                                 | 15                                        | 0.46              |
| <b>Processing</b>                    |        |                                      |                                      |                                           |                   |
| Total Ore Processed                  | Tonnes | <b>1,517,220</b>                     | 1,753,329                            | (13)                                      | 6,528,071         |
| Nickel Grade                         | %      | <b>0.45</b>                          | 0.43                                 | 5                                         | 0.45              |
| Copper Grade                         | %      | <b>0.10</b>                          | 0.09                                 | 11                                        | 0.10              |
| Cobalt Grade                         | %      | <b>0.02</b>                          | 0.01                                 | 100                                       | 0.02              |
| Nickel Recovery                      | %      | <b>51</b>                            | 53                                   | (4)                                       | 53                |
| Copper Recovery                      | %      | <b>67</b>                            | 71                                   | (6)                                       | 69                |
| Cobalt Recovery                      | %      | <b>28</b>                            | 27                                   | 4                                         | 28                |
| <b>Production</b>                    |        |                                      |                                      |                                           |                   |
| Nickel in Concentrate                | DMT    | <b>3,433</b>                         | 3,962                                | (13)                                      | 15,626            |
| Copper in Concentrate                | DMT    | <b>971</b>                           | 1,137                                | (15)                                      | 4,402             |
| Cobalt in Concentrate                | DMT    | <b>63</b>                            | 71                                   | (11)                                      | 277               |
| <b>Sales</b>                         |        |                                      |                                      |                                           |                   |
| Nickel in Concentrate <sup>(1)</sup> | DMT    | <b>2,742</b>                         | 2,786                                | (2)                                       | 13,602            |
| Copper in Concentrate <sup>(1)</sup> | DMT    | <b>838</b>                           | 805                                  | 4                                         | 3,905             |
| Cobalt in Concentrate <sup>(1)</sup> | DMT    | <b>53</b>                            | 51                                   | 4                                         | 244               |

<sup>(1)</sup> Includes sales volume adjustments upon finalisation of assays.

## **Operations**

Mirabela's twelve month moving average Lost Time Injury Frequency Rate closed the year at 0.57. Mirabela continues to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes, including safety notification and intervention plans and critical risk inspections on thirteen key safety areas within the business.

Total mined material movement for the quarter was 9.9 million tonnes of material moved for 1.8 million tonnes of ore. Mine grades of 0.47% were higher than the previous quarter driven by the mine being back in sequence for most of the quarter along with improvement in mined nickel grades. During the quarter 1.5 million tonnes of ore was milled, at an average head grade of 0.45% nickel and achieving an average recovery of 51%. Recoveries were adversely affected by low water availability due to less reclaimed water from the tailings dam. As a result of the reduced water availability it was necessary to cease desliming and instead utilise a dispersant reagent, thus reducing the efficiency of the process.

Due to the challenging nickel price environment, the Company has implemented a reduced mining rate operational plan with mining material movement expected to be restricted to approximately 25Mt for 2014.

During the quarter Mirabela produced 3,433 tonnes of contained nickel in concentrate, 971 tonnes of contained copper in concentrate, and 63 tonnes of contained cobalt in concentrate. During the quarter a total of 1,395 tonnes of nickel in concentrate was sold in country to an international trading house, 700 tonnes of nickel in concentrate was sold to Votorantim Metais Niquel S.A prior to Votorantim's closure of the Fortaleza smelter, and 648 tonnes of nickel in concentrate was sold to Norilsk Nickel Harjavalta Oy.

## **Cash and Debt**

Mirabela closed the fourth quarter with cash on hand and on deposit of US\$30.74 million. The decrease in cash on hand from 30 September 2013 (US\$69.77 million) was driven by a combination of factors including: negative cash flow from operations; lower nickel prices; the finalisation of prior period nickel sales at an average finalisation price of US\$6.65/lb compared to an average provisional price of US\$7.53/lb (US\$12.47 million); capital expenditure of US\$10.84 million; and the repayment of US\$2.04 million relating to the Caterpillar finance lease facility.

On 30 December 2013 the Company announced that it has secured a US\$45 million loan from a consortium of holders of the Company's US\$395 million 8.75% Senior Unsecured Notes due 15 April 2018 (**Interim Loan**). The intention of the Interim Loan is to provide the Company with sufficient liquidity to operate its business as discussions progress with all of Mirabela's key stakeholders regarding a comprehensive restructuring. As at the date of this announcement, the Company has made an initial drawdown of US\$30m under the Interim Loan and issued a drawdown notice in respect of a further US\$5m which it expects to receive imminently. In addition, the Company and the lenders have agreed to extend the 31 January 2014 deadline for entering into a definitive agreement for restructuring and recapitalising the Company with the Ad-Hoc Group of noteholders until 12 February 2014.

At the date of this report, no binding agreements for the restructuring of Mirabela's debt obligations have been concluded nor has any opportunity or arrangement sufficiently progressed to be announced to the market. No assurance can be given at this stage that any definitive agreements or arrangements for a comprehensive restructuring will be reached with any party with which the Company may be in discussions.

## **Share Capital**

As at 31 December 2013 the Company's issued share capital consisted of 876,801,147 ordinary shares. A balance of 400,000 unlisted options and 5,010,045 performance rights were outstanding.

No options were exercised during the quarter.

## Unit Cash Costs

|                                          |         | Three months ended<br>31 Dec 2013 | Three months ended<br>30 Sep 2013 | % change<br>favourable/<br>(unfavourable) | Full Year<br>2013 |
|------------------------------------------|---------|-----------------------------------|-----------------------------------|-------------------------------------------|-------------------|
| Payable Nickel Production <sup>(1)</sup> | Lbs     | 6,735,930                         | 7,773,887                         | (13)                                      | 30,659,959        |
| <b>Production Costs</b>                  |         |                                   |                                   |                                           |                   |
| Mining Cost                              | US\$/lb | 3.62                              | 3.66                              | (1)                                       | 3.30              |
| Processing Costs                         | US\$/lb | 1.56                              | 1.59                              | (2)                                       | 1.63              |
| Administration Cost                      | US\$/lb | 0.61                              | 0.53                              | 15                                        | 0.59              |
| Subtotal                                 | US\$/lb | 5.79                              | 5.78                              | -                                         | 5.52              |
| <b>Selling Costs</b>                     |         |                                   |                                   |                                           |                   |
| Transport/Shipping Cost                  | US\$/lb | 0.35                              | 0.05                              | >100                                      | 0.17              |
| By-Product Credit <sup>(2)</sup>         | US\$/lb | (1.10)                            | (0.52)                            | >100                                      | (1.05)            |
| Smelter Charges                          | US\$/lb | 1.02                              | 0.88                              | 16                                        | 1.16              |
| Subtotal                                 | US\$/lb | 0.27                              | 0.41                              | (34)                                      | 0.28              |
| <b>C1 Unit Cash Cost</b>                 | US\$/lb | 6.06                              | 6.19                              | (2)                                       | 5.80              |
| Unit Royalty Cost                        | US\$/lb | 0.20                              | 0.23                              | (13)                                      | 0.28              |
| Realised Nickel Price <sup>(2)</sup>     | US\$/lb | 4.48                              | 5.94                              | (25)                                      | 6.46              |
| Realised Copper Price <sup>(2)</sup>     | US\$/lb | 2.27                              | 2.54                              | (11)                                      | 2.84              |
| Realised Cobalt Price <sup>(2)</sup>     | US\$/lb | 14.36                             | 13.73                             | 5                                         | 11.85             |
| Average US\$/Real Exchange Rate          |         | 2.28                              | 2.29                              | -                                         | 2.16              |

<sup>(1)</sup> Average payability of 89%

<sup>(2)</sup> Including prior period QP adjustments

Mirabela recorded a C1 unit cash cost for the fourth quarter of US\$6.06/lb, taking the average unit cash cost for the twelve months ended 31 December 2013 to US\$5.80/lb. Unit cash costs for the fourth quarter were lower than the third quarter predominately due to higher PGM (platinum group metals) by-product credits for the current quarter as a result of invoice finalisations.

Unit mining and processing costs per payable pound marginally improved on the previous quarter driven by ongoing cost savings in the use of various mill materials and third party services and a reduced requirement for tyre replacements during the quarter. Unit administration costs per payable pound were higher in the fourth quarter due primarily to lower payable nickel production.