MIRABELA NICKEL LTD

(Subject to Deed of Company Arrangement)

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Release of Explanatory Statement and Reports

Perth, AUSTRALIA – 30 May 2014: On 16 May 2014, Mirabela Nickel Limited (Subject to Deed of Company Arrangement) (**Mirabela** or the **Company**) (ASX: MBN) advised that an application had been lodged in the Supreme Court of New South Wales (**Court**) by the deed administrators appointed under the deed of company arrangement executed by the Company on 13 May 2014 (**DOCA**). The application seeks the leave of the Court under section 444GA of the Corporations Act 2001 (Cth) to a transfer of approximately 98.2% of the existing ordinary shares in the Company in accordance with the terms of the DOCA and as part of the proposed recapitalisation of the Company (refer to the ASX announcement dated 25 February 2014) (**Recapitalisation Proposal**). The proposed hearing date for the application under section 444GA is 12 June 2014.

To assist Mirabela shareholders in:

- understanding the Recapitalisation Proposal and its effect on them; and
- deciding whether to take any action in relation to the Recapitalisation Proposal, including whether to appear at the Court hearing in respect of the section 444GA application,

the Company has prepared an explanatory statement, which is attached to this announcement (**Explanatory Statement**). The Explanatory Statement includes an independent experts' report prepared by the deed administrators, which is an independent assessment of the value of the Mirabela shares currently on issue, and a technical specialist's report prepared by AMC Consultants Pty Ltd (together, the **Reports**).

Any Mirabela shareholder who would like to receive a hard copy of the Explanatory Statement (including the Reports) should contact Aaron Swaffield of KordaMentha on +61 2 8257 3032.

MIRABELA NICKEL

Explanatory Statement

Mirabela Nickel Limited ABN 23 108 161 593 (subject to a deed of company arrangement)

30 May 2014

This is an important document. You should read this document in its entirety prior to deciding whether or not to take any action in relation to your shares in Mirabela Nickel Limited (subject to deed of company arrangement). You should seek professional financial, legal and taxation advice before making your decision.

MIRABELA NICKEL LIMITED ABN 23 108 161 593
(subject to a deed of company arrangement)

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Contents

1 Important Information

1.1 What is this document?

This document is an Explanatory Statement issued by Mirabela Nickel Limited ABN 23 108 161 593 (subject to a deed of company arrangement) (**Mirabela**) in relation to a proposal which, if implemented, will result in approximately 98.2% of the Shares you hold in Mirabela being transferred, initially to a trustee who will hold the Shares on trust for the Unsecured Noteholders, pursuant to the Mirabela DOCA, and then to the Unsecured Noteholders. This document has been provided to you by Mirabela, to assist you in:

(a) understanding the Recapitalisation Proposal and its effect on you as a Shareholder; and

(b) deciding whether to take any action in relation to the Recapitalisation Proposal, before it is implemented.

1.2 The Recapitalisation Proposal

As you would be aware, Shares have been suspended from trading since 9 October 2013 and the directors of Mirabela appointed Martin Madden, Clifford Rocke and David Winterbottom as voluntary administrators on 25 February 2014 pursuant to section 436A of the Corporations Act.

On 13 May 2014 the second meeting of creditors was held pursuant to section 439A of the Corporations Act (**Second Meeting**). At the Second Meeting, the creditors resolved that Mirabela enter into a DOCA and that Martin Madden, Clifford Rocke and David Winterbottom be appointed as joint and several deed administrators (**Deed Administrators**).

The Mirabela DOCA sets out a Recapitalisation Proposal which will involve the following steps:

(a) Step 1: Transfer of Shares

Unsecured Noteholders will become entitled to have approximately 98.2% of each holding of Shares (rounded down) transferred to them, pursuant to the Court granting leave which will be sought under section 444GA of the Corporations Act, in exchange for the extinguishment and compromise of the Notes.

(b) Step 2: Issue of New Convertible Notes

Mirabela will issue approximately USD115 million of New Convertible Notes, secured over those assets of Mirabela and its subsidiaries which are security for the Current Secured Notes. The offer will be open to subscription by existing Unsecured Noteholders.

(c) Step 3: Issue of new Shares in Mirabela

Certain fees will be payable to parties who have agreed to subscribe for part of the New Convertible Notes and to Secured Noteholders whose current secured notes are exchanged for New Convertible Notes. The fees will be satisfied by the issue of Shares.

(d) **Step 4: Issue of a new unsecured note**

Unsecured Noteholders will also receive a pro-rata share of a USD5.0 million subordinated unsecured note from Mirabela at the conclusion of the Brazilian extra judicial proceeding (a legal process in Brazil, in relation to the guarantee which Mirabela's Brazilian subsidiary has given in respect of the existing unsecured notes).

For further information regarding:

- the steps involved in the Recapitalisation Proposal, refer to section 5.3;
- Mirabela's current debt position, refer to section 4.1; and
- the expected debt position of Mirabela post the Recapitalisation Proposal, refer to section 6.2.

1.3 Independent Report on the Recapitalisation Proposal

The Deed Administrators have provided a report which is an independent assessment of the value of existing outstanding Shares, for the purposes of this Explanatory Statement (contained in Attachment A). The key findings of that report are:

- the enterprise value of the Mirabela Group is in the range of USD150 million to USD235 million (based on the range of expressions of interest received during the 2013/14 sale and recapitalisation process) or USD207.9 million to USD278.5 million (using a discounted cash flow methodology);
- the Mirabela Group's net interest bearing liabilities of USD526.8 million materially exceed the enterprise value of its assets, and accordingly in the Deed Administrators' opinion Mirabela's shares have nil value; and
- if Mirabela and Mirabela Investments were placed into liquidation, there would be no return to Shareholders.

Shareholders should consider the Independent Report in full, before deciding whether to take any action in relation to the Recapitalisation Proposal.

1.4 Effect of the Recapitalisation Proposal on Shareholders

If the Recapitalisation Proposal is implemented, there are a number of negative consequences for Shareholders:

(a) your shareholding will be substantially reduced as:

   (i) approximately 98.2% of the Shares held by each current Shareholder (rounded down) will be transferred, initially to a trustee who will hold the Shares on trust for the Unsecured Noteholders pursuant to the Mirabela DOCA, and then to the Unsecured Noteholders; and

   (ii) on the Implementation Date, approximately 18,376,522 Shares will be issued on account of the Rollover Fee and approximately 34,532,547 Shares will be issued on account of the New Capital Fee;

(b) funds managed or associated with Deans Knight Capital Management Limited, Capital Research and Management Company, Lord Abbett & Co. LLC, ID-Sparinvest A/S, Guggenheim Partners Investment Management, LLC, Western

Asset Management Company and Pioneer Investment Management Inc are likely to become substantial shareholders in Mirabela; and

(c) New Convertible Notes will be issued which, if converted on the Implementation Date, would result in the issue of approximately 681,279,615 Shares. This will further reduce the current Shareholders' aggregate shareholding to 1.0% and will result in an increase in the voting power of most of the shareholders named in paragraph (b). Alternatively, if all holders of New Convertible Notes hold their New Convertible Notes, together with additional New Convertible Notes which will be issued in payment of interest which falls due on the New Convertible Notes, until the last date for conversion, a total of approximately 1,083,591,802 Shares will be issued on conversion (provided all such New Convertible Notes can be converted in compliance with the Corporations Act). This will reduce the current Shareholders' aggregate shareholding in Mirabela to 0.8%.

However, through implementation of the Recapitalisation Proposal, Mirabela will avoid liquidation. It is also anticipated that the ASX will lift the suspension of Shares following implementation of the Recapitalisation Proposal (subject to satisfaction of any conditions imposed by the ASX). This will allow current Shareholders to sell or buy Shares on the ASX again, which has not been possible since 9 October 2013.

These benefits are unlikely to be available to Mirabela or Shareholders if the Recapitalisation Proposal is not implemented. Some of the Secured Noteholders have reserved their rights to take action under the security they have over certain assets of the Mirabela Group, if the Recapitalisation Proposal is not implemented. If those rights are exercised and the funding contemplated by the Recapitalisation Plan is not received, this would result in the liquidation of Mirabela and Mirabela Investments, with no return being paid to Shareholders.

For further information regarding the effect of the Recapitalisation Proposal on Mirabela and on Shareholders, refer to section 6.

For further information on the advantages and disadvantages of the Recapitalisation Proposal for Shareholders refer to section 7.

1.5 What do you need to do now?

You should read this Explanatory Statement in its entirety before making a decision whether or not to take any action in relation to the Recapitalisation Proposal or your Shares in Mirabela.

If you wish to oppose the application which the Deed Administrators have made to the Supreme Court of New South Wales for approval of the transfer of Shares, you must file and serve on the Deed Administrators a notice of appearance, in the prescribed form and any affidavit on which you intend to rely on at the hearing. The notice of appearance and affidavit should be served by 6 June 2014. The date fixed for the hearing of the application is 12 June 2014.

The Deed Administrators' address for service is c/- Gilbert + Tobin, Level 37, 2 Park Street, Sydney, NSW 2000 (Attention: Colleen Platford/Sabrina Ng) or cplatford@gtlaw.com.au or sng@gtlaw.com.au.

This Explanatory Statement does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any Shareholder. Each Shareholder's decision whether to take any action in relation to the Recapitalisation Proposal will depend on an assessment of the Shareholder's individual circumstances. As the financial, legal and taxation consequences of that decision may be different for each Shareholder, Shareholders should seek professional financial, legal and taxation advice before making their decision.

1.6 ASIC

A copy of this Explanatory Statement (including the Independent Report) has been given to ASIC pursuant to the ASIC relief referred to in section 9.1. Neither ASIC nor any of its officers take any responsibility for its contents.

1.7 Defined Terms

Capitalised terms used in this Explanatory Statement have the meaning contained in the Dictionary in Schedule 1, unless the context otherwise requires or a term has been defined in the text of the Explanatory Statement.

2 Important Dates

Event	Date
Notice of appearance and affidavits to be served by any Shareholder seeking to appear at the hearing of the application under Section 444GA	6 June 2014
Proposed hearing date for application under Section 444GA	12 June 2014
Proposed implementation date for the Recapitalisation Proposal	20 June 2014

Unless otherwise stated, all times referred to in this Explanatory Statement are Sydney times. The dates referred to are indicative only and subject to change. Mirabela reserves the right to vary the times and dates, subject to the Corporations Act and the approval of any variations by the Court, ASIC or ASX, where required.

3 Key information for Shareholders in this Explanatory Statement

Information about	Where to find it
When the Recapitalisation Proposal will be implemented	See section 2
Reasons for the Recapitalisation Proposal	See section 5.2
Material terms of the Recapitalisation Proposal	See sections 5.3 and 5.4
Intentions regarding Mirabela's future business and dividend policy	See sections 6.7 and 6.10
Other agreements between Mirabela and parties	See sections 6.8 and 6.9

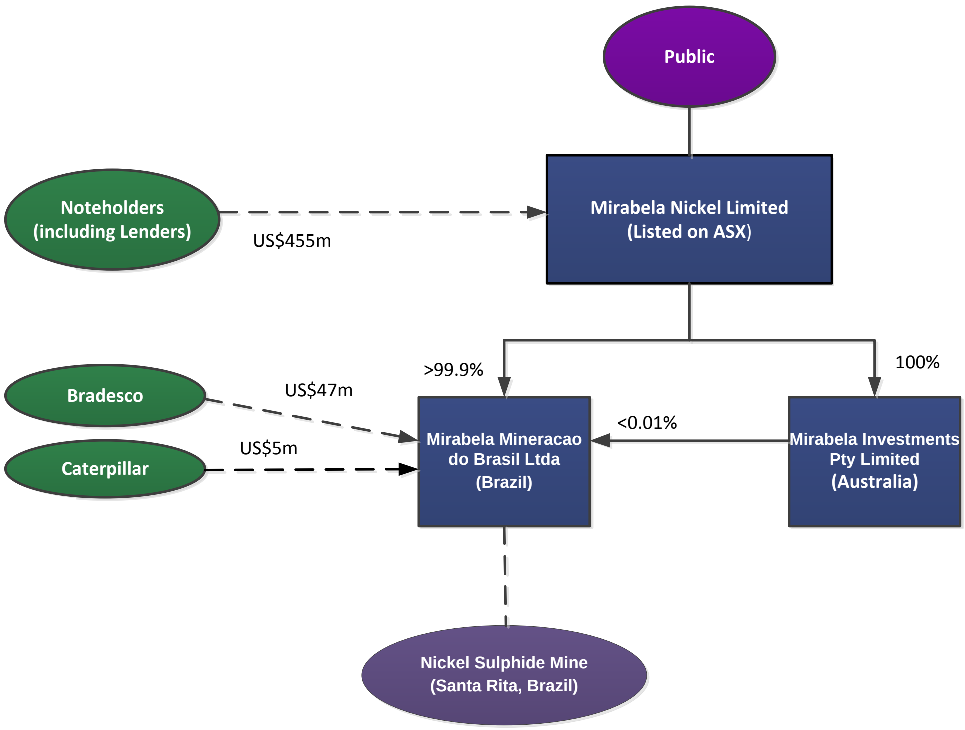
Information about	Where to find it
to the Recapitalisation Proposal	
Independent report of the Deed Administrators	See section 1.3 and Attachment A

4 Mirabela Nickel

4.1 Current structure

Mirabela is an ASX listed company which together with its wholly-owned subsidiary Mirabela Investments, holds 100% of the quotas in Mirabela Brazil, a Limitada entity registered in Bahia State, Brazil.

The diagram below shows a simplified chart depicting the current equity and debt structure of the Mirabela Group.



4.2 Summary of current debt arrangements

The Mirabela Group currently has the following significant debt arrangements in place:

(a) approximately USD395 million of 8.75% senior unsecured notes (**Notes**), issued pursuant to an indenture dated 14 April 2011 (**Indenture**). As at 30 April, approximately USD35 million of accrued but unpaid interest (including default interest) is owed to the Unsecured Noteholders. Mirabela's obligations in respect of the Notes are guaranteed by Mirabela Brazil and Mirabela Investments (together, the **Subsidiary Guarantors**);

(b) approximately USD60 million secured loan (including fees and interest) (**Interim Loan**) provided by certain holders of Notes (**Secured Noteholders**) pursuant to a

Syndicated Note Subscription Deed dated 24 December 2013. The Lenders are among members of a certain group of holders of Notes who currently hold approximately 68% of the Notes on issue between them (**Ad-hoc Group**);

(c) USD55 million master funding and lease agreement with Caterpillar Financial Services Corporation (**Caterpillar**) (**Caterpillar Facility**). Approximately USD5 million of the Caterpillar Facility is currently outstanding; and

(d) USD50 million credit facility with Banco Bradesco S.A. (**Bradesco**) (**Bradesco Facility**). Approximately USD47 million of the Bradesco Facility is currently outstanding.

5 The Recapitalisation Proposal

5.1 Background to the Recapitalisation Proposal

During 2013, Mirabela experienced difficult trading conditions, including a major customer calling a force majeure event and ceasing to purchase nickel under its concentrate sales agreement with Mirabela in respect of approximately 50% of Mirabela's nickel concentrate production, and a reduction in global nickel prices.

On 15 October 2013, Mirabela failed to make an interest payment required under the Indenture. Non-payment of interest for a period exceeding 30 days is an event of default under the Indenture. Subsequent to the failure to pay interest, Mirabela agreed arrangements with a group of the Unsecured Noteholders, Caterpillar and Bradesco, which had the effect of preventing any enforcement action in relation to the current debt facilities, while negotiations between Mirabela and the creditors progressed.

On 12 November 2013, Mirabela and Mirabela Brazil entered into a standstill agreement with Caterpillar in respect of Mirabela's and Mirabela Brazil's obligations under the Caterpillar Facility (**Caterpillar Standstill Agreement**). Pursuant to the terms of the Caterpillar Standstill Agreement, Caterpillar agreed, among other things, not to enforce certain rights under the Caterpillar Facility arising as a result of Mirabela entering into restructuring discussions with its major creditors. The Caterpillar Standstill Agreement terminates on the earliest to occur of an event of default under the Caterpillar Facility (other than as expressly waived in the Caterpillar Standstill Agreement) or 23 July 2014 (which may extended up to thirty days with consent of the parties).

On 30 December 2013, Mirabela announced that the Secured Noteholders had provided the Interim Loan to give the Company sufficient liquidity to operate its business as discussions progressed with stakeholders regarding a restructuring.

On 25 February 2014, Mirabela announced the appointment of the Administrators and an agreement among the Ad-hoc Group setting out a framework for the recapitalisation of the Mirabela Group. Since then, the Administrators have been in negotiations with the Ad-hoc Group, Bradesco and Caterpillar to agree terms on which the business of Mirabela can continue, and so avoid liquidation.

On 6 May 2014, Mirabela announced that it had entered into an agreement with Bradesco in respect of the Mirabela Group's obligations under the Bradesco Facility, to extend the date for repayment to March 2018 (**Bradesco Extension Agreement**). Pursuant to the Bradesco Extension Agreement, Bradesco agreed, amongst other things, not to take any adverse action as a result of the Recapitalisation Proposal, and to provide in principle support for it.

On 13 May 2014, pursuant to section 439A of the Act, a second meeting of Mirabela's creditors was held. At that meeting, the creditors resolved that Mirabela execute a DOCA proposed by a majority of the Unsecured Noteholders on the condition that any claims of shareholders who would have had a subordinate claim under section 563A of the Corporations Act in a winding up of Mirabela had it been wound up on 25 February 2014 (the date the Deed Administrators were appointed as voluntary administrators) be extinguished. A copy of the Mirabela DOCA is contained in Attachment B.

5.2 Why is the Recapitalisation Proposal required?

The Recapitalisation Proposal was proposed to creditors because:

- it offered the only opportunity open to Mirabela to refinance its existing debt arrangements, as none of the alternatives which were investigated by Mirabela provided a solution which would allow repayment of such debt arrangements and the administrators received no alternative proposals;

- if the Recapitalisation Proposal is implemented, Mirabela will continue to control the business and assets of the Mirabela Group, under the changed ownership structure set out in this Explanatory Statement;

- it will allow the suspension of Shares to be lifted (subject to satisfaction of any conditions imposed by the ASX), so all Shareholders can trade their Shares on the ASX; and

- implementation of the Recapitalisation Proposal will minimise the risk that the Mirabela Group will become unable to continue its mining operations.

Prior to the appointment of the voluntary administrators, Mirabela undertook a sale and recapitalisation process that failed to yield any interest from potential purchasers or new capital parties. The initial list of potential interested parties was comprehensive and given the funding and timing constraints, the voluntary administrators did not embark on a further sale or recapitalisation process. Section 7.2 of the Independent Report provides more information about the sale process which was undertaken from August/September 2013.

The funding support provided from the Secured Noteholders is conditional on progressing the Recapitalisation Proposal and without that funding support it is likely that Mirabela Brazil would become subject to Brazilian bankruptcy proceedings.

If the Recapitalisation Proposal is not implemented, it is expected that the Mirabela Group will be unable to continue its mining operations and its assets will be liquidated. In this scenario, it is likely that there will be no return for Shareholders.

The Deed Administrators have prepared the Independent Report (in Attachment A) which is an independent assessment of the value of existing outstanding shares in Mirabela. The Deed Administrators have concluded that the Mirabela Group's net interest bearing liabilities of USD526.8 million materially exceed the value of its assets, and accordingly in the Deed Administrators' opinion Mirabela's shares have nil value.

The Recapitalisation Proposal has no effect on unsecured trade creditors of Mirabela or Mirabela Investments who will continue to be paid in the same manner before and after the Recapitalisation Proposal is implemented. It also has no effect on employees of the Mirabela Group who, subject to ordinary course changes in employment arrangements, will continue their employment.

5.3 Recapitalisation Proposal

This section sets out the steps which will be taken, if the Recapitalisation Proposal is implemented, and what has been done to give effect to those steps, as at the date of this Explanatory Statement.

(a) Step 1: Transfer of Shares

Leave of the Court will be sought under section 444GA of the Corporations Act to transfer approximately 98.2% of the existing shares of each Shareholder in Mirabela to a trustee who will hold the Transfer Shares on trust for the Unsecured Noteholders. On receiving instructions from an Unsecured Noteholder in respect of its entitlement to a number of the Transfer Shares, the trustee will either transfer title to those Transfer Shares to the Unsecured Noteholder or sell the Transfer Shares and remit the net proceeds to the Unsecured Noteholder.

The debt owed to the Unsecured Noteholders will be compromised and extinguished in exchange for:

(i) the entitlement to the Transfer Shares to the Unsecured Noteholders, in proportion to their holding of the Notes; and

(ii) the issue of New Unsecured Notes with aggregate face value of USD5 million, to be issued on completion of an extra judicial process in Brazil, relating to the guarantee of the existing notes given by Mirabela Brazil. The terms of the New Unsecured Notes are summarised in section 6.9.

Section 444GA allows a Deed Administrator to transfer the Transfer Shares, if the Deed Administrator has obtained the consent of all the Shareholders (which it is not practical to seek given the number of Shareholders) or the leave of the Court. The Court may only grant leave if it is satisfied that the transfer of the Transfer Shares would not unfairly prejudice the interests of Shareholders. A Shareholder, creditor, ASIC or other interested person may oppose the application to the Court.

The Deed Administrators filed an application, seeking leave under section 444GA of the Corporations Act to transfer those Shares to a trustee who will hold the Transfer Shares on trust for the Unsecured Noteholders pursuant to the Mirabela DOCA, with the Supreme Court of New South Wales on 16 May 2014. A copy of that application has been made available to all Shareholders on Mirabela's website at www.mirabela.com.au and also on the KordaMentha website at www.kordamentha.com in the Creditor Information section.

The Supreme Court of New South Wales will hear that application at 10.00am on 12 June 2014. The Court is located at the Law Courts Building, Queens Square, 184 Phillip Street, Sydney.

(b) Step 2: Issue of New Convertible Notes

Mirabela will issue approximately USD115 million of New Convertible Notes, secured over those assets of Mirabela and its subsidiaries which are security for the Current Secured Notes. The offer of New Convertible Notes will be made to all current Unsecured Noteholders. Certain members of the Ad-Hoc Group (**New Capital Parties**) have agreed to subscribe for up to USD55 million of the New Convertible Notes to the extent that such amount of New Convertible Notes are not subscribed for by other Unsecured Noteholders.

The Secured Noteholders have agreed to the extinguishment and compromise of the debt connected with the Current Secured Notes upon the issuance of New Convertible Notes. If more than USD55 million is raised, the surplus will be used to repay the existing Secured Noteholders in cash. The terms of the New Convertible Notes are summarised in section 6.8.

Mirabela lodged a prospectus for the New Convertible Notes with ASIC on 26 May 2014. Applications under that prospectus are expected to open on 9 June 2014.

It is expected that the existing Secured Noteholders will consent to any necessary steps (including the passing of the benefit of security and conversion of the Secured Notes into the New Convertible Notes) which affect the existing Secured Notes.

(c) Step 3: Issue of new Shares in Mirabela

Mirabela will pay:

(i) the New Capital Parties a fee of 10.25% of the amount of New Convertible Notes they have committed to subscribe for, as consideration for the New Capital Parties having agreed to subscribe for New Convertible Notes not subscribed for by other Unsecured Noteholders, having a face value of USD55 million (**New Capital Fee**); and

(ii) the Secured Noteholders a fee of 5% of the amount of the Secured Notes which could be converted to New Convertible Notes on implementation of the Recapitalisation Proposal as a fee for agreeing to roll over their debt into the new issuance (**Rollover Fee**).

In aggregate, these fees will be satisfied by the issue of approximately 52,909,069 Shares in Mirabela. This will constitute approximately 5.7% of the issued share capital before conversion of the New Convertible Notes and approximately 3.3% of the issued share capital on a fully diluted basis (ie as if the New Convertible Notes were all converted on the Implementation Date).

The prospectus which Mirabela has issued also provides for the issue of the Shares for the Rollover Fee and the New Capital Fee.

(d) Step 4: Issue of new unsecured note

Unsecured Noteholders will also be eligible to receive their pro-rata share of a USD5.0 million subordinated unsecured note from Mirabela at the conclusion of the Brazilian extra judicial proceeding (a legal process in Brazil, in relation to the guarantee which Mirabela's Brazilian subsidiary has given in respect of the Notes) (**EJ Proceeding**) requesting the ratification of a restructuring plan (**EJ Plan**) providing for the extinguishment of Mirabela Brazil's obligations under its guarantee of the Notes and the issuance by Mirabela of the unsecured note subject to the ratification of the EJ Plan by the Brazilian court. That unsecured note will have a term of 30 years and attract an interest rate of 1.0% p.a., payable in kind.

The implementation of the Australian elements of the Recapitalisation Proposal is not contingent on a successful outcome in relation to the EJ Filing.

5.4 Conditions to implementation

The Recapitalisation Proposal will only be implemented if:

(a) The Bradesco facility is amended to the satisfaction of the Deed Administrators. We note that this has already occurred;

(b) Caterpillar agrees to extend a waiver of its rights to enforce under its facility document to the satisfaction of the Deed Administrators. We note that this has already occurred;

(c) The Court grants leave under section 444GA, and the Unsecured Noteholders become entitled to approximately 98.2% of the Shares of existing Shareholders;

(d) The Deed Administrators of Mirabela transfer the Transfer Shares pursuant to the Court orders to Mirabela Investments, which will hold the shares on trust as bare trustee for the benefit of the Unsecured Noteholders;

(e) Approval is obtained under the Foreign Acquisitions and Takeovers Act 1974 (Cth) for the Recapitalisation Proposal to be implemented;

(f) Mirabela receives funds from the issuance of the New Convertible Notes and the New Convertible Notes become a finance document under the Syndicated Note Subscription Deed; and

(g) ASIC and ASX formally grant the waivers and relief described in sections 9.1 and 9.2.

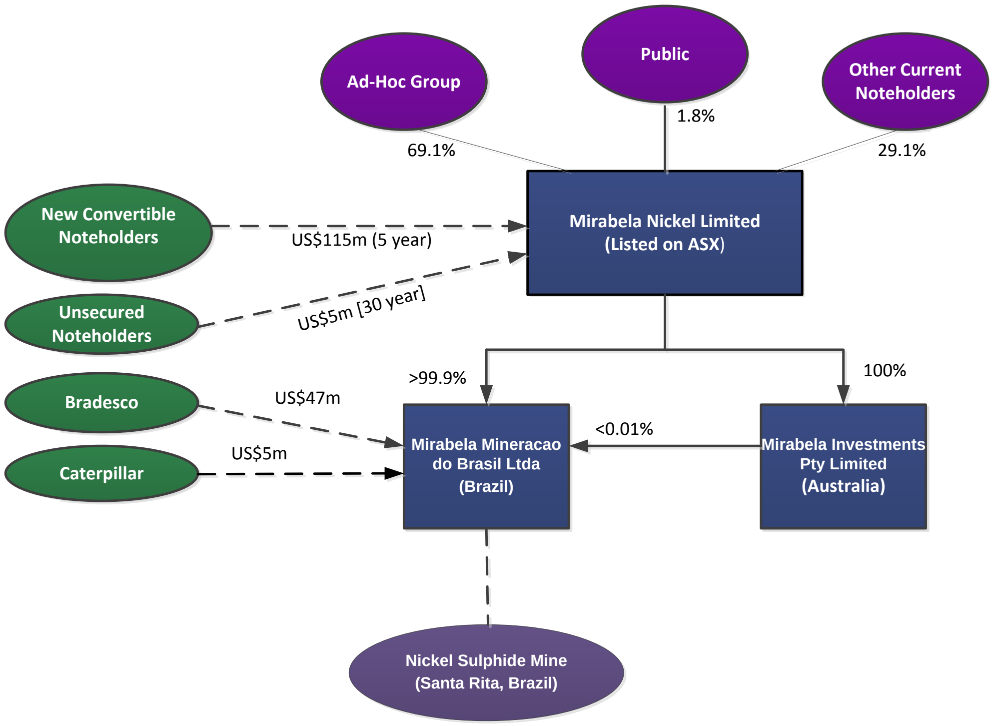
It is envisaged that the above steps will be completed before 30 June 2014.

If the Recapitalisation Proposal is not implemented, it is expected that the Mirabela Group will be unable to continue its mining operations and its assets will be liquidated. In that situation, there will be no return to Shareholders.

6 Effect of the Recapitalisation Proposal on Mirabela

6.1 Simplified debt and equity structure of Mirabela

The diagram below shows a simplified overview of the debt and equity structure of Mirabela immediately after the Implementation Date.



6.2 Effect on assets and liabilities of Mirabela

If the Recapitalisation Proposal is implemented:

(a) the Deed of Company Arrangement for Mirabela will be terminated. New directors will be appointed before termination of the Deed of Company Arrangement, and the directors will resume control of the business of Mirabela;

(b) there will be no effect on the assets of Mirabela – it will continue to own and operate all of the assets it currently has; and

(c) the debt of Mirabela (excluding trade creditors and employees) will be reduced to:

(i) approximately USD115 million in New Convertible Notes secured over the assets of the Mirabela Group which are security for the Current Secured Notes;

(ii) USD5 million in New Unsecured Notes;

(iii) the Caterpillar Facility; and

(iv) the Bradesco Facility.

6.3 Substantial shareholders after Recapitalisation Proposal

Based on the information available to Mirabela as at 30 April 2014, the following entities would have voting power of more than 5% of the shares in Mirabela immediately following implementation of the Recapitalisation Proposal:

Shareholder	Estimated Voting Power
Certain funds or managed accounts managed or advised by Guggenheim Partners Investment Management, LLC	14.4%
Certain funds or managed accounts managed or advised by Pioneer Investment Management, Inc.	10.7%
Certain funds or managed accounts managed or advised by ID-Sparinvest A/S	10.1%
Certain funds or managed accounts managed or advised by Lord Abbett & Co. LLC	7.9%
Certain funds or managed accounts managed or advised by Western Asset Management Company	7.3%
Certain funds or managed accounts managed or advised by Capital Research and Management Company	7.0%
Certain funds or managed accounts managed or advised by Deans Knight Capital Management Ltd.	5.8%

The actual shareholdings immediately following the Implementation Date cannot be calculated as they will be affected by matters which include:

- the date on which the Recapitalisation Proposal is implemented; and
- acquisitions or disposals of the debt which may occur before the Implementation Date.

As the members of the Ad-Hoc Group are currently associates, for the purposes of the Corporations Act, each of them would have voting power of approximately 69.1% at the time of implementation, if that association continued past the point of implementation. However, it is expected that their association will end at the time of implementation, as they have only become associates for the purposes of securing implementation of the Recapitalisation Proposal.

Guggenheim Partners is a privately held, diversified financial services business, headquartered in New York and Chicago. It has approximately US$200 billion in assets under management. It provides asset management, investment banking and capital markets services, insurance services, institutional finance and investment advisory solutions to institutions, governments and agencies, corporations, investment advisors, family offices and individuals.

Pioneer Investment Management has assets under management of approximately €179 billion, with investment hubs located in Boston, Dublin and London. It provides investment services to institutional, wholesale and retail investors. It is owned by UniCredit, a European commercial banking group.

Sparinvest is an international asset management group based in Luxembourg and owned by a broad range of Danish institutional shareholders. Sparinvest provides professional asset management services throughout the world through its fund range and tailored products and services. Sparinvest is a specialist in value investment – both for equities and bonds.

Lord Abbett is a privately held investment manager headquartered in Jersey City, New Jersey, with assets under management of approximately US$137 billion. It provides discretionary and non-discretionary investment management services to a broad range of clients, across equity, fixed-income and balanced portfolios.

Western Asset Management Corporation is a fixed-income manager, with offices in Pasadena, Hong Kong, London, Melbourne, New York, São Paulo, Singapore, Tokyo and Dubai. It provides investment services for a wide variety of global clients, across an equally wide variety of mandates. It has approximately US$468.7 billion in assets under management.

Capital Research and Management Company is a privately owned investment manager, which manages equities, fixed income and balanced funds for its clients. Capital Research and Management is based in Los Angeles, California with additional offices in Irvine, California; Norfolk, Virginia; Los Angeles, California; San Francisco, California; and Washington, District of Columbia. It is a subsidiary of The Capital Group Companies, Inc.

Deans Knight Capital Management is an investment firm focused on servicing private individuals and families, as well as a number of institutions located around the world. It is headquartered in Vancouver, Canada.

6.4 Conversion of New Convertible Notes

If all of the New Convertible Notes are converted into Shares on the Implementation Date, and no other Shares are issued after the Recapitalisation Proposal is implemented, a further approximately 681,279,615 Shares would be issued. This would represent approximately 42.3% of the issued capital of Mirabela after conversion of the New Convertible Notes, if it occurred on the Implementation Date.

If each of the persons listed in section 6.3 were to subscribe for that number of New Convertible Notes set out below, and then converted them on the Implementation Date, the effect on their shareholding and voting power in Mirabela would be as set out in Table 1 below, in the scenarios where:

- all other holders of New Convertible Notes convert on the same date; or
- only one holder of New Convertible Notes converts them. This scenario shows the maximum voting power which one of the persons listed in section 6.3 may acquire as at the Implementation Date.

The in-principle relief which ASIC has indicated it will grant permits the conversion of the New Convertible Notes to be issued on the Implementation Date.

However, additional New Convertible Notes will be issued during the term of the New Convertible Notes, as payment in kind for interest which accrues on the New Convertible Notes. ASIC has been requested to grant relief to permit the conversion of these additional New Convertible Notes, where such conversion would otherwise result in a breach of the Corporations Act. If all of the New Convertible Notes (including those issued as payment in kind) were converted into Shares on the last possible date for conversion (if that conversion was permitted under the Corporations Act or pursuant to ASIC relief from the Corporations Act), and no other Shares are issued after the Recapitalisation Proposal is implemented, a further 1,083,591,802 Shares would be issued. This would represent approximately 53.8% of the issued capital of Mirabela after conversion of the New Convertible Notes.

If each of the persons listed in section 6.3 were to subscribe for that number of New Convertible Notes set out below, and then converted them (and all other New Convertible Notes issued as payment in kind of interest) on the last date on which the New Convertible Notes could be converted, the effect on their shareholding and voting power in Mirabela would be as set out in Table 2 below, in the scenarios where:

- all other holders of New Convertible Notes convert on the same date; or
- only one holder of New Convertible Notes converts them. This scenario shows the maximum voting power which one of the persons listed in section 6.3 may acquire, as a result of implementation of the Proposed Recapitalisation.

Table 1: Maximum voting power of substantial holders as at the Implementation Date

Name of holder	No. of Shares acquired on Implementation Date	Face Value of New Convertible Notes acquired on Implementation Date	No. of Shares if the named holder converts on closing	Voting power if all New Convertible Note holders convert on closing	Voting power if only the named holder converts on closing
Certain funds or managed accounts managed or advised by Guggenheim Partners Investment Management, LLC	134,203,151	27,541,000	297,360,733	18.5%	27.2%
Certain funds or managed accounts managed or advised by Pioneer Investment Management, Inc.	99,617,758	12,500,000	173,669,890	10.8%	17.3%
Certain funds or managed accounts managed or advised by ID-Sparinvest A/S	93,681,046	19,333,000	208,213,036	12.9%	19.9%
Certain funds or managed accounts managed or advised by Lord Abbett & Co. LLC	73,834,219	Nil	73,834,219	4.6%	N/A
Certain funds or managed accounts managed or advised by Western Asset Management Company	67,425,243	25,640,000	219,320,977	13.6%	20.3%
Certain funds or managed accounts managed or advised by Capital Research and Management Company	64,629,322	13,082,000	142,129,322	8.8%	14.1%
Certain funds or managed accounts managed or advised by Deans Knight Capital Management Ltd.	53,478,654	1,000,000	59,402,824	3.7%	6.4%

Table 2: Maximum voting power of potential substantial shareholders immediately prior to maturity (including New Convertible Notes to be issued as payment in kind of interest)

Name of holder	No. of Shares acquired on Implementation Date	Face Value. of New Convertible Notes acquired on Implementation Date (USD)	No. of Shares if the named holder converts on last possible date	Voting power if all New Convertible Note holders convert on last possible date	Voting power if only the named holder converts on last possible date
Certain funds or managed accounts managed or advised by Guggenheim Partners Investment Management, LLC	134,203,151	27,541,000	393,709,254	19.6%	33.1%
Certain funds or managed accounts managed or advised by Pioneer Investment Management, Inc.	99,617,758	12,500,000	217,399,476	10.8%	20.8%
Certain funds or managed accounts managed or advised by ID-Sparinvest A/S	93,681,046	19,333,000	275,846,962	13.7%	24.8%
Certain funds or managed accounts managed or advised by Lord Abbett & Co. LLC	73,834,219	Nil	73,834,219	3.7%	N/A
Certain funds or managed accounts managed or advised by Western Asset Management Company	67,425,243	25,640,000	309,019,103	15.3%	26.4%
Certain funds or managed accounts managed or advised by Capital Research and Management Company	64,629,322	13,082,000	187,894,958	9.3%	17.8%
Certain funds or managed accounts managed or advised by Deans Knight Capital Management Ltd.	53,478,654	1,000,000	62,901,190	3.1%	6.7%

6.5 Board and senior management

If the Recapitalisation Proposal is approved, the Deed Administrators will identify and appoint new directors to the board of Mirabela. The composition and size of the Board will need to be acceptable to the Ad-hoc Group and the Deed Administrators.

The Deed Administrators, with the approval of the Ad-hoc Group, anticipate appointing a new chief executive officer for the Mirabela Group before or upon implementation of the Recapitalisation Proposal.

6.6 Other equity on issue

In addition to the Shares, Mirabela has issued:

- 400,000 unlisted options, exercisable at a price of A$3.00 on or before 30 June 2014; and

- 482,263 performance rights, granted pursuant to the Mirabela Nickel Performance Plan adopted in 2010. While the performance rights vested on 31 December 2013, no shares have been issued to the holders of those rights, as the plan was suspended in January 2014.

The Recapitalisation Proposal will not have any effect on the rights of the holders of those unlisted options or performance rights.

6.7 Dividend or distribution policy

The Board may set, and vary, any policy relating to the amount of dividends or distributions to be paid to Shareholders. Mirabela has never paid a dividend and no dividend is expect to be paid in the short to medium term future.

6.8 New Convertible Notes

The New Convertible Notes:

- can be converted into Shares, at the election of the holder, based on an initial conversion price of USD0.1688;

- have an interest rate of 9.5% per annum, payable in kind on a semi-annual basis;

- have a term of 5 years, but can be redeemed by Mirabela after the 3rd anniversary of issue (at a premium of 106.75% of face value) or after the 4th anniversary of issue at face value;

- are guaranteed by Mirabela Investments and Mirabela Brazil; and

- will be secured by a first ranking charge on a material part of the assets of the Mirabela Group (including shares in Mirabela Investments and Mirabela Brazil and a material part of the assets of Mirabela Brazil).

A detailed summary of the terms of the New Convertible Notes is in Schedule 2.

6.9 New Unsecured Notes

The New Unsecured Notes will:

- have an aggregate face value of USD5 million;

- have a 30 year term, so will be repayable in 2044 (unless Mirabela elects to redeem before then);
- have an interest rate of 1% per annum, payable in kind;
- be subordinated to all other unsecured liabilities of Mirabela;
- not be listed on any exchange.

A detailed summary of the indicative terms of the New Unsecured Notes is in Schedule 3.

6.10 Intentions for Mirabela

Except as set out in this Explanatory Statement, Mirabela is not aware of any intentions that the potential new substantial shareholders in Mirabela have:

(a) to change the business of the Mirabela Group;

(b) to inject further capital into the Mirabela Group;

(c) for the future employment of Mirabela Group employees;

(d) for the transfer of assets between the Mirabela Group and any shareholder; or

(e) to otherwise redeploy the assets of the Mirabela Group.

7 Advantages and disadvantages for Shareholders

This section sets out the key advantages and disadvantages of the Recapitalisation Proposal for Shareholders. Shareholders should also consider the information provided about taxation consequences in section 8.

7.1 Advantages of the Recapitalisation Proposal for Shareholders

(a) Removing the suspension from trading on the ASX

It is anticipated that, on or shortly after, implementation of the Recapitalisation Proposal, trading in Shares in Mirabela will recommence on the ASX (subject to satisfaction of any conditions imposed by the ASX). This will allow all Shareholders to then trade their Shares on the ASX.

(b) **Avoidance of uncertainties associated with liquidation or receivership**

The Recapitalisation Proposal will:

(i) provide a means by which a restructure of the debt owing by Mirabela can be effected with minimal disruption to the business of the Mirabela Group; and

(ii) avoid costs, delays and uncertainty that could result from liquidation or receivership of the Mirabela Group.

(c) Improved financial position

The interest bearing debt level of the Mirabela Group will be reduced from approximately USD454.6 million to approximately USD176.5 million and its cash holdings will increase, on implementation of the Recapitalisation Proposal and the Deed of Company Arrangement, as a result of:

(i) the Unsecured Noteholders' entitlement being discharged in exchange for the transfer of Shares from current Shareholders and the issue of the New Unsecured Notes;

(ii) the Secured Notes being exchanged for New Convertible Notes; and

(iii) the capital raising from the issue of New Convertible Notes.

This is expected to allow the Mirabela Group to continue trading on a basis which allows it to meet its obligations as they fall due.

(d) Avoiding insolvency expenses

The legal, administrative and funding costs associated with the liquidation or receivership of the Mirabela Group would be avoided if the Recapitalisation Proposal is implemented.

(e) Possible realisation of value through increase in value and future sales of Shares

Shareholders may have the opportunity to reduce the loss of value in their Shares and to recoup some losses sustained from the transfer of Shares under the Recapitalisation Proposal, through any subsequent increase in the value of their Shares on a sale. Shareholders may consider that the potential to recover value through the Shares is an advantage when compared to the crystallisation of loss that would occur for some or all Shareholders on a winding up of Mirabela.

7.2 Disadvantages of the Recapitalisation Proposal for Shareholders

(a) **Minority holding in Mirabela**

Some Shareholders are likely to hold low percentages of the Shares in Mirabela following implementation of the Recapitalisation Proposal, compared to the estimated holdings of the largest shareholders (none of whom will have control of Mirabela) and compared to their holdings before implementation of the Recapitalisation Proposal.

There are risks associated with being a minority shareholder in a company, such as an inability to control or significantly influence the outcome of decisions at a meeting of Shareholders. These disadvantages are mitigated to some extent by the statutory protections afforded to minority shareholders under the Corporations Act.

Some Shareholders will hold less than a marketable parcel following implementation of the Recapitalisation Proposal. In that situation, brokerage costs to sell the Shares may be significant compared to the value of the Shares.

(b) **Dilution**

Shareholders will be further diluted if the New Convertible Notes are converted to Shares. If all New Convertible Notes, including those issued as payment in kind of interest accruing on the New Convertible Notes, are converted on the last possible date, a further 1,083,591,802 Shares will be issued, which will amount to approximately 53.8% of the issued capital of Mirabela, on a fully diluted basis.

(c) **Possibility that insolvency may provide a better outcome**

The voluntary administrators' report to creditors states that there would be no return to Shareholders on a winding up and a diminished return to unsecured creditors of Mirabela and Mirabela Investments.

Notwithstanding this, Shareholders may consider that there is a potential for a better return under a winding up of Mirabela, than the nil return to Shareholders assessed by the voluntary administrators.

8 Tax consequences

This section of the Explanatory Statement is provided for general information of Shareholders who are Australian taxpayers holding their shares on capital account, not as trading stock, and who are not subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) for the purposes of calculating any gains or losses arising from financial arrangements. It does not take account of the circumstances of any individual Shareholder. Shareholders should seek their own tax advice on the consequences for them of the Recapitalisation Proposal being implemented.

The transfer of Shares on implementation of the Recapitalisation Proposal will give rise to a capital gains tax event for the Shareholders.

The Australian Shareholders who hold their Shares on capital account will incur a capital loss to the extent the reduced cost base in the Shares transferred exceeds the market value of the Shares.

The reduced cost base in the Shares includes:

- the acquisition cost of the Shares;
- incidental acquisition costs incurred to acquire and hold the Shares;
- expenditure incurred to increase or preserve the value of the Shares; and
- capital expenditure incurred to establish, preserve or defend their title to the Shares.

Given the transfer will occur by way of a court order, and not a contract, the time of the CGT event for the Shareholders will be when the beneficial ownership of the Shares reverts to the Unsecured Noteholders.

Non-Australian resident shareholders should not get the benefit of the capital loss on the basis that their Shares should not constitute taxable Australian property.

9 Additional information

9.1 ASIC Relief

Mirabela has received in-principle approval from ASIC for the following exemptions from section 606 of the Corporations Act, to facilitate the Recapitalisation Proposal:

- an exemption from section 606, to allow the transfer of Shares to the Noteholders, which was required because of the association between certain of the Noteholders (which association is expected to end immediately upon implementation of the Recapitalisation Proposal);

- an exemption from section 606, to allow the issue of new Shares to certain of the Unsecured Noteholders, as described in section 1.2(c); and
- an exemption from section 606 to allow specified New Convertible Noteholders to acquire Shares on conversion of the New Convertible Notes issued on the Implementation Date, in circumstances where their voting power may increase above 20% or, if already above 20%, will increase as a result of the issue of those Shares.

It is a condition of the exemption that Mirabela obtain the Independent Report which is attached to this Explanatory Statement (including the valuation by AMC Consultants Pty Ltd).

Mirabela has also sought an exemption from section 606 of the Corporations Act, to allow New Convertible Noteholders to acquire Shares on conversion of the New Convertible Notes which will be issued as payment in kind for interest, in circumstances where their voting power may increase above 20% or, if already above 20%, will increase as a result of the issue of those Shares. No decision has been made on whether that exemption will be granted.

9.2 ASX Waivers

ASX has granted in-principle approval for the following waivers of ASX Listing Rules, to facilitate the Recapitalisation Proposal:

- a waiver of ASX Listing Rule 7.1 to permit the issue of the New Convertible Notes and the issue of Shares on conversion of the New Convertible Notes, without Shareholder approval, even though the number of New Convertible Notes and/or Shares will exceed 15% of the Company's issued capital; and
- a waiver of ASX Listing Rule 10.1, to permit any holder of New Convertible Notes to obtain the benefit of the security which will be granted over all the assets of the Mirabela Group.

9.3 Material interests of Mirabela directors

There are no current directors of Mirabela.

9.4 Material interests of the Deed Administrators

The Deed Administrators have disclosed the existence of other retainers in section 1.4 of the Independent Report.

10 Signature of Mirabela

This Explanatory Statement has been signed by Mirabela.

Martin Madden

Martin Madden
in his capacity as joint and several deed administrator of
Mirabela Nickel Limited (Subject to Deed of Company Arrangement)

Schedule 1 Dictionary

1.1 Dictionary

In this document:

Ad-hoc Group has the meaning given to that term in section 4.2.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the financial market operated by ASX Limited.

AUD means Australian Dollars.

Corporations Act means *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction.

Current Secured Notes means the secured notes issued under the Syndicated Note Subscription Deed.

Deed Administrators means Martin Madden, David Winterbottom and Clifford Rocke of KordaMentha in their capacity as joint and several deed administrators of Mirabela Nickel.

DOCA means a deed of company arrangement.

Explanatory Statement means this document and its appendices.

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity or the Court.

Implementation Date means the date on which Shares are transferred and/or issued to Unsecured Noteholders and the New Convertible Notes are issued, as described in section 5.3.

Indenture has the meaning given to that term in section 4.2.

Independent Report means the report of the Deed Administrators attached at Attachment A.

Interim Loan has the meaning given to that term in section 4.2.

Mirabela means Mirabela Nickel Ltd (subject to deed of company arrangement) ABN 23 108 161 593.

Mirabela Brazil means Mirabela Mineração do Brasil Ltda, a subsidiary of Mirabela.

Mirabela DOCA means the deed of company arrangement executed by Mirabela on 13 May 2014, a copy of which forms Attachment B.

Mirabela Group means Mirabela and its subsidiaries.

Mirabela Investments means Mirabela Investments Pty Limited (subject to deed of company arrangement) ACN 124 449 716, a wholly owned subsidiary of Mirabela.

New Capital Fee has the meaning given to that term in section 5.3(c).

New Convertible Notes means the convertible notes to be issued by Mirabela on the terms described in section 6.8.

New Unsecured Notes means the loan notes to be issued by Mirabela on the terms described in section 6.7.

Notes has the meaning given to that term in section 4.2.

Plan Support Agreement means the agreement dated 24 February 2014 between certain Unsecured Noteholders.

Recapitalisation Proposal means the proposal outlined in section 1.2 for the recapitalisation of Mirabela.

Relief means the regulatory relief described in sections 9.1 and 9.2.

Rollover Fee has the meaning given to that term in section 5.3(c).

Secured Noteholders has the meaning given to that term in section 4.2.

Shareholder means a holder of Shares.

Shares means fully paid ordinary shares in the capital of Mirabela.

Syndicated Note Subscription Deed means the syndicated note subscription deed dated 24 December 2013 by and among the Mirabela Group and the financiers named therein, as amended from time to time.

Transfer Shares means the Shares to be transferred for the benefit of the Unsecured Noteholders, on implementation of the Recapitalisation Proposal.

Unsecured Noteholder means a holder of Notes.

USD means United States dollars.

1.2 Interpretation

In this document the following rules of interpretation apply unless the contrary intention appears:

(a) headings are for convenience only and do not affect the interpretation of this document;

(b) the singular includes the plural and vice versa;

(c) words that are gender neutral or gender specific include each gender;

(d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;

(e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;

(f) a reference to:

(i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;

(ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;

(iii) a document includes all amendments or supplements to that document;

(iv) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity and is a reference to that law as amended, consolidated or replaced;

(v) an agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and

(vi) a monetary amount is in Australian dollars;

(g) descriptions and summaries of documents are included for information only. If there is any inconsistency between this Explanatory Statement and any document, the document prevails to the extent of any inconsistency.

1.3 Rounding

A number of figures, amounts, percentages, estimates, calculations of values and fractions in this Explanatory Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out.

1.4 Responsibility Statement

Mirabela has provided and is responsible for all information in this Explanatory Statement, other than the opinions expressed in the Independent Report. Mirabela provides this Explanatory Statement. The Deed Administrators are solely acting in their capacity as Deed Administrators of the deed of company arrangement entered into by Mirabela on 13 May 2014, and in their capacity as agent of Mirabela.

1.5 Forward looking statements

Certain statements in this Explanatory Statement relate to the future. The forward looking statements and information, including the statements and information relating to Mirabela, the Mirabela Group and the transactions contemplated by the Recapitalisation Proposal, are not based solely on historical facts, but rather reflect the expectations of the Mirabela Group as at the date of this Explanatory Statement. These forward looking statements, are based on assumptions and contingencies which are subject to change. Forward looking statements are provided as a general guide only. Mirabela Shareholders are cautioned about relying on any such statements.

While Mirabela believes it has reasonable grounds for its expectations reflected in the forward looking statements in this Explanatory Statement, neither Mirabela nor any other person makes or gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Statement will occur.

Schedule 2 New Convertible Note terms

This is a summary of the terms on which the New Convertible Notes will be issued. The full terms contained in the terms of issue to which the Mirabela Group and certain other entities are party. The New Convertible Note terms are subject to the ASX Listing Rules.

Issuer	Mirabela
Issue Price	USD1,000 per New Convertible Note
Minimum Subscription	USD250,000
Maximum amount on issue	US$135 million (plus any New Convertible Notes issued as payment of interest)
Maturity Date	5 years after the effective date
Collateral	The Convertible Notes are secured by a first-priority lien on all of the collateral which secures the Syndicated Note Subscription Deed and any additional unencumbered assets held by Mirabela, Mirabela Brasil and Mirabela Investments.
Guarantee	Each of Mirabela Investments and Mirabela Brazil guarantee: (a) the payment of principal and interest on the New Convertible Notes when due and all other monetary obligations of Mirabela under the New Convertible Notes; and (b) the performance of all obligations of Mirabela under the New Convertible Notes.
Interest	9.5% per annum based on a 360-day year of twelve 30-day months. Interest on the New Convertible Notes shall be capitalized by Mirabela and added to the principal amount of the New Convertible Notes semi-annually in arrears.
Conversion	Each New Convertible Note is convertible at the election of the holder into Shares at the conversion price of US$0.1688 per Share.
Conversion adjustments	Subject to the ASX Listing Rules, the conversion ratio may be adjusted for: (a) a distribution of Shares to Shareholders, as if the New Convertible Notes had converted before the distribution; (b) a share split or consolidation of Shares, as if the New Convertible Notes had converted before the distribution; (c) a rights issue at a discount, to adjust for the dilution and benefit of the discount;

	(d) any distribution to Shareholders other than a cash distribution or on a winding up or liquidation, adjusted for the difference between the trading price before the distribution and the fair market value at the time of distribution or an adjustment as if the holders had converted and participated; (e) a cash distribution to Shareholders, such that holders receive the sum on conversion as if they had converted and participated or the conversion ratio is adjusted accordingly; (f) a buy-back, for the change in Shares on issue with reference to the consideration paid by Mirabela
Redemption by Mirabela	Mirabela can redeem: (a) all the Convertible Notes, in the first three years after the effective date, for the issue price (plus accrued and unpaid interest), if the Company is or becomes obliged to pay additional amounts relating to taxes; (b) any or all Convertible Notes, after the third anniversary of the Effective Date, for 106.25% of the issue price (plus accrued and unpaid interest); and (c) any or all Convertible Notes, after the fourth anniversary of the effective date for the issue price (plus accrued and unpaid interest),
Redemption by the holder	On a change of control, holders can require redemption of some or all of their New Convertible Notes in some circumstances.
Successors	There are restrictions on consolidating, merging, conveying, transferring or leasing all or a substantial portion of the Company's assets, undertaking a scheme of arrangement or recommending a takeover bid which will result in all of the Shares being owned by one person, unless certain steps are taken relating to the New Convertible Notes and the related obligations of each company in the Mirabela Group.
Voting rights	No rights to receive notice of, attend or vote at a general meeting of the Company
Event of Default	The terms of issue contain standard events of default, including the following (some events of default are subject to cure periods): (a) failure to make payments on a New Convertible Note when due; (b) other non-compliance with covenants or general breach after written notice; (c) failure to pay judgments in excess of US$10 million in aggregate (net of any insured sum); (d) failure by the Company or a Guarantor to comply with the documents which are entered by the Mirabela Group

	companies, among others, to provide the Collateral; or (e) any steps are taken to terminate or assign any material mining concessions. If an Event of Default occurs and is continuing, the trustee for the New Convertible Noteholders may, at its discretion or acting on the instructions of 25% of the holders of New Convertible Notes, give notice to Mirabela declaring all amounts owing under the indenture due and payable (this includes the Face Value, any accrued and unpaid Interest and a premium).
Scheme, takeover or sale of assets	There are restrictions on Mirabela's ability to consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any person, or undertake a scheme of arrangement or recommend a takeover bid which will result in all of the shares of the Company being owned by one person, or convey, transfer or lease all or substantially all its assets to, any person. It also cannot sell shares in either Mirabela Investments or Mirabela Brazil or all or substantially all of the assets of those companies, except in certain circumstances.
Governing law	New York

Schedule 3 New Unsecured Notes

Issue	Summary
Issuer	Mirabela
Principal Amount	USD5,000,000
Interest Rate	1.0% per annum, payable-in-kind, compounded annually
Maturity	30 years
Early redemption	At Mirabela's election – no protection against early redemption.
Listing	None
Gross-Up for Brazilian Withholding Tax	None
Events of Default	(i) A failure by Mirabela to pay the principal amount or interest to the holders of the New Unsecured Notes when due and payable. (ii) A filing by Mirabela or any of its direct subsidiaries, following the date of issuance, for any type of Insolvency Proceeding (as defined below). "**Insolvency Proceeding**" means any action, legal proceeding or other step in respect of Mirabela or any of its subsidiaries in connection with (i) the winding up, dissolution, bankruptcy, *recuperação judicial*, *recuperação extrajudicial*, *falência,* administration, or liquidation or reorganization (by way of voluntary arrangement, scheme of arrangement or similar arrangement), (ii) the appointment of an administrator, liquidator, receiver, *administrador judicial*, compulsory manager, scheme manager or similar officer in respect of Mirabela or any of its subsidiaries or any of its assets or (iii) any analogous procedure or step in any jurisdiction.
Governing Law	The New Unsecured Notes will be governed by New York law.

Attachment A Independent Report

Independent Experts' Report

Mirabela Nickel Limited
(subject to deed of company arrangement)

30 May 2014

KordaMentha restructuring

Contents

Glossary of terms

Abbreviation	Full text
the Act	Corporations Act 2001 (Commonwealth)
Ad-Hoc Noteholders	The ad-hoc group of holders of more than 65% of the Unsecured Notes
Approved DOCAs	Mirabela DOCA and Mirabela Investments DOCA
AMC	AMC Consultants Pty Limited
AMC Production Case 1	Case 1 prepared by AMC as set out in Appendix 10 and Appendix 12
AMC Production Case 2	Case 2 prepared by AMC as set out in Appendix 11 and Appendix 12
AMC Report	The independent mining technical report prepared by AMC and included at Appendix 12
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Atlas Copco	Atlas Copco Customer Finance AB
AusIMM	The Australasian Institute of Mining and Metallurgy
Bradesco	Banco Bradesco SA
Brazilian Collateral Agent	Deutsche Bank S.A. – Banco Alemão
BRL	Brazilian Real
C1 Cash Costs	Cost of production and selling costs
CA	Confidentiality agreement
CAPM	Capital asset pricing model
Caterpillar	Caterpillar Financial Services Corporation
CBPM	Companhia Bahiana de Pesquisa Mineral
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Co	Cobalt
Companies	Collective reference to Mirabela and Mirabela Investments
Court	The Supreme Court of New South Wales
Cu	Copper
DCF	Discounted cash flow
DD	Due diligence
Dmt	Dry metric tonnes
DOCA	Deed of company arrangement
Deed Administrators	Martin Madden, Cliff Rocke and David Winterbottom in their capacities as joint and several deed administrators of Mirabela and Mirabela Investments
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Enterprise value	Enterprise value is the total firm value (i.e. including debt and equity)
EY	Ernst & Young
FIRB	Foreign Investment Review Board
First Subscribing Parties	Certain Ad-Hoc Noteholders who have agreed to subscribe for their pro-rata share (of up to USD 55.0 million) of the convertible notes subject to the pro rata subscription of other Noteholders as contemplated in the Mirabela DOCA
FY10	Financial year ended 31 December 2010
FY11	Financial year ended 31 December 2011
FY12	Financial year ended 31 December 2012
FY13	Financial year ended 31 December 2013
FY14	Financial year ending 31 December 2014
Fx	Foreign exchange
Group	Collective reference to Mirabela, Mirabela Investments and Mirabela Brazil
Indenture	The 8.75% Senior Notes indenture dated 14 April 2011

Abbreviation	Full text
ITH	International trading house (actual name commercial in confidential)
INEMA	Mining and environmental authority in Brazil
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
lb	Imperial pound measurement of mass
Limitada	Limited liability Brazilian entity
LME	London Metal Exchange
LOM	Life of mine
Management	Senior staff, including the ex-CEO (Ian Purdy) and CFO of Mirabela
Mirabela	Mirabela Nickel Limited (Subject to Deed of Company Arrangement)
Mirabela DOCA	The DOCA approved by the creditors of Mirabela at the second creditors meeting on 13 May 2014
Mirabela Brazil	Mirabela Mineração do Brasil Ltda
Mirabela Investments	Mirabela Investments Pty Limited (Subject to Deed of Company Arrangement)
Mirabela Investments DOCA	The DOCA approved by the creditors of Mirabela Investments at the second creditors meeting on 13 May 2014
Mt	Million tonne
Mtpa	Million tonne per annum
Ni	Nickel
Norilsk	Norilsk Nickel Harjavalta Oy
Noteholders	Collective reference to Secured Noteholders and Unsecured Noteholders
Proposed Recapitalisation	The proposed recapitalisation as set out in the PSA
PSA	The Plan Support Agreement between members of the Ad-Hoc Noteholders dated on or about 24 February 2014 and announced to the ASX on 25 February 2014
Pt	Platinum
Q1/Q2/Q3/Q4	Financial quarter ending 31 March, 30 June, 30 September and 31 December respectively
RATA	Report as to affairs
Real	Brazilian Real
Secured Notes	The secured notes issued by Mirabela pursuant to the SNSD
Security Trustee	AET Structured Finance Solutions Pty Limited
Shareholder Claimants	Persons who would have a subordinate claim under section 563A of the Act in a winding up of the Companies.
SNSD	Syndicated Note Subscription Deed dated 24 December 2013 between certain Ad-Hoc Noteholders, Mirabela and others.
Unsecured Noteholders	Holders of the Unsecured Notes
Unsecured Notes	The 8.75% Senior Notes issued by Mirabela pursuant to the Indenture
USD	United States Dollars
Valmin Code	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports' 2005
VogBR	Vogbr Recursos Hídricos e Geotecnia Ltda
Votorantim	Votorantim Industrial S.A.
WACC	Weighted average cost of capital

1 Introduction

On 25 February 2014, Mirabela notified the ASX that the Ad-Hoc Noteholders had entered into the PSA which formalised an agreement to provide continued support (both funding and standstill support) whilst a proposed plan to recapitalise the Group was implemented. The ASX announcement included a redacted copy of the legally binding PSA which outlined the terms on which the Ad-Hoc Noteholders would continue to support the Group.

We were appointed as voluntary administrators of the Companies pursuant to Section 436A of the Act on the same day.

On 02 May 2014, we issued our report pursuant to s439A of the Act to creditors, which detailed a deed of company arrangement for Mirabela and Mirabela Investments.

On 13 May 2014, the second meetings of the creditors of the Companies were held and the creditors voted in favour of the Approved DOCAs and we became Deed Administrators. No other proposals were received.

1.1 Scope of work

This report has been prepared for inclusion in the explanatory statement to be made available to shareholders of Mirabela in relation to the Proposed Recapitalisation.

The sole purpose of this report is to provide an independent assessment of the value of existing issued shares in Mirabela.

This report should not be used for any other purpose or by any other party.

1.2 Information

A list of the information which was provided to us in preparing this report is set out in Appendix 1. The documents that we utilised to support our opinions in this report are identified throughout the report by way of a footnote or by reference to the information included in Appendix 1.

Except as specifically detailed in this report, we have not conducted an audit of any information supplied to us. We have reviewed and made sufficient enquiries of the information made available to us and based on that review, believe that the information is reasonable for the scope of our work set out in section 1.1 and that there are reasonable grounds for the enterprise values set out in Table 21 in section 7.3.1.

A glossary of terms included in the report is set out on page 1.

1.3 Reliance on independent technical expert

ASIC Regulatory Guides envisage the use of a technical expert if the independent expert does not possess the necessary expertise in assessing the value of certain assets. AMC, a leading independent mining consultancy firm, was engaged to prepare an independent mining technical report. A copy of the AMC Report is attached to this report in Appendix 12.

The AMC Report was prepared in accordance with the requirements of the AusIMM and Valmin Code.

We have relied upon AMC's independent technical report in forming our view on the enterprise value of the Group.

1.4 Pre-existing relationships

We have read ASIC Regulatory Guide 112 on independence for experts and are of the opinion that:

- There is no actual, or perceived, conflict of interest
- There is no actual, or perceived, threat to independence
- There is no other reason for which the engagement could not be accepted.

We do not consider that our previous role as voluntary administrators of the Companies or our current role as Deed Administrators impacts upon our independence.

Previous and existing engagements

In accordance with Regulatory Guide 112.23 and RG112.28 to RG112.36, below is a summary of previous engagements relating to the Group.

Table 1 – Previous and existing engagements

Date	Engaging and invoiced party	Notes
11 February 2014 to 24 February 2014	Mirabela Nickel Limited Invoice paid in full on 12 February 2014	Planning for potential appointment as voluntary administrators
25 February 2014 to 13 May 2014	Appointments pursuant to Section 436A of the Act Invoiced to Mirabela Nickel Limited (administrators appointed) following approval by creditors pursuant to the Act.	Voluntary administrators
13 May 2014 to current	Appointed pursuant to the terms of the Approved DOCAs Invoiced to Mirabela Nickel Limited (subject to deed of company Arrangement)	Deed Administrators (ongoing)

We confirm that we have had no prior involvement with the Companies, their directors or any related party which would preclude us from accepting this appointment.

Importantly, as part of the engagements outlined above, no strategic advice was provided to the Companies or any of their creditors or shareholders.

Our involvement as Deed Administrators means we have been able to prepare this report (and supporting analysis) with the benefit of an understanding of the operations, the financing arrangements of the Group and the consequences of the Group not entering into a restructuring transaction.

Other considerations

We have not previously

- provided strategic advice to the Group as our work has been carried for the preparation of an orderly voluntary administration
- prepared an independent expert's report in relation to the Group

Conclusion

In our opinion, the engagements outlined above do not impair our independence and the previous work streams support understanding of the complex nature of the Group and its issues.

1.5 Limitations and reliance

This report has been prepared, and may be relied on, solely for the purpose contemplated in section 1.1 of this report. This report, or any part of it, may only be published or distributed:

a. For the purpose specified in section 1.1 of this report; or
b. In accordance with any law or by order of a court of competent jurisdiction.

Our express written consent must be obtained prior to relying upon, publishing or distributing this report, or any part of it, for any purpose other than that detailed above. Neither KordaMentha, nor we, accept responsibility to anyone if this report is used for some other purpose.

In the preparation of this independent experts' report, we were provided with information in respect of Mirabela and obtained additional information from public sources, as set out in Appendix 1.

We have had discussions with Management in relation to the operations, financial position, operating results and outlook of the Group.

Our opinion is based on economic, market and other external conditions prevailing at the date of this report. Such conditions can change over relatively short periods of time and these changes can be material.

We provided draft copies of this report to Management for its comment as to factual accuracy, as opposed to opinions. Any opinions expressed are our responsibility alone. Factual amendments made as a result of review by Management have not changed our methodology or conclusions.

The information provided to us has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to the value of existing issued shares. Whilst we do not warrant that our enquiries have identified all of the matters that an audit, or due diligence and/or tax investigation might disclose, we believe that the information is reasonable for the scope of our work set out in section 1.1 and that there are reasonable grounds for the enterprise values set out in Table 21 in section 7.3.1.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of the Group. We understand that the accounting information that was provided to us was prepared in accordance with generally accepted accounting principles in Australia.

In forming our opinion we have also assumed that:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so, and that there are no material legal proceedings, other than as publicly disclosed
- The publicly available information relied upon by us in our analysis was accurate and not misleading
- The Proposed Recapitalisation will be implemented in accordance with its terms.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

This report should be read in the context of the full qualifications, limitations and consents set out in Appendix 2 of this report.

1.6 Assistance by colleagues

In order to arrive at our opinions in this matter, we have selected colleagues to assist us. Our colleagues carried out the work that we decided they should perform. We have reviewed their work and original documents to the extent we considered necessary to form our opinions. The opinions expressed in this report are ours.

1.7 Statement regarding expert witness code

We are aware that this report will be tendered to the Court as part of the evidence in support of the application under Section 444GA of the Act, which is a condition of the Mirabela DOCA. As a consequence we have read the *Expert Witness Code of Conduct* contained in Schedule 7 of the *Uniform Civil Procedure Rules 2005* and have prepared this report on the basis that we are bound by it.

We have complied with the requirements of both *APES 215 – Forensic Accounting Services and APES 225 – Valuation Services*, the professional code of practice of CPA Australia and the Institute of Chartered Accountants in Australia.

Dated: 30 May 2014

Martin Madden

Martin Madden Deed Administrator	David Winterbottom Deed Administrator	Clifford Rocke Deed Administrator
Level 5 Chifley Tower 2 Chifley Square Sydney NSW 2000	Level 5 Chifley Tower 2 Chifley Square Sydney NSW 2000	Level 10 40 St Georges Terrace Perth WA 6000

2 Industry overview[1]

2.1 Nickel market

Nickel is a naturally occurring, lustrous, silvery-white metallic element and occurs extensively in the earth's crust principally as oxides, sulphides and silicates. About 80% of nickel consumption is used in the production of alloys, with stainless steel production accounting for approximately 65% of total nickel consumption. Indonesia, the Philippines, Russia and Australia are the largest sources of nickel, accounting for around 60% of world nickel production, however the largest producer of refined nickel is China (30%).

Figure 1: World nickel mine production

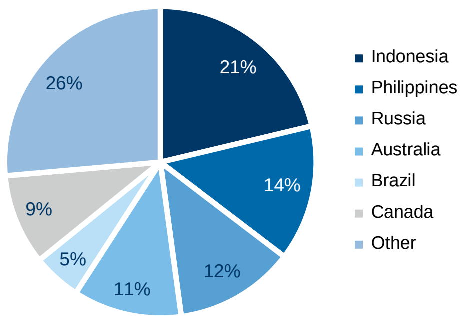


Figure 2: World refined nickel production

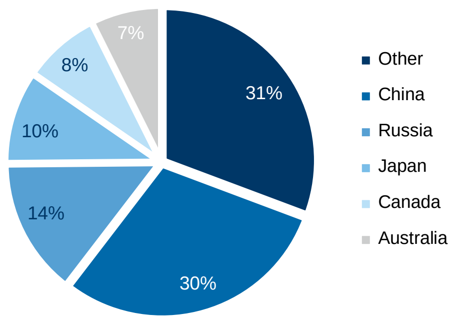


Figure 3: Use of nickel

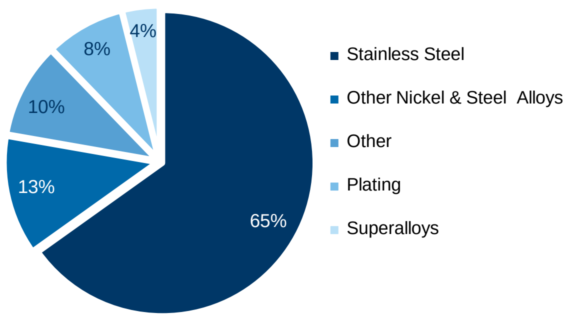
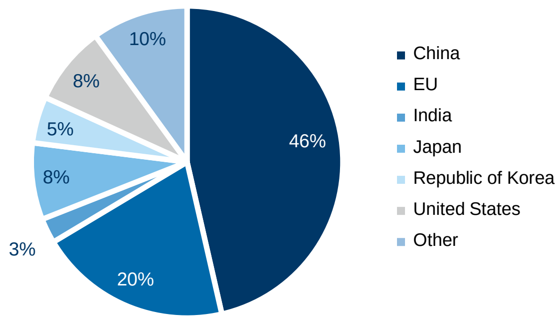


Figure 4: World nickel consumption



Source: Bureau of Resource and Energy Economics and IBISWorld

[1] Source: IBISWorld and analysts' reports.

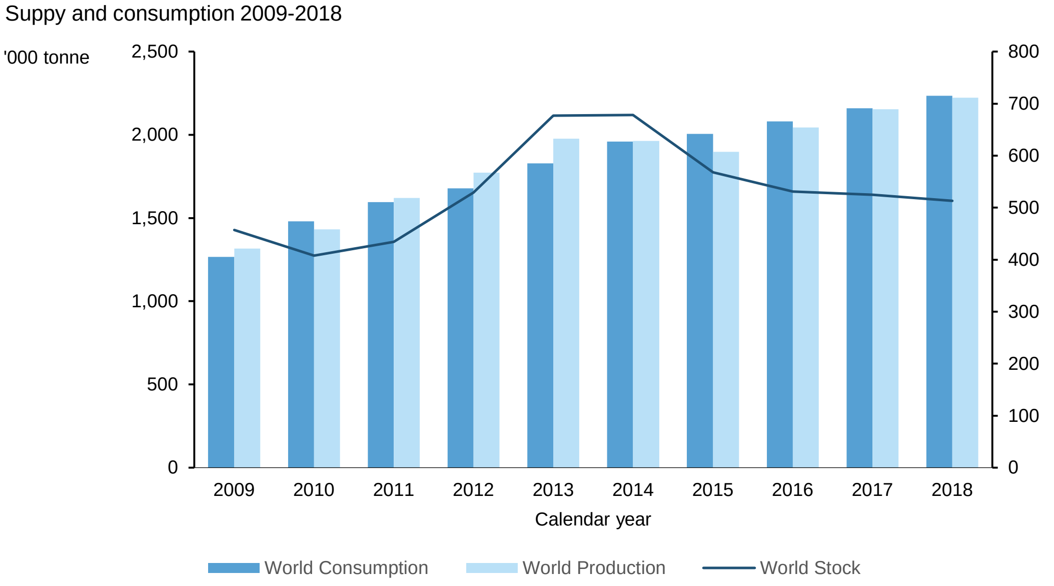
2.2 Demand

About two thirds of nickel is used is in the production of stainless steel, which contains about 8% nickel. As a result, the demand for nickel is heavily dependent on the demand for stainless steel. Three main factors are expected to drive demand for stainless steel in the coming years:

1. Construction of new infrastructure which use large amounts of stainless steel in construction.
2. Spending on consumer durables. Urbanisation and growing wealth are set to underpin rising demand for steel intensive products.
3. Levels of oil and gas production. Steel is a major component in pipelines and other infrastructure.

World consumption of nickel is projected to increase modestly over the next 5 years with an increase to 2,234 Mt of contained nickel in 2018, which is a 22.1% increase from 2013 levels.

Figure 5: Nickel market supply and demand



Source: CRU International Limited

2.3 Supply

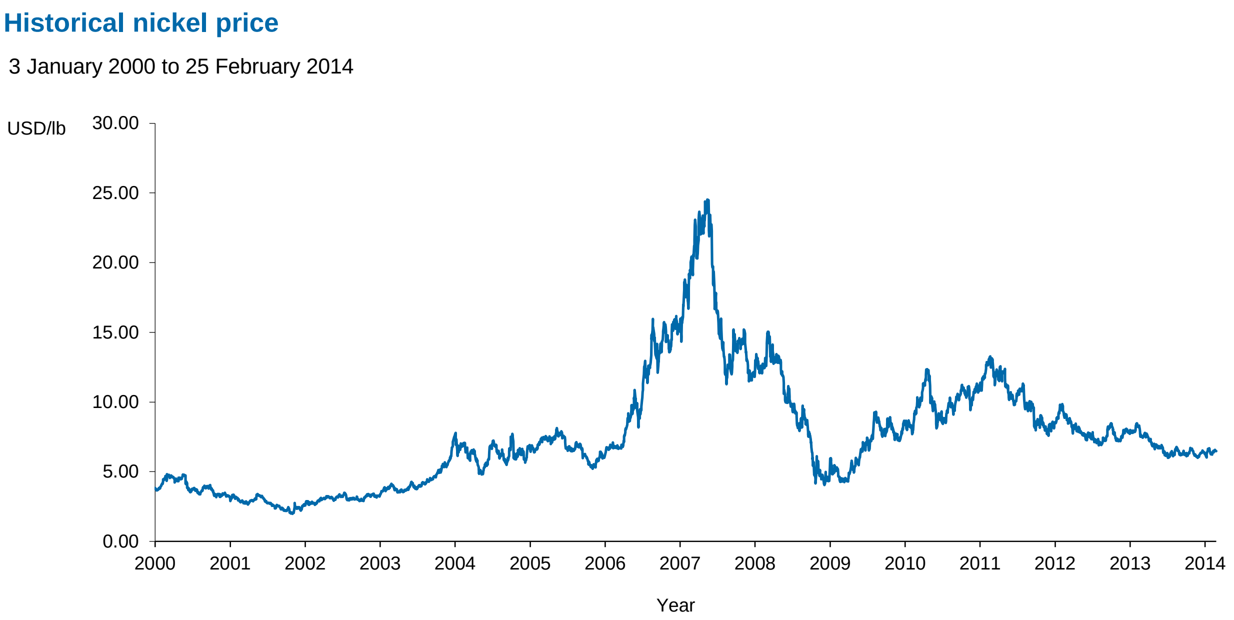
World production of refined nickel is set to grow at a gradual pace through to 2018, with global supply forecast to rise to 2,223 Mt or 12.5% on 2013 levels. As shown above, the market is forecast to tend towards balance in 2014, with demand forecast to exceed supply from 2015-2018, resulting in a corresponding decrease in global nickel stocks.

Supply constraints are emerging in the nickel market as a result of a ban on low nickel content exports imposed by the Indonesian Government, which came into effect in January 2014. The Indonesian Government now requires a minimum nickel content of 93% for nickel metal, 70% for nickel matte, 10% for ferronickel, and 4% for nickel pig iron. Indonesia's nickel mine production is forecast to decrease to 150kt which is about one third of its 2013 and 2012 production levels. Should the Indonesian Government relax the ban, supply constraints are likely to reverse, this is likely to have a negative impact on prices.

2.4 Nickel prices

Nickel is generally priced in USD in international markets and traded on the LME. Mine offtake contracts generally reference the LME spot price to determine the purchase price of nickel concentrate.

Figure 6: Historical nickel price

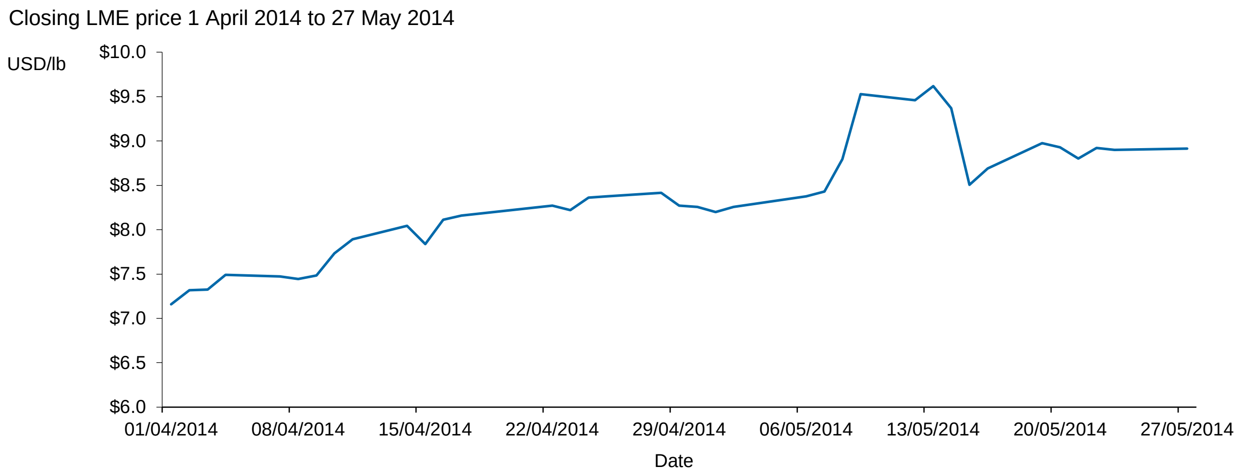


Source: Bloomberg

2.4.1 Recent price trends

Figure 7 below depicts historical nickel prices and shows the recent increase in the closing price of nickel on the LME. Since 1 April 2014, the LME price of nickel rose to 34.3% to USD 9.62/lb on 13 May 2014, before retreating to USD 8.91/lb as at 27 May 2014.

Figure 7: Recent nickel price



Source: LME

Market analysts have attributed the recent increase in the LME price to supply side constraint, with predictions of the market becoming balanced by Q2FY14 (that is production will broadly equal consumption). Rising prices have largely been attributed to the sudden decline of nickel ore exports from Indonesia as the full effects of its export ban are felt. At the same time, Chinese demand continues to rise while demand from Europe and US stainless still mills has also increased.

Concerns over impacts of further targeted sanctions against Russia have also reportedly driven demand side forces. Russian based Norilsk Nickel has two nickel matte smelters with a reported combined production capacity of 274,000 tonnes p.a. of contained nickel. These two smelters reportedly represent 26.9% of world nickel matte production capacity and approximately 15.1% of world contained nickel production.

Some market analysts have indicated that, in their opinion, prices are not reflective of underlying supply/demand factors and that the current spot prices are higher than the underlying fundamentals support. Prices have recently steadied at around USD 8.90/lb (from USD 9.62/lb as at 13 May 2014).

The key downside risk to the recent increase in nickel prices is the relaxation of the Indonesian Government ban. A number of analysts believe that, should the ban be relaxed, supply constraints will ease and nickel prices will decrease.

3 Group background

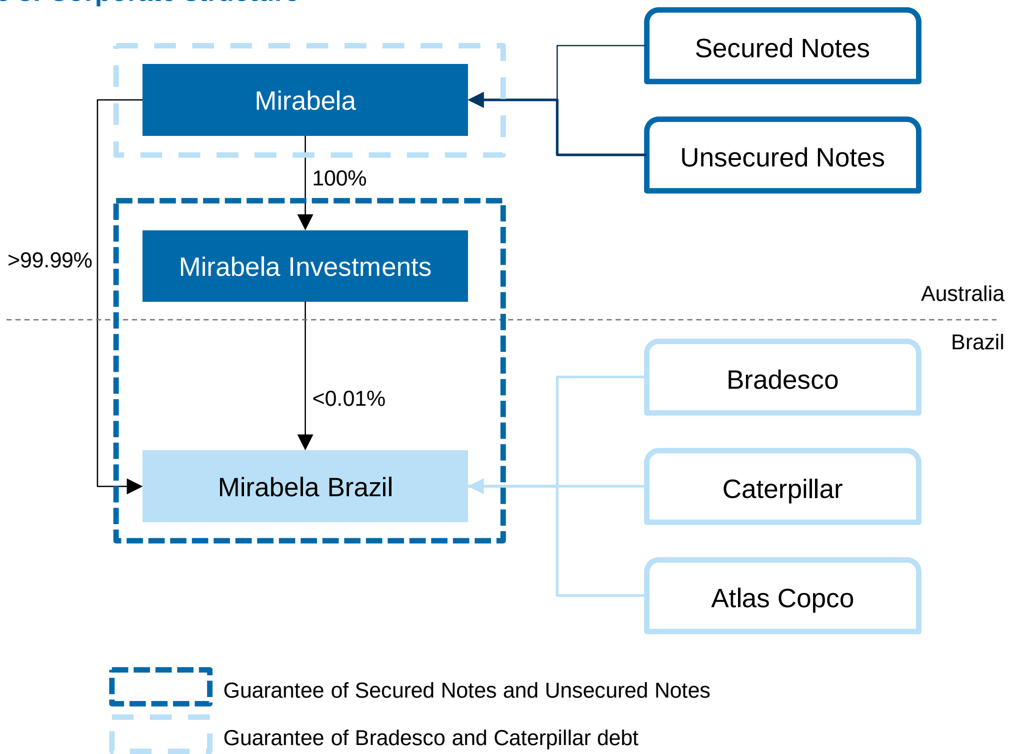
3.1 Corporate and management structure

Mirabela is an ASX listed company which together with its subsidiary Mirabela Investments, holds 100% of the quotas in Mirabela Brazil, a Limitada entity registered in Bahia State, Brazil.

Mirabela Brazil owns and operates an open pit nickel sulphide mine (Santa Rita mine) located in Bahia State, Brazil. Mirabela Brazil also owns other mining tenements and exploration rights for prospective mineral reserves.

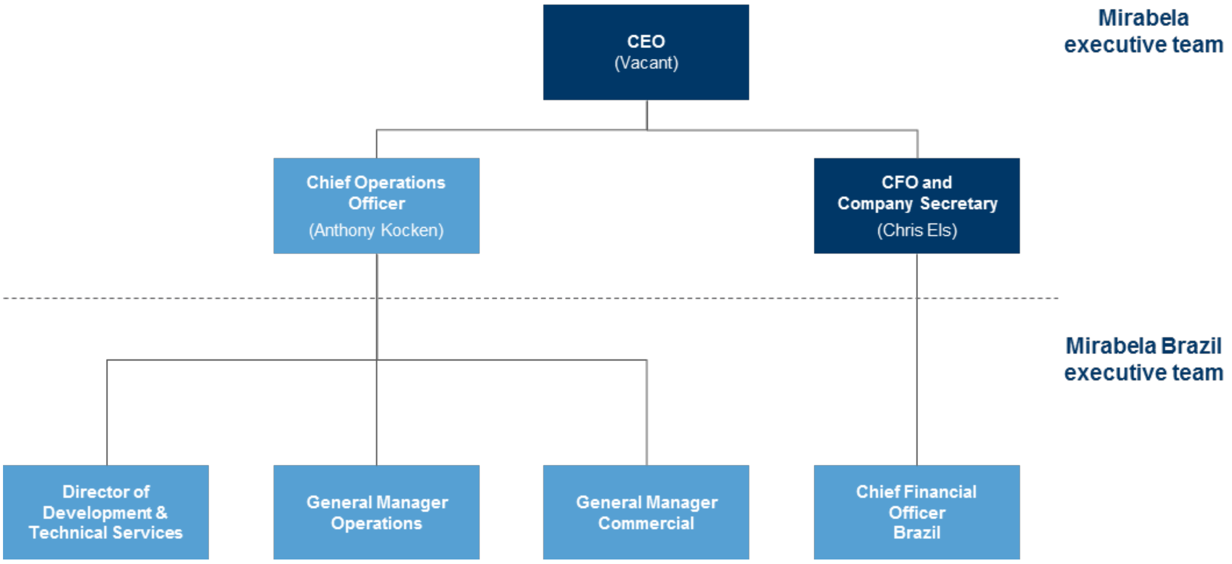
Brazilian corporate law requires that a Limitada entity must have a minimum of two quotaholders. To adhere to this rule, Mirabela Investments holds a nominal interest in the quotas of Mirabela Brazil. Mirabela Investments does not have any other assets, nor does it have any employees or trade creditors. Mirabela Investments does however guarantee the Secured Notes and the Unsecured Notes.

Figure 8: Corporate structure



Source: company records

Figure 9: Executive structure



Source: company records

Mirabela has 13 employees, whilst Mirabela Brazil employs approximately 600 staff and engages 660 contractor staff.

We note that the former CEO of Mirabela, Ian Purdy, resigned from Mirabela effective 31 May 2014.

3.1.1 Key financing facilities

Unsecured Notes

In April 2011, Mirabela issued the Unsecured Notes with a face value of approximately USD 395.0 million. Mirabela Investments and Mirabela Brazil have guaranteed the obligations of Mirabela under the Indenture.

As at 31 May 2014, the Unsecured Notes will have a balance of approximately USD 435.0 million including accrued interest.

Secured notes

In December 2013, owing to liquidity constraints, Mirabela obtained an interim funding facility from a group of the Unsecured Noteholders pursuant to the SNSD. Mirabela Investments and Mirabela Brazil have guaranteed the obligations of Mirabela under the SNSD. Mirabela and Mirabela Investments executed general security agreements in favour of the Security Trustee (for the benefit of the providers of the interim funding), which grant a security interest in all present and after acquired property of the Companies. Mirabela Brazil also provided security over certain of its unencumbered assets including inventory, movable plant and equipment and interests in land.

As at 31 May 2014, including USD 10.0 million drawn down since commencement of the voluntary administration the Secured Notes will have a balance of approximately USD 60.0 million, including fees of USD 14.6 million and accrued interest of USD 0.4 million.

Bradesco facility

In January 2012, Mirabela Brazil obtained a USD 50.0 million working capital facility from Bradesco, secured by receivables due from Votorantim. The Bradesco facility was amended on 6 May 2014, extending its maturity date to 29 March 2018. At the same time as the extension, Bradesco was granted security over receivables due from ITH. This additional security expires on 23 July 2014.

The Bradesco facility is guaranteed by Mirabela and as at 31 May 2014 will have a balance of approximately USD 47.5 million.

Caterpillar and Atlas Copco asset finance facilities

In March 2009, Mirabela Brazil entered into a Master Funding and Lease Agreement with Caterpillar to finance the acquisition of Caterpillar mining equipment. Mirabela has guaranteed the obligations of Mirabela Brazil under the agreement. As at 31 May 2014 the outstanding balance owing under the Caterpillar facility will be approximately USD 5.0 million.

In December 2011, Mirabela Brazil entered into a Supplier Credit Agreement with Atlas Copco to acquire drilling rigs. As at 31 May 2014 the outstanding balance owing under the Atlas Copco facility will be approximately USD 1.5 million.

3.2 Long-term offtake contracts

Mirabela Brazil has two long-term offtake contracts, with Norilsk and Votorantim. Both contracts require the offtake parties to take 50% of Mirabela Brazil's nickel production until 31 December 2014. The Norilsk offtake agreement will terminate at the later of 31 December 2014 or when 66,500 tonnes of contained nickel has been delivered (current expectation is early 2017). In November 2013, Votorantim called a force majeure and ceased purchasing nickel from Mirabela Brazil. The validity of the force majeure event is subject to ongoing dispute.

3.3 Background to administrations

The Group suffered a number of financial setbacks leading up to the appointment of voluntary administrators to the Companies on 25 February 2014, including declining nickel prices, the loss of receipts from one of its two major offtake counterparties and operational issues. These factors, coupled with an inability to raise new equity, resulted in Mirabela not paying its semi-annual interest payment on the Unsecured Notes (due 15 October 2013). The Indenture provides a cure period of 30 days in which a missed interest payment can be met without triggering an event of default.

After discussions between Mirabela and the Ad-Hoc Noteholders, a standstill agreement was entered into on 12 November 2013 (i.e. within the cure period). In December 2013, certain Ad-Hoc Noteholders provided Mirabela with a USD 45.0 million secured loan to provide it with sufficient liquidity while a plan to restructure the Group was investigated.

After extensive discussions between various interested parties, Mirabela was presented with the PSA entered into between the Ad-Hoc Noteholders on 24 February 2014. The PSA sets out the terms on which the Ad-Hoc Noteholders would continue to support the Group.

On 25 February 2014, Mirabela announced to the ASX that it and Mirabela Investments had appointed voluntary administrators and also outlined the terms of the PSA, a copy of which was included with the announcement.

A chronological history of the Group is included at Appendix 8.

3.4 Events leading up to administration

The directors of the Companies (as at 25 February 2014) have advised us that the financial position of the Group can be attributed to:

- Challenging nickel market conditions in that the LME price of nickel continued to trade below the cash flow break-even cost of production after overheads, financing and capital costs, which has a significant impact on the Group's liquidity.
- In September 2013, Votorantim advised of its intention to terminate its offtake contract due to the planned closure of its smelter operations at Fortaleza, Brazil. Votorantim subsequently withdrew its termination notice but later claimed that a force majeure event had occurred as a result of the failure of an electrical transformer at its smelter. The loss of receipts from the Votorantim offtake agreement was a potential default under the USD 50.0 million Bradesco facility which had to be disclosed to both Bradesco and the ASX. As a result, the share price of Mirabela decreased significantly and in the directors' opinion, prevented Mirabela from pursuing any form of equity raising.
- Despite Mirabela Brazil securing a short-term offtake contract which commenced in November 2013, the economic benefits obtained under that agreement were weaker than the benefits under the long-term offtake agreement with Votorantim (which was negotiated at a time when demand was materially higher and allowed for certain tax credits as a domestic customer).
- Lower production in Q3FY13 due to a shortage of nitrate in Brazil. Nitrate is a key component of the explosives used in the mining process.

Our investigations indicate that the Companies' financial difficulties can be attributed to:

- A substantial decline in the spot price of nickel over the period March 2011 to July 2013, which saw the LME nickel price fall from c.USD13.0/lb to c.USD6.3/lb (currently c.USD8.90/lb).
- The loss of receipts following Votorantim's actions in September 2013 (notification of intent to terminate the offtake contract early) and in November 2013 (force majeure event), and an inability to procure an offtake contract on similar terms which served to exacerbate the deterioration of cash reserves.
- A material increase in capex required to increase the storage capacity of the tailings dam.
- A portion of historic losses have been funded via debt which resulted in the Group being over leveraged.
- An inability to raise additional equity as a result of a significant decline in Mirabela's share price and market capitalisation.

4 Santa Rita nickel mine

The mine is an open pit nickel sulphide mine, which feeds a traditional nickel sulphide flotation concentration plant.

The mine is located approximately 340km southwest of Salvador by road, the capital of Bahia State, Brazil and is within close proximity to road and port infrastructure. The mine is 140 kilometres from the port of Ilhéus, from where it ships nickel concentrate to Norilsk.

The mine covers the Fazenda Mirabela intrusion which has an ovoid exposed area of approximately 7km^2. The mineralisation zone extends from one side of the Fazenda Mirabela Intrusion to the other, with widths up to 140 metres and averaging 40 meters over a strike length of 2 kilometres.

Figure 10: Location of Santa Rita nickel mine

The Santa Rita deposit was discovered in 2004 by Mirabela, and after proving-up the resource and undertaking feasibility studies, construction of the mine commenced in 2007.

The mine produced its first nickel concentrate in November 2009, with the processing plant commissioned in December 2009 at its nameplate capacity of 4.6MT p.a. Commercial production commenced in January 2010.

In 2011, the mine was upgraded to a nameplate capacity to 7.2MT p.a.

4.1 Reserves and resources

Mirabela's annual review date of its Mineral Resources and Ore Reserve statements for the purposes of clause 15 of the 2012 edition of the JORC Code is 31 December 2013. Reserves are defined in the JORC Code as follows:

"*An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.*"

Resources are defined in the JORC Code as follows:

"*A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.*"

As at 31 December 2010, the mine had total reserves of 159.3MT at an average nickel grade of 0.52%.

As at 31 December 2013, a total of 19.1 million tonnes of ore had been mined from reserves at an average nickel grade of 0.48%. The table below summarises the Group's current reserves.

Table 2: Santa Rita proven and probable ore reserves – open pit

Category	Mt	Contained nickel %	Contained copper %	Contained cobalt %
Proven – 31 December 2010	16.7	0.57	0.14	0.016
Probable – 31 December 2010	142.6	0.52	0.13	0.015
Mined to 31 December 2013	(19.1)			
Balance/average grade	**140.2**	**0.52**	**0.13**	**0.015**

Source: FY13 annual report

The total remaining Mineral Resources for the Santa Rita project as of 31 December 2013 are summarised in the table below and compared with the total remaining Mineral Resources as at 30 September 2012. From 1 October 2012 to 31 December 2013 a total of 10.7 Mt of Measured and Indicated material was mined from the Open Pit Mineral Resources. No Inferred material was mined from either the Open Pit or Underground Mineral Resources during this period.

Table 3: Santa Rita mineral resources table

Pit	Classification	Mt	Nickel Grade %	Copper Grade %
As at 30 September 2012				
Open pit[2,3]	Measured	16.0	0.50	0.10
	Indicated	188.0	0.49	0.13
	Sub-total	**204.0**	**0.49**	**0.12**
Open pit[1,2]	Inferred	79.6	0.56	0.15
Underground[4,5]	Inferred	77.0	0.78	0.22
Mined 1 October 2012 to 31 December 2013				
	Measured	(2.4)	0.46	0.10
	Indicated	(8.3)	0.45	0.10
As at 31 December 2013				
Open pit [6,7]	Measured	13.6	0.51	0.10
	Indicated	179.7	0.50	0.13
	Sub-total	**193.3**	**0.50**	**0.13**
Open Pit[5,6]	Inferred	79.6	0.56	0.15
Underground[8,9]	Inferred	77.0	0.78	0.22

Source: FY13 annual report

Governance arrangements and internal controls

Mirabela has a number of governance arrangements and internal controls in place with respect to its estimates and estimation process of its Mineral Resources and Ore Reserves. As set out in the Competent Persons Statement below, the Company contracts third party independent consultants to review and revise its Ore Reserves and Mineral Resources on an annual basis.

Mirabela Brazil undertakes its own ore and concentrate stock pile reconciliations on a monthly basis. The stock survey results are validated by an independent third party on a quarterly basis and the Company then reconciles the independent quarterly report against its own records.

Competent person statement

The information in this report that relates to Santa Rita pre-mining Ore Reserves, Mining Production and Cost Estimation for the Santa Rita Nickel Deposit is in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code), and is based on information compiled by Mr Carlos Guzmán who is a Member of The Australasian Institute of

[2] Based on a cut-off grade of 0.13% recoverable nickel.
[3] Remaining as at 30 September 2012.
[4] Based on an average cut-off grade of 0.50% nickel.
[5] As of February 2009, re-reported using revised base of pit in October 2012.
[6] Based on a cut-off grade of 0.13% recoverable nickel.
[7] Remaining as at 31 December, 2013.
[8] Based on an average cut-off grade of 0.50% nickel.
[9] As of February 2009, re-reported using revised base of pit in December 2013.

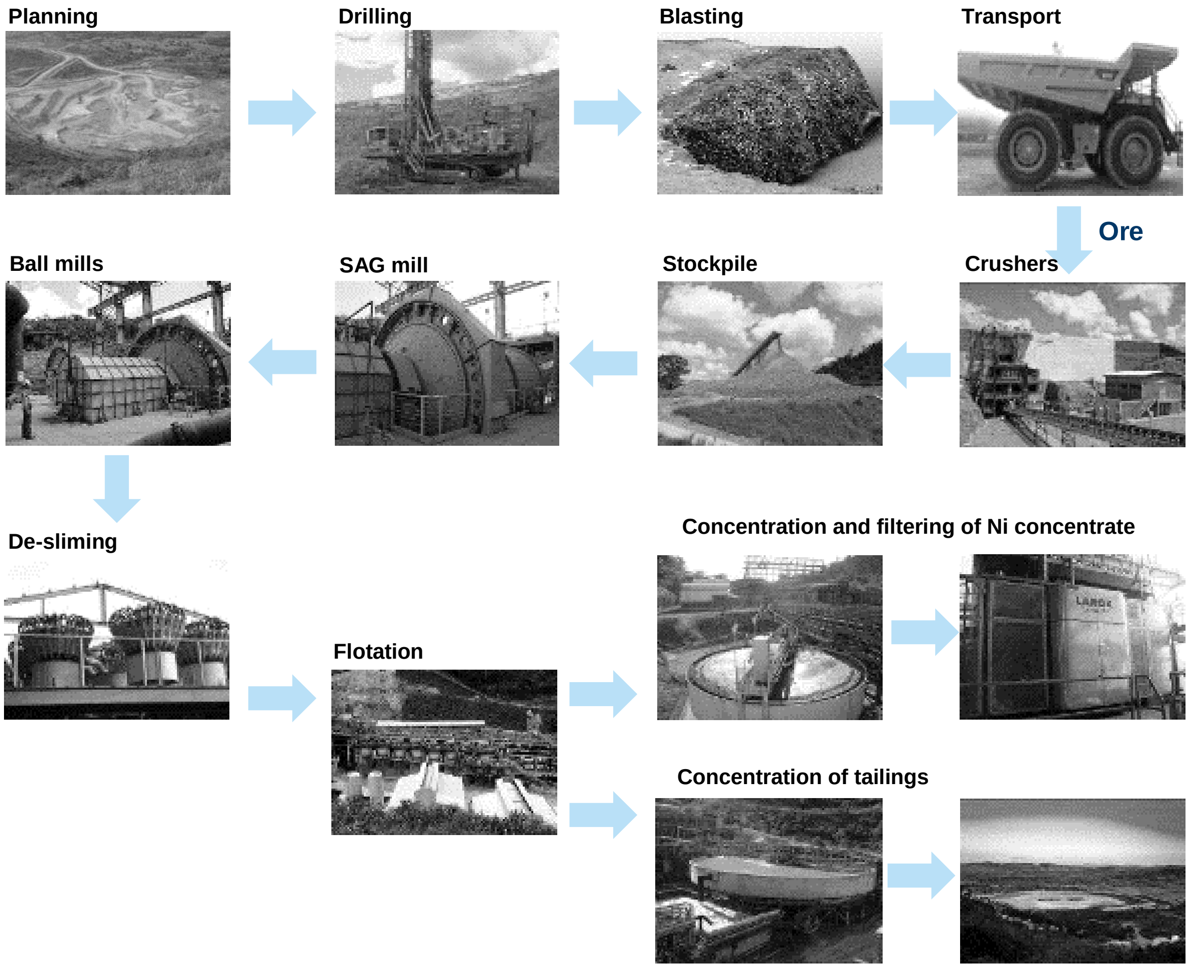
Mining and Metallurgy and Registered Member of the Chilean Mining Commission. Mr Guzmán is a Mining Engineer, Principal and Project Director with NCL Brasil Ltda and is a consultant to Mirabela Nickel Limited. Mr Guzman qualifies as a Competent Person as defined in the 2012 JORC. Mr Guzmán approves and consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the updated October 2012 Mineral Resources for the Santa Rita Nickel Deposit was estimated in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). There have been no material changes to the Mineral Resources, apart from mining depletion, since the public report titled "**Significant Increase in Santa Rita Open-Pit Resources"** was issued by the Company on 19 October 2012. The estimate was based on information compiled by Mr. Lauritz Barnes and reviewed by Mr. Doug Corley. Mr Barnes is a Member of the Australian Institute of Geoscientists, and is a Consultant to Mirabela Nickel Ltd. Mr Corley is a Member of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist in the field of Mining (Registration Number 10109), and is a Principal Resource Geologist at GHD Pty Ltd. Messrs Barnes and Corley qualify as both a Competent Person as defined in the 2012 JORC Code. Messrs Barnes and Corley have verified the data underlying the disclosures in this report relating to Mineral Resources. Messrs Barnes and Corley approve and consent to the inclusion in the presentation of the matters and defined Mineral Resources information in the form and context in which it appears.

4.2 Production

The Santa Rita mine employs a traditional flotation system to concentrate nickel recoveries. The mining and concentration process is set out below.

Figure 11: Production process map



4.3 Material capital works

The mine's tailings dam is near its current capacity and material capital expenditure is required to lift the height of the dam wall to accommodate additional waste from the concentration process. Increasing the height and capacity of the dam will also improve water quality to a point which it may be reintroduced into the concentration circuit. The mine is currently suffering from a lack of clean water to feed the concentration circuit. As a result, the de-sliming circuit is not currently in operation which has reduced nickel recoveries.

Table 4: Tailings dam capital expenditure forecast 2014-2020[10] (2014 real amounts)

Expenditure	Q2 to Q4 (FY14)	FY15	FY16	FY17	FY18	FY19	FY20
USD (million)	48.5	19.7	6.0	5.0	10.0	4.2	2.3

We note that the Group recorded an operating loss for Q1 FY14, and absent significant funding, would be unable to complete the required work to lift the height of the tailings dam. This would be likely to result in mining operations ceasing and the liquidation of the Group (refer to section 8.1 for the outcome under liquidation).

4.4 Mining tenements

The mining concession for the Santa Rita mine is held by CBPM. Mirabela Brazil's mining rights are subject to a 20 year mining lease agreement with CBPM which commenced in March 2008.

The mining lease agreement can be extended through agreement with CBPM but may be at risk of termination if Mirabela Brazil filed for bankruptcy.

4.5 Operating licences

Mirabela Brazil holds an operating licence for the Santa Rita mine, issued by the Bahia State Environmental Board. This licence was issued in September 2009 for a period of four years. Mirabela Brazil has applied for a renewal of the licence.

Management has advised that the current licence has been automatically extended until 5 June 2014 whilst Mirabela Brazil finalises a number of items that INEMA requested Mirabela Brazil attend to prior to INEMA issuing the new operating license.

4.6 Additional tenements and exploration rights

Mirabela Brazil has two primary exploration projects nearby, being the Peri-Peri and Palestina intrusions, which are approximately 2km and 25km from the Santa Rita mine respectively. In addition, Mirabela Brazil has applications for, or has been granted exploration rights for, an additional 114 exploration tenements.

Due to the exploratory status of these tenements, Mirabela Brazil attributes no value to the exploration tenements. We have sought advice from AMC on the value of the exploration tenements. AMC has advised that it considers the exploration tenements to have a value of nil to USD 1.8 million.

Further, AMC has advised that it has valued the underground inferred resource at Santa Rita between nil and USD 24.0 million.

For further information in relation to the valuation of the unmined inferred resources, tenements and exploration rights, refer to the AMC Report included at Appendix 12.

[10] Calculated by VogBR, a geotechnical engineering and water resources expert. Reviewed and adjusted by AMC – refer to the AMC Production Case 1 included at Appendix 10 and Appendix 12.

5 Financial overview

5.1 Report as to Affairs

The directors of the Companies (who held office of as at 25 February 2014) provided us, in our capacity as voluntary administrators, with a RATA for each company. A RATA provides information on the financial position of a company as at the date of the appointment of an external administrator. The RATA is prepared on a standalone basis. We have included this information as we believe it is relevant given the companies are currently subject to a deed of company arrangement.

A summary of the RATAs submitted to us are detailed below.

Table 5: Mirabela RATA

AUD (millions)	Comments	Book or cost valuation	Estimated realisable value
Assets not specifically secured		-	-
Assets subject to specific security interests (net of specific security interests)		-	-
Assets			
Cash		16.7	16.7
Intercompany receivable	1	541.6	150.0
GST receivable		0.2	0.2
Prepayments and other		4.6	-
Total assets	1	**563.1**	**166.9**
Less payable in advance of secured parties		-	-
Less amounts owing and secured by debenture or circulating security interest over assets		-	-
Less preferential claims ranking behind secured parties	2	(0.4)	(0.4)
Balances owing to partly secured parties		-	-
Balances owing to unsecured creditors	3	(533.6)	(533.6)
Contingent assets		-	-
Contingent liabilities		-	-
Estimated surplus/(deficiency) subject to the costs of the administration		**29.1**	**(367.1)**

1. Assets

The directors of Mirabela (who held office as at 25 February 2014) estimated that the intercompany loan due from Mirabela Brazil had a realisable value of AUD150.0 million (assuming a recapitalisation transaction occurs and Mirabela Brazil does not enter bankruptcy). We note that the directors did not attribute any value to Mirabela's near 100% quotaholding in Mirabela Brazil. The directors believed that after repayment of the intercompany loan, the residual value of Mirabela Brazil would be nil.

2. Priority claims

This represents outstanding employee entitlements as at 25 February 2014. We note that this amount excludes amounts that would become due to employees if they were terminated, including pay in lieu of notice, redundancy and other amounts due. Employee claims are afforded priority status under the Act.

3. Unsecured claims

Unsecured claims includes amounts owing to both the Secured Noteholders and Unsecured Noteholders.[11] We note that Mirabela has granted a general security interest over all its present and after acquired property to AET Structured Finance Solutions Pty Limited, in its capacity as security trustee of the Secured Notes.

The balance of unsecured creditors comprises accrued taxes (payroll tax, PAYG withholding and fringe benefits tax) of AUD19,998 and a provision of AUD865,415.

A reconciliation of the Secured Notes and Unsecured Notes according to the directors' RATA as at 25 February 2014 is set out below.

Table 6: Reconciliation of the Secured and Unsecured Notes

AUD (millions)	Secured Notes	Unsecured Notes	Total
Original funding	39.9	453.4	493.3
Accrued interest	0.1	34.4	34.5
Upfront fee and issue discount[12]	16.8	-	16.8
Subtotal	**56.8**	**487.8**	**544.6**
Unamortised borrowing costs	**-**	(11.9)	(11.9)
Noteholder funding	**56.8**	**475.9**	**532.7**

Table 7: Mirabela Investments RATA

AUD	Book or cost valuation	Estimated realisable value
Assets not specifically secured	2	2
Assets subject to specific security interests (net of specific security interests)	-	-
Total assets	2	2
Less payable in advance of secured parties	-	-
Less amounts owing and secured by debenture or circulating security interest over assets	-	-
Less preferential claims ranking behind secured parties	-	-
Balances owing to partly secured parties	-	-
Balances owing to unsecured creditors	-	-
Contingent assets	-	-
Contingent liabilities	-	-
Estimated surplus/(deficiency) subject to the costs of the administration	**2**	**2**

Mirabela Investments' sole asset is its nominal investment in Mirabela Brazil.

We note that Mirabela Investments has guaranteed the obligations of Mirabela in respect to the Secured and Unsecured Notes and has granted a security interest in all present and after acquired property to AET Structured Finance Solutions Pty Limited in its capacity as the security trustee of the Secured Notes. This guarantee was not included in the directors' RATAs.

[11] We did not adjust the RATA for the incorrect classification of the Secured Notes as unsecured creditors.
[12] Includes accrued interest of AUD12,862.

5.2 Consolidated accounts

Mirabela prepares its accounts on a consolidated basis as required by Australian accounting standards. We have not obtained accounts for Mirabela or Mirabela Investments on a standalone basis.

Mirabela has prepared its financial report for FY13 on a non-going concern basis.,

The FY13 audited accounts were released to the ASX on 26 May 2014.

5.2.1 Statement of financial performance

Set out below is the Group statement of financial performance for FY10 to FY13.

Table 8: Group statement of financial performance

Statement of financial performance USD (millions)	**FY10 Audited**	**FY11 Audited**	**FY12 Audited**	**FY13 Audited**
Sales revenue	211.0	303.6	343.4	194.2
Treatment, refining and transport charges	(31.8)	(59.2)	(70.0)	(40.9)
Net sales revenue	**179.2**	**244.4**	**273.4**	**153.3**
Direct costs	(123.8)	(203.8)	(200.4)	(158.2)
Royalties	(10.3)	(15.6)	(15.0)	(8.8)
Depreciation, amortisation and depletion	(37.2)	(52.8)	(64.8)	(20.4)
Cost of sales	**(171.3)**	**(272.3)**	**(280.2)**	**(187.4)**
Gross margin	**7.8**	**(27.9)**	**(6.8)**	**(34.1)**
Gross margin %	*4.4%*	*(11.4%)*	*(2.5%)*	*(22.3%)*
Impairment of property, plant and equipment		-	(380.0)	(331.2)
General and administration	(9.3)	(10.3)	(12.7)	(15.8)
Net finance expense	(21.1)	(35.7)	(36.9)	(49.0)
Net foreign exchange (loss)/gain	6.6	32.8	(9.9)	(48.3)
Net gain/(loss) on derivatives	(21.3)	0.2	-	-
Other expenses	(4.0)	(12.3)	(6.7)	(15.4)
Total expenses	**(49.1)**	**(25.2)**	**(446.1)**	**(459.7)**
Net profit/(loss) before income tax	**(41.3)**	**(53.1)**	**(452.9)**	**(493.9)**
EBITDA*	**31.7**	**2.3**	**38.6**	**(45.0)**
EBIT*	**(5.5)**	**(50.5)**	**(26.1)**	**(65.4)**

*** Excludes gains/(losses) on foreign exchange and derivative contracts and impairment charges**

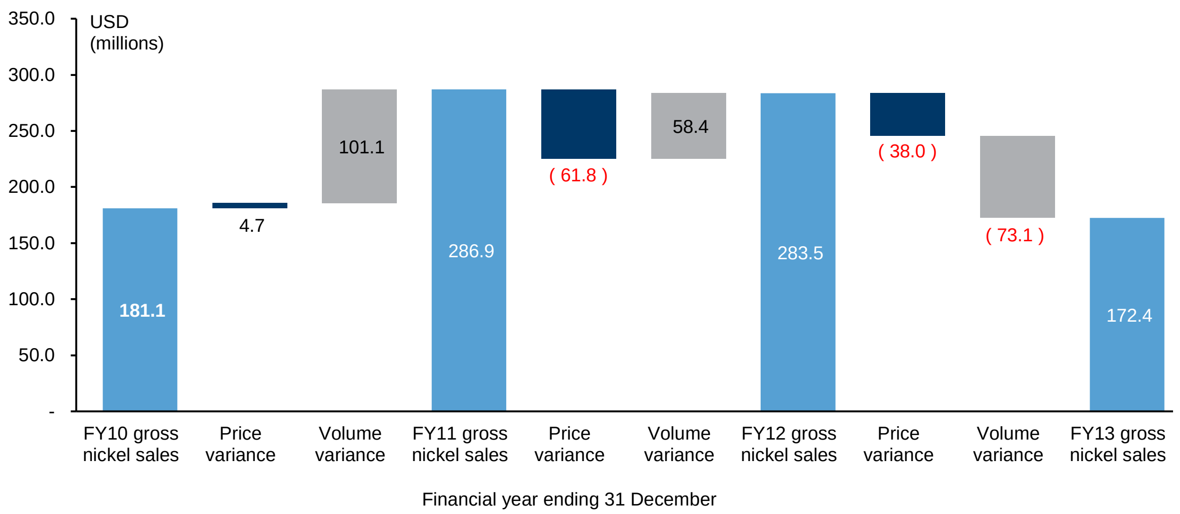
We make the following comments in relation to the Group's consolidated statement of financial performance for the period FY10 to FY13:

- Including FY13, the Group has incurred losses before tax of USD 1,041.2 million since it began commercial production in FY10. Over the same period the Group recorded aggregate EBITDA of USD 27.6 million, far exceeded by borrowing costs of USD 142.0 million.
- The balance of carried forward losses as at 31 December 2013 is USD 1,047.5 million (refer to Table 10).

Sales revenue

- Sales revenue increased over the period FY10-FY12 as operations ramped up post-commissioning and production improvements were realised. Nickel concentrate sales over this period increased from 9,956 tonnes to 19,367 tonnes.
- Sales in FY13 were significantly lower due to:
  a. A shortage of nitrate in Brazil, which reduced the availability of explosives, hence negatively impacted production.
  b. A lower realised nickel price of USD6.46/lb.
  c. The notification of a force majeure event by Votorantim, which Mirabela Brazil argues is invalid.
- As shown in the chart below, nickel revenue growth between FY10 and FY11 was primarily driven by increasing sales volume, whilst the sharp decline in revenue in FY13 was as a result of declining volumes and nickel prices.

Figure 12: Nickel sales bridge



The above chart shows gross nickel sales and excludes adjustments including revaluation of the impact of unrealised nickel sales and the profit and loss impact of unwinding closed-out hedge contracts, and therefore does not agree to Table 8.

Set out below is the Group cash flow statement for FY10 to FY13.

5.2.2 Statement of cash flows

Set out below is the Group statement of cash flows for FY10 to FY13.

Table 9: Group cash flow statement

Cash flow statement USD (millions)	FY10 Audited	FY11 Audited	FY12 Audited	FY13 Audited
Cash flows from operations				
Cash receipts from customers	157.5	293.3	297.9	212.5
Cash paid to suppliers and employees	(233.0)	(315.0)	(299.8)	(250.6)
Interest received	1.0	3.2	6.6	5.1
Net cash from/(used in) operations	**(74.5)**	**(18.6)**	**4.7**	**(33.0)**
Cash flows from investing activities				
Capex	(32.7)	(96.5)	(43.0)	(36.6)
Exploration and evaluation expenditure	(0.4)	(0.0)	(3.1)	-
Net cash from/(used in) investing	**(33.1)**	**(96.5)**	**(46.1)**	**(36.6)**
Cash flow from financing activities				
Proceeds from borrowings	3.8	395.0	55.2	-
Repayment of borrowings	(44.9)	(230.9)	(9.7)	(9.6)
Borrowing costs paid	-	(20.5)	-	-
Payment on close out of derivatives		(36.3)		
Interest paid	(13.7)	(33.3)	(37.4)	(21.4)
Proceeds from the issue of share capital	214.1	(0.0)	119.5	-
Share issue costs	(9.8)	-	(5.5)	(0.6)
Net cash from/(used in) financing	**149.5**	**74.0**	**122.1**	**(31.7)**
Net increase/(decrease) in cash	**42.0**	**(41.1)**	**80.7**	**(101.3)**
Cash at the beginning of the period	53.0	102.1	61.2	143.0
Effect of changes in foreign currency	7.2	0.1	1.1	(11.0)
Cash at the end of the period	**102.1**	**61.2**	**143.0**	**30.7**

The Group's operating cash flow was negative for three out of the four years since commercial production commenced in FY10, with an aggregate operating cash outflow of USD 121.4 million.

Due to the capital intensive nature of the Group's operations, its recurrent capital expenditure budget is significant. The increase in capital expenditure in FY11 coincided with the expansion of the mining fleet and the upgrading of the processing plant to include an additional ball mill, second pebble crusher and second concentrate filter.

The Group has required significant liquidity support from both equity and debt holders throughout its limited operational history.

5.2.3 Statement of financial position

Set out below is the Group statement of financial position for 31 December 2010 to 31 December 2013.

Table 10: Group statement of financial position

Statement of financial position USD (millions) as at	**31-Dec-10 Audited**	**31-Dec-11 Audited**	**31-Dec-12 Audited**	**31-Dec-13 Audited**
Cash and cash equivalents	102.1	61.2	143.0	30.7
Receivables	43.0	59.4	63.0	25.2
Inventories	34.5	64.1	56.9	68.0
Derivative financial assets	15.8	-	-	-
Total current assets	195.4	184.6	262.9	123.9
Receivables	33.8	14.6	11.0	32.0
Property, plant and equipment	883.6	816.3	358.6	-
Exploration and evaluation assets	0.6	0.5	3.5	2.7
Derivative financial assets	6.9	-	-	-
Total non-current assets	924.9	831.4	373.1	34.6
Total assets	**1,120.3**	**1,016.0**	**636.0**	**158.5**
Trade and other payables	32.7	69.0	46.0	64.5
Provisions	3.7	3.8	3.3	3.4
Borrowings	16.4	8.4	34.9	456.2
Derivative financial instruments	81.9	-	-	-
Provision for current taxes	6.6	4.6	-	-
Total current liabilities	141.3	85.9	84.2	524.1
Provisions	14.4	10.9	17.8	10.2
Borrowings	246.1	393.8	415.3	-
Derivative financial instruments	99.2	-	-	-
Total non-current liabilities	359.7	404.6	433.1	10.2
Total liabilities	**501.0**	**490.5**	**517.3**	**534.4**
Net assets/(liabilities)	619.3	525.5	118.7	(375.8)
Contributed equity	681.3	683.1	797.1	796.5
Reserves	(1.0)	(53.9)	(122.6)	(124.9)
Accumulated losses	(60.9)	(103.7)	(555.8)	(1,047.5)
Total equity	**619.3**	**525.5**	**118.7**	**(375.8)**

Assets

- The receivables balance as at 31 December 2013 primarily represents amounts due from Norilsk. The amount also includes balances due from ITH and Votorantim.
- The inventory balance as at 31 December 2013 includes crushed ore stockpiles (USD 19.5 million), processed nickel concentrates (USD 15.5 million) and spares and consumables (USD 33.0 million).
- Non-current receivables include pre-paid Brazilian state and federal taxes arising from the construction and commissioning of the Santa Rita mine.
- As set out in Table 8, the Group impaired its property plant and equipment assets in FY12 and again in FY13 in line with its assessment of the carrying value of the Santa Rita mine.

Liabilities

- All derivatives contracts were closed-out in FY11.
- As at 31 December 2013, Mirabela had the following borrowings:

Table 11: Current and non-current borrowings[13]

USD (millions)	Unsecured Notes[14]	Caterpillar	Atlas Copco	Bradesco	Total borrowings
Current borrowings	395.0	9.0	2.2	50.0	**456.2**
Non-current borrowings	-	-	-	-	**-**
Total	**395.0**	**9.0**	**2.2**	**50.0**	**456.2**

In addition to the above borrowings, Mirabela had drawn down USD 45.0 million of the USD 45.0 million available under the Secured Notes as at 30 April 2014[15]. Including issue fees and an upfront discount, the outstanding balance due on the Secured Notes at 31 May 2014 will be approximately USD 60.0 million.

Equity

The Group had negative equity at end of 31 December 2013 of USD 375.8 million.

5.3 FY14 budget

Management has prepared a consolidated budget for FY14 which is based on a number of key assumptions, including:

- That the Proposed Recapitalisation is implemented, resulting in the Unsecured Notes converting to equity in July 2014 and the Secured Notes being replaced by a convertible instrument.
- An additional USD 55.0 million of funding is provided by way of a convertible instrument as part of the Proposed Recapitalisation.
- The nickel price remaining constant at USD6.61/lb throughout FY14 (based on Management's consensus estimates at the time of the budget).

We have adjusted the budget prepared by Management for an assumed nickel price of USD8.20/lb[16] from 1 April 2014 onwards. The results are summarised below.

[13] Table does not add due to rounding.
[14] Excludes borrowing costs of USD 20.5 million.
[15] USD 10.0 million drawn down since appointment of the voluntary administrators
[16] Average closing nickel price from 1 April 2014 to 14 May 2014.

Table 12: FY14 operational budget

Forecast production	Q1FY14 (Actual)	Q2FY14 (Forecast)	Q3FY14 (Forecast)	Q4FY14 (Forecast)	FY14 (Forecast)
Ore mined (Dmt)	1,191,754	1,365,201	1,719,399	1,318,618	**6,051,853**
Nickel grade (%)	0.42%	0.41%	0.43%	0.50%	**0.44%**
Contained nickel (tonnes)	5,005	5,568	7,334	6,642	**26,374**
Milled ore (tonnes)	1,380,704	1,877,465	1,868,289	1,879,233	**7,087,024**
Concentrate produced (tonnes)	21,233	26,386	28,721	29,793	**107,174**
Concentrate grade – Ni	13.84%	13.00%	13.00%	13.00%	**13.15%**
Contained nickel (tonnes)	2,938	3,402	3,733	3,873	**14,061**
Nickel concentrate sales (tonnes)	3,810	3,881	3,681	3,842	**15,672**

Table 13: FY14 statement of financial performance

Forecast statement of financial performance USD (millions)	Q1FY14 Actual	Q2FY14 Forecast	Q3FY14 Forecast	Q4FY14 Forecast	FY14 Forecast
Sales revenue	51.9	65.9	62.3	64.4	244.5
Treatment, refining and transport charges	(12.0)	(15.4)	(15.4)	(15.3)	(58.1)
Net sales revenue	**39.8**	**50.5**	**46.9**	**49.2**	**186.4**
Direct costs	(46.4)	(44.3)	(38.7)	(38.2)	(167.5)
Royalties	(2.0)	(3.1)	(2.9)	(2.9)	(10.9)
Depreciation, amortisation and depletion	(2.2)	(2.9)	(2.6)	(2.5)	(10.2)
Cost of sales	**(50.6)**	**(50.3)**	**(44.1)**	**(43.6)**	**(188.6)**
Gross margin	(10.8)	0.2	2.8	5.6	(2.2)
Gross margin %	*(27.0%)*	*0.4%*	*5.9%*	*11.3%*	*(1.2%)*
General and administration	(7.3)	(12.5)	(1.6)	(1.5)	(22.9)
Unrealised foreign exchange gain/(loss)	19.1	-	-	-	19.1
Net finance expense	(11.3)	(9.8)	(10.3)	(0.9)	(32.3)
Other expenses	(19.4)	(0.3)	(0.3)	(0.2)	(20.1)
Total expenses	**(18.9)**	**(22.5)**	**(12.2)**	**(2.6)**	**(56.2)**
Net profit/(loss) before income tax	**(29.7)**	**(22.3)**	**(9.4)**	**3.0**	**(58.4)**
EBITDA	**(16.1)**	**(9.6)**	**3.5**	**6.4**	**(15.9)**
EBIT	**(18.3)**	**(12.5)**	**0.9**	**3.9**	**(26.1)**

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Table 14: FY14 cash flow forecast

Forecast cash flow USD (millions)	Q1FY14 Actual	Q2FY14 Forecast	Q3FY14 Forecast	Q4FY14 Forecast	FY14 Forecast
Cash receipts from customers	28.9	56.2	50.7	51.9	187.7
Cash paid to suppliers and employees	(64.9)	(59.5)	(47.6)	(46.3)	(218.4)
Interest received	0.5	0.8	0.8	0.6	2.7
Net cash from/(used in) operations	**(35.5)**	**(2.5)**	**3.8**	**6.1**	**(28.1)**
Cash flows from investing activities					
Capex	(4.1)	(16.8)	(18.9)	(21.8)	(61.6)
Exploration and evaluation expenditure	-	-	-	-	-
Net cash from/(used in) investing	**(4.1)**	**(16.8)**	**(18.9)**	**(21.8)**	**(61.6)**
Cash flow from financing activities					
Proceeds from borrowings	35.0	-	-	-	35.0
Repayment of borrowings and costs	(5.8)	(2.0)	(2.8)	(1.7)	(12.3)
Interest paid	(2.3)	(0.1)	(1.9)	(1.5)	(5.8)
Proceeds from the issue of convertible notes	-	55.0	-	-	55.0
Net cash from/(used in) financing	**26.9**	**52.9**	**(4.6)**	**(3.2)**	**71.9**
Net increase/(decrease) in cash	**(12.7)**	**33.6**	**(19.7)**	**(18.9)**	**(17.8)**
Cash at the beginning of the period	30.7	18.0	51.6	31.9	30.7
Effect of changes in foreign currency	(0.0)	-	-	-	(0.0)
Cash at the end of the period	**18.0**	**51.6**	**31.9**	**13.0**	**13.0**

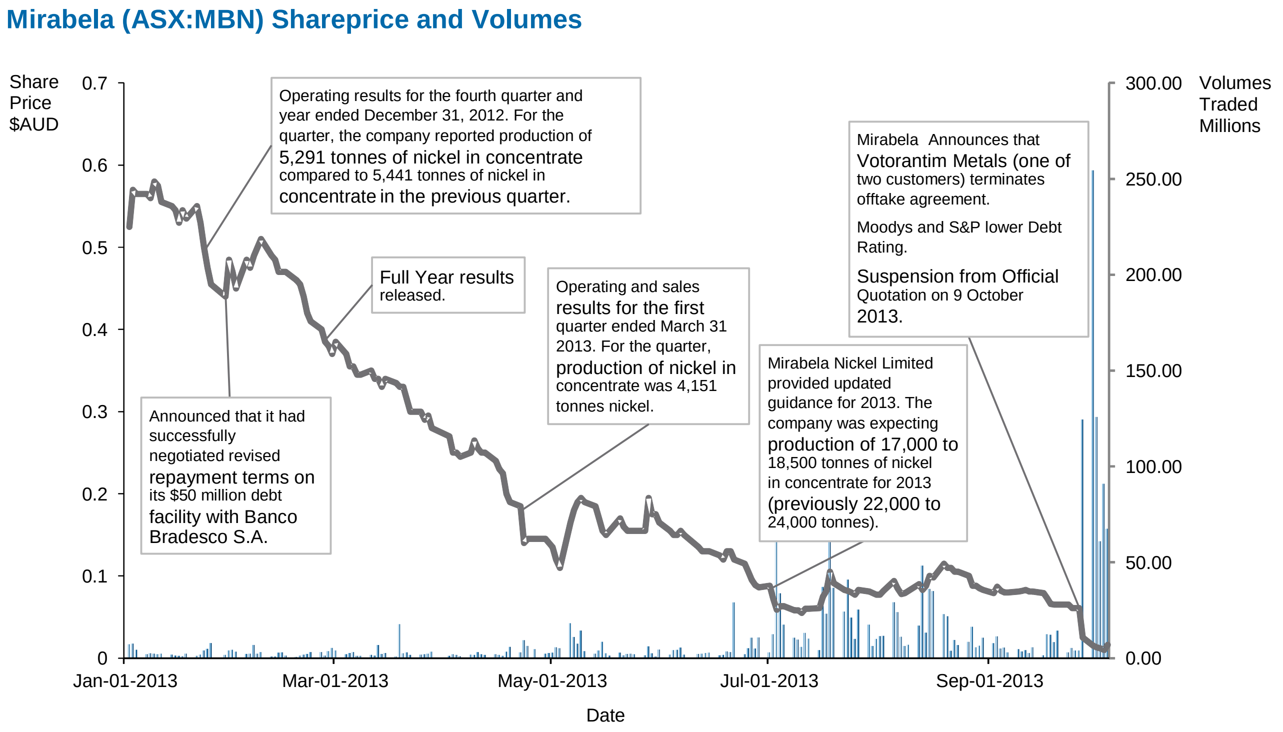
We make the following comments in relation to Management's forecast statement of financial performance and cash flow for FY14:

- At a nickel price of USD8.20/lb from 1 April 2014, the Group is forecast to incur a loss of USD 58.4 million before tax for FY14.
- Total operating and investing funding USD 50.1 million is required to sustain operations and support ongoing capital expenditure requirements from 1 April to 31 December 2014 (primarily related to expansion of the tailings dam).
- Funding is assumed to come from the USD 45.0 million Secured Notes (fully drawn as at 30 April 2014) and new money from the issue of convertible notes as part of the Approved DOCAs.
- Significant funding is required to fund the expansion of the tailings dam to provide continued storage capacity for waste water from the concentration circuit. Should the tailings dam work not be completed, operations would likely cease.
- Q1FY14 actual results were materially below the FY14 budget due to ongoing operational issues. Should the current run rate continue, the funding requirement for FY14 will be higher than set out above.

5.4 Share price and volume traded history

Mirabela's shares have been suspended from trading since 9 October 2013 at a price of AUD 0.016. Between July 2013 and October 2013 volumes increased materially as institutional investors sold out of Mirabela and retail investors bought in. During the same period, the share price continued its decline and achieved an all-time low of c.AUD 0.01.

Figure 13: Share price and volume traded history



6 Overview of the proposed recapitalisation

6.1 Key features

At the second meetings of creditors on 13 May 2014, the creditors of the Companies voted in favour of the Approved DOCAs.

The purpose of the Approved DOCAs is to give effect to a recapitalisation of the Companies by the execution of the following key steps:

1. The extinguishment of claims of Unsecured Noteholders against the Companies in return for an entitlement to approximately 98.2% of the existing ordinary equity in Mirabela. If Unsecured Noteholders so elect or if they are not permitted at law to hold equity in Mirabela, the shares which would have been transferred to them will be sold and the net proceeds of sale will be paid to them. Unsecured Noteholders will also receive a pro-rata share of a USD 5.0 million subordinated unsecured note from Mirabela at the conclusion of the Brazilian extra judicial proceeding, which will have a term of 30 years and attract an interest rate of 1.0% p.a., payable in kind.
2. Mirabela offering convertible notes with an initial face value of USD 115.0 million to the Unsecured Noteholders.
3. The issuance of new shares in Mirabela to the First Subscribing Parties as consideration for the First Subscribing Parties having agreed to subscribe for convertible notes not subscribed for by other Unsecured Noteholders with a face value of USD 55.0 million. Separately, new shares will be issued to the Secured Noteholders for agreeing to roll over their debt into the new issuance.
4. The extinguishment of claims of Shareholder Claimants against the Companies.
5. The convertible notes being convertible into new ordinary shares in Mirabela.

Step 1. Transfer of shares to the Unsecured Noteholders

The Mirabela DOCA contemplates the Unsecured Noteholders becoming entitled to a transfer of 98.2% of the existing shares held by current shareholders. The Unsecured Noteholders will be entitled to existing shares on a pro-rata basis. In order to effect this transfer, the Deed Administrators are required to apply for the leave of the Court under section 444GA of the Act to transfer 98.2% of the existing shares in Mirabela. Existing shareholders at this stage would be left with c.1.8% of the existing ordinary shares in Mirabela, before further dilution.

Step 2. Issue new convertible notes

Mirabela will issue a prospectus for convertible notes with a face value initially of up to USD 115.0 million. There is a potential to raise an additional USD 20.0 million at a later time under this arrangement. Under the terms of the PSA, the Secured Noteholders have agreed to the extinguishment and compromise of their Secured Notes (c.USD 60.0 million) in exchange for the issuance of convertible notes. All Unsecured Noteholders will be invited to subscribe for the convertible notes, however, the First Subscribing Parties have agreed to subscribe for convertible notes not subscribed for by other Unsecured Noteholders with a face value of USD 55.0 million over and above the Secured Noteholders' rollover amount.

It is intended that the convertible notes will be financing documents for the purposes of the SNSD, thereby receiving the benefits of the existing security held by the Security Trustee in Australia. In Brazil, the convertible notes will be granted the same security as granted by Mirabela Brazil in favour of the Brazilian Collateral Agent for the benefit of the Secured Noteholders.

The Secured Noteholders will receive a rollover fee for agreeing to exchange their existing debt for the new convertible notes, payable in new ordinary shares in Mirabela. The First Subscribing Parties will also receive consideration for agreeing to subscribe for convertible notes not subscribed for by other Unsecured Noteholders, also payable in new ordinary shares in Mirabela, which are intended to be offered through the prospectus.

Step 3. Conversion of convertible notes

Holders of the convertible notes will be able to redeem their notes for 42.3% of the fully diluted ordinary shares in Mirabela upon effectuation of the Approved DOCAs. The convertible notes will earn interest at an annual rate of 9.5% (compounded semi-annually), payable in kind.

The table below sets out the share structure after completion of each of the above steps. It also shows, as an alternative Step 3, the maximum potential dilution of existing shareholders, which occurs if all convertible notes (including those issued as payment in kind interest) are converted at the latest possible date for conversion.

Table 15: Equity structure after implementation of the Approved DOCAs

Shareholding (millions)	Existing shareholders	Unsecured Noteholders	Rollover fee	Backstop fee	Convertible Noteholders	Total shares outstanding
Shares outstanding as at 25 February 2014	876.8					876.8
	100.0%	-	-	-	-	*100.00%*
Step 1 –transfer of existing shares						
98.16% of current equity transferred to the Unsecured Noteholders	(860.7)	860.7				
Shareholding after step 1	16.1	860.7				876.8
Voting interest	*1.8%*	*98.2%*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Step 2 – issue of convertible notes						
Rollover fee payable to Secured Noteholders			18.4			
Backstop fee payable to underwriters				34.5		
Shareholding after step 2	16.1	860.7	18.4	34.5	-	929.7
Voting interest	*1.7%*	*92.6%*	*2.0%*	*3.7%*	*0.0%*	*100.0%*
Step 3 – redemption of convertible notes						
New equity issuance					681.3	
Shareholding after step 3	16.1	860.7	18.4	34.5	681.3	1,611.0
Voting interest	1.0%	53.4%	1.1%	2.1%	42.3%	*100.0%*
Alternative Step 3						
New equity issuance					1,083.6	
Shareholding after step 3	16.1	860.7	18.4	34.5	1,083.6	2,013.3
Voting interest	0.8%	42.8%	0.9%	1.7%	53.8%	*100.0%*

6.2 Impact of the Proposed Recapitalisation on stakeholders

6.2.1 Impact on shareholders

- If the Court makes orders pursuant to Section 444GA of the Act and the other conditions of the Proposed Recapitalisation are satisfied, then 98.2% of the existing shares will either be transferred to the Unsecured Noteholders or sold on behalf of the Unsecured Noteholders not eligible to accept a transfer, or if they elect to do so, with such proceeds of sale being transferred to them. Existing Mirabela shareholders will not be compensated for their shares.

- The existing shareholders will retain a c.1.8% interest of Mirabela (as at the date of implementation, although this may reduce depending on the date of conversion of the convertible notes).
- The transfer of the shares will likely constitute a capital gains tax event, crystallising a capital loss for tax purposes. Shareholders should seek individual tax advice in regard to their tax position.
- The Approved DOCAs will extinguish any claims of Shareholder Claimants against the Companies upon effectuation. The Approved DOCAs do not seek to limit Shareholder Claimants' claims against third parties.

6.2.2 Impact on employees

- The Approved DOCAs are not intended to have any impact on Excluded Creditors (as defined in the Approved DOCAs). Excluded Creditors includes employees.
- Employee entitlements will be preserved and Mirabela will remain liable for all employee claims arising before and during the administration and deed administration periods.

6.2.3 Impact on trade creditors

- Trade creditors, including statutory creditors will be unaffected by the Approved DOCAs. That is, all creditor claims existing as at 25 February 2014 will remain a liability of Mirabela upon effectuation of the Approved DOCAs.
- We note that a substantial number of creditors were pre-paid prior to the commencement of the administration and there are few trade creditor claims against Mirabela. We believe any trade creditor claims will be paid in full shortly after the Approved DOCAs are effectuated.

6.2.4 Impact on lessors

- The Approved DOCAs do not seek to compromise the position of lessors including Mirabela's Perth landlord or its office equipment lessor. The Approved DOCAs do not intend to cause the termination or any changes to be made to lease agreements

6.2.5 Impact on Secured Noteholders

- The Approved DOCAs do not of themselves release the Companies of any claim arising from the Secured Notes. However, a condition precedent to the Approved DOCAs being effectuated is that the holders of Secured Notes agree to release the Companies from any claim arising from or in connection with the Secured Notes upon the issuance of convertible notes or amounts received in cash in connection with the issue of the convertible notes.

6.2.6 Impact on Unsecured Noteholders

- If effectuated, the Approved DOCAs will extinguish all of claims against the Companies relating to the Unsecured Notes.
- As consideration for the extinguishment of their claims against the Companies, Unsecured Noteholders will receive 53.4% of the ordinary shares in Mirabela on a fully diluted basis.
- Unsecured Noteholders will also be invited to subscribe for convertible notes. Only those Unsecured Noteholders who meet certain selling requirements (that is QIB/Reg/S status) can subscribe.

The implied value of the equity allocated under the Mirabela DOCA (assuming conversion of the convertible notes on implementation) is set out in Table 16 below.

Table 16: Value of shareholdings post recapitalisation

	% interest	USD (millions)
Assumed value[17]		**260.0**
Less net debt:		
Bradesco		(45.0)
Atlas Copco		(1.5)
Caterpillar		(5.0)
Add back: forecast cash on hand		18.8
		(32.7)
Estimated equity value		**227.3**
Value of fully diluted equity		
Convertible Noteholders	42.3%	96.1
Unsecured Noteholders	53.4%	121.4
Rollover participants	1.1%	2.6
Backstop providers	2.1%	4.9
Existing shareholders	1.0%	2.3
Total	**100.00%**	**227.3**

6.3 Conditions precedent to effectuation of the Approved DOCAs

The Approved DOCAs will become fully effectuated and control will revert to the directors upon the following occurring:

- The Bradesco facility is amended to the satisfaction of the Deed Administrators. We note that this has already occurred.
- Caterpillar agrees to extend a waiver of its rights to enforce under its facility document to the satisfaction of the Deed Administrators.
- The Court grants leave under section 444GA, and the Unsecured Noteholders become entitled to the shares of existing shareholders.
- The Deed Administrators of Mirabela transfer the shares pursuant to the Court orders to Mirabela Investments, which will hold the shares on trust as bare trustee for the benefit of the Unsecured Noteholders.
- The relevant FIRB approvals are obtained.
- ASIC and the ASX provide the necessary relief.
- Mirabela receives funds from the issuance of the convertible notes and the convertible notes become a finance document under the SNSD.

[17] Based on upper end of valuation range. Refer to valuation range set out in Table 21.

It is envisaged that the above steps will be completed before 30 June 2014. An indicative timeline is set out below.

Table 17: Indicative deed administration timetable

Key step	Estimated completion date
Explanatory statement sent to shareholders	30 May 2014
Prospectus open date	9 June 2014
Court hearing	12 June 2014
Court decision	16 June 2014
Application funds due for convertible notes	13 June 2014
Allotment of convertible notes	20 June 2014
Transfer of shares (if Court makes orders under 444GA), issuance of convertible notes and effectuation of the Approved DOCAs	20 June 2014

6.4 Final structure

Following implementation of the Proposed Recapitalisation:

1. A new board of directors will be appointed to Mirabela, and Mirabela will be returned to the control of the directors and re-commence trading on the ASX.
2. The debt structure will consist of the following:
    a. USD 115.0 million secured convertible note with a maturity date of five years after the date of issue (convertible at the option of the holder).
    b. c.USD 50.0 million drawn under the Bradesco facility with a maturity date of 29 March 2018.
    c. c.USD 5.0 million drawn under the Caterpillar facility (maturity date to be agreed).
    d. c.USD 1.5 million drawn under the Atlas Copco facility (maturity date to be agreed).
    e. USD 5.0 million subordinated note.

7 Valuation

7.1 Valuation of the Group

7.1.1 Methodology

We have sought to determine whether in our opinion, the enterprise value of the Group exceeds the value of the indebtedness. We have prepared this analysis to assess the implied value under a going concern non-distressed arm's length transaction.

In forming our view, we have derived valuations based on AMC Production Case 1 and AMC Production Case 2 to determine a valuation range for the Group. We have relied upon AMC's work in undertaking our valuation analysis. Further, we have assessed relevant available information, including expressions of interest to support our valuation range.

We have considered the valuation methodologies outlined in ASIC RG 111 (*Contents of expert reports*) and are of the opinion, given the nature of the assets, the following valuation methodologies are most appropriate:

- DCF as the primary valuation methodology[18].
- analysis of recent EOIs received as part of the 2013/14 sale and recapitalisation process as a cross-check to the DCF valuation.

For a more detailed discussion regarding the valuation methodologies selected and discount rates applied please refer to Appendix 3 and Appendix 4.

[18] We have adjusted our DCF valuation to include the value of unmined inferred resources and exploration tenements valued by AMC.

7.1.2 DCF available information

The relevant available information considered in forming our view on the DCF valuation range comprises:

Table 18: LOM models[19]

Model name	Date finalised	Mine plan	Key assumptions
1. AMC Production Case 1	15 May 2014	**Material moved** • **FY14F – FY15F:** 25MT p.a. • **FY16F – FY30F:** c.47MT p.a. • **FY31F – FY36F:** 28MT p.a. decreasing over time (as reserves run-down) **Total ore mined** • c.150MT	• **Background:** AMC's larger pit case which utilises existing reserves.[20] • **Reserves:** based on AMC's independent technical analysis. • **Mine plan and parameters:** based on AMC's independent technical analysis. • **Customers:** Norilsk (50%) and ITH (50%). Norilsk based on current terms for the LOM. ITH terms based on current terms to 31 December 2014 and c.5% uplift in the netback from 1 January 2015 onwards. • **Nickel recovery:** based on AMC's independent technical analysis. • **Nickel prices:** based on USD8.20/lb[21] for 1 May 2014 to 31 December 2014 and consensus analyst estimates as at 15 May 2014 for the remainder of the forecast period.[22] • **Capex:** based predominantly on estimates provided by third party independent mining experts reviewed and adjusted by AMC. • Refer to Appendix 12 for detailed overview of AMC Production Case 1.
2. AMC Production Case 2	15 May 2014	**Material moved** • **FY14F – FY15F:** 25MT p.a. • **FY16F – FY22F:** c.44MT p.a. • **FY23F – FY26F:** 25MT p.a. decreasing over time (as reserves run-down) **Total ore mined** • c.82MT	• **Background:** AMC's Production Case 2 has been prepared to assess the impact on value and costs of a smaller pit design. • **Reserves:** based on AMC's independent technical analysis. • **Mine plan and parameters:** based on AMC's independent technical analysis. • **Customers:** Norilsk (50%) and ITH (50%). Norilsk based on current terms for the LOM. ITH terms based on current terms to 31 December 2014 and c.5% uplift in the netback from 1 January 2015 onwards. • **Nickel recovery:** based on AMC's independent technical analysis. • **Nickel prices:** based on USD8.20/lb[20] for 1 May 2014 to 31 December 2014 and consensus analyst estimates as at 15 May 2014 for the remainder of the forecast period.[21] • **Capex:** based on AMC's independent technical analysis. • Refer to Appendix 12 for detailed overview of AMC Production Case 2.

[19] The voluntary administrators engaged Ernst & Young to review and report on the mathematical and logical integrity of the LOM model. On 30 April 2014, EY confirmed to the voluntary administrators that all comments and queries raised as a part of the review had been addressed to EY's satisfaction. The AMC Production Case 1 and AMC Production Case 2 utilise the same excel workbook reviewed by Ernst & Young, however with different inputs.
[20] Assumptions have been further refined by AMC since our report to creditors on 2 May 2014.
[21] This is above consensus analyst estimates for FY14 and is based on an average of closing LME nickel prices from 1 April to 14 May 2014. Consensus analyst forecasts for FY14 were not used as forecasts are quoted on an annual basis.
[22] We have only included nickel price forecasts that have been updated in March, April and May 2014. Further, we have excluded nickel price forecasts which may be considered conservative. We have not excluded any nickel price forecasts which may be considered optimistic. Refer to Appendix 7 for further details on nickel price assumptions.

7.1.3 DCF valuation

We have performed a DCF valuation based on the AMC Production Case 1 and the AMC Production Case 2 set out in Table 18 and summarised the results in Appendix 6 and section 7.3.1. We have included an adjustment to enterprise value of nil to USD 25.8 million for exploration tenements and the underground inferred resource (as valued by AMC – refer to the AMC Report set out in Appendix 12).

The assumptions underpinning AMC Production Case 1 and AMC Production Case 2 are based on AMC's own analysis. We have relied upon AMC's findings in preparing our valuation.

Key valuation assumptions

The key valuation assumptions underpinning our DCF valuations are set out below:

- Nickel price assumptions as set out in Appendix 7.
- Real WACC of 8.84% to 10.07% per annum (after tax) (refer to Appendix 4).
- Valuation date of 1 May 2014.
- Corporate tax rate of 34%.[23]
- Other assumptions as set out in Table 17 and the AMC Report included at Appendix 12.

Valuation range

Based on the information above, our DCF valuation range[24] is:

- c.USD 207.9 million to USD 278.5 million based on the AMC Production Case 1 and including nil to USD 25.8 million for the exploration tenements and the underground inferred resource (as valued by AMC).[25]
- c.USD 213.5 million to USD 265.9 million based on the AMC Production Case 2 and including nil to USD 25.8 million for the exploration tenements and the underground inferred resource (as valued by AMC).[25]

For a breakdown of the valuation outcomes over time refer to Appendix 6.

7.2 2013/14 sale and recapitalisation process

7.2.1 Introduction

Following the material decrease in nickel prices from a peak of c.USD13.0/lb in March 2011 to the trough in July 2013 of c.USD6.3/lb (c.USD8.5/lb as at 15 May 2014), Mirabela has been exploring a range of options to shore up its statement of financial position and reduce the cash burn of the operations (including equity raising, sale of the whole, mine optimisation, offtake arrangements and funding arrangements).

The process of exploring the options available to Mirabela was conducted by Management initially and then Houlihan Lokey, a US-based reputable investment bank (as financial advisor to Mirabela).

A summary of the process and each potential transaction is set out below.

7.2.2 Process

Timing

In August/September 2013, Management commenced preliminary discussions with Party A and Party B (refer to Table 20) to explore strategic initiatives to shore up Mirabela's financial position following the material decrease of nickel prices.

[23] http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx
[24] Pre transaction costs.
[25] Refer Appendix 12.

In October 2013, Mirabela engaged Houlihan Lokey to assist in evaluating interest and proposals received from equity investors, strategic partners and lenders (existing or potential). Mirabela maintained a comprehensive data room for this process.

In addition, Houlihan Lokey, in conjunction with Rothschild (a global financial advisory group engaged by the Ad-Hoc Noteholders), populated a comprehensive list of strategic, private equity, financial and other potential interested parties to contact.

Over the course of December 2013 and January 2014, Houlihan Lokey used the list to make outbound enquiries to assess market appetite for a potential sale or recapitalisation transaction.

Market feedback

A summary of the contact with the list of potential interested parties (ss advised by Houlihan Lokey) is set out below.

Table 19: Potential buyer contact summary

Stage of the process	Number of parties
Initial contact	Approximately 70 potential interested parties.
Teaser document sent	Approximately 55 potential interested parties.
Follow-up discussions	Approximately 11 potential interested parties requested follow-up discussions (which proceeded) or further information (which was provided if appropriate).
Cas requested	Since the appointment of voluntary administrators, a single potential party request and received a CA (Party D).
Cas signed	Exchange of comments on the CA continues. Latest round of comments received from Party D on 28 April 2014.
Indicative bid submitted	Nil.
Remain interested	Party D has indicated it remains interested in participating in the restructure, however has not commenced due diligence. Based on our discussions with Party D, we understand it was interested in participating in the Proposed Recapitalisation. We informed Party D that Mirabela is now looking to give effect to the DOCA.
Declined[26]	Approximately 18 potential interested parties

The general market feedback from parties contacted by Houlihan Lokey was:

- a long-term view of global nickel prices is required as market expectations are for nickel to remain at around the current levels for the next two to three years
- because Mirabela is currently cash flow negative and is expected to remain cash flow negative post capex for some time, it makes it challenging to formulate an investment thesis and obtain the necessary approvals to proceed with any type of transaction.[27]

Since the appointment of voluntary administrators, two potential interested parties have contacted the voluntary administrators, Deed Administrators or Houlihan Lokey (Party D who was on Houlihan Lokey's list and Party E who is not interested in proceeding with due diligence – refer to Table 20).

[26] Represents parties who have formally declined. With the exception of the single party that remains interested, Houlihan Lokey has received no further communication from potential interested parties following receipt of the teaser or follow-up discussions. Further, with the exception of Party D, the Administrators have received no communication from any of the interested parties Houlihan Lokey contacted.

[27] A number of financial investors have fund rules that prohibit investment in cash flow negative businesses.

Interested parties

Set out below is a summary of the parties that expressed an interest in exploring a transaction and the status of each transaction (due to confidentiality reasons we cannot disclose the identity of the interested parties).

Table 20: Summary of interested parties

Name	Description	Proposed transaction	Offer	Level of contact	Status
Ad-Hoc Noteholders	Group of financiers.	Indicative terms included a restructure which entailed a nil to nominal return to existing shareholders, debt forgiveness by the Unsecured Noteholders in exchange for equity and the introduction of new equity money.	USD 320 to USD 350 million (incl. c.USD 115 million of new money).[28]	External advisors engaged. CA signed. Detailed DD complete.	Ongoing. PSA entered into by Ad-Hoc Noteholders for proposed recapitalisation on terms similar to those pre insolvency.
Party A	Large PE firm.	Indicative terms included a restructure which entailed a nil to nominal return to existing shareholders, debt forgiveness by the Unsecured Noteholders in exchange for equity and the introduction of new equity money.	USD 250 to USD 262 million (incl. c.USD 100 million of new money).[29]	External advisors engaged. CA signed. Detailed DD complete.	Negotiations ceased due to disagreement around valuation and the level of debt forgiveness requested of the Unsecured Noteholders. Further, Party A has advised it would be challenging to provide the interim funding needed to support the operations within the required timeframe.
Party B	Global natural resources and trading company.	Preliminary discussions in September 2013 in relation to a minority part funding arrangement with other parties (total of AUD75 million) coupled with a long term offtake arrangement.	N/A.	CA signed. Limited DD complete.	Negotiations not progressed as the funding arrangement did not solve the leverage and liquidity issues (exacerbated by issues with Votorantim in September 2013). Remain interested in an offtake arrangement should a restructure be completed (note, indicative pricing of the offtake contract was unfavourable versus current offtake arrangements).
Party C	Global commodities trading company.	Preliminary discussions in relation to a potential funding arrangement coupled with a long-term offtake arrangement.	N/A.	CA signed. Limited activity in the data room.	Discussions were high level and at an early stage. Discussions ceased as Party C indicated it was no longer interested in providing funding. Remain interested in a long-term offtake arrangement (note, indicative pricing of the offtake contract was expected to be broadly in line with current offtake arrangements).

[28] Implied EV pre tax credit issue announced to the ASX on 16 April 2014.
[29] Unclear if EV included tax credit issue announced to the ASX on 16 April 2014.

Name	Description	Proposed transaction	Offer	Level of contact	Status
Party D	Consortium consisting of a global investment bank and mining company.	Verbally expressed an interest in participating in the proposed recapitalisation post appointment of the Deed Administrators.	N/A.	Exchange of comments on CA continue. Latest round of comments received 28 April 2014. DD has not commenced.	Our understanding is the deal proposed will link into the Proposed Recapitalisation.
Party E	Diversified mining and minerals company.	Contacted the voluntary administrators to understand the current situation and potentially participate in any future sale process.	N/A.	Teleconference with the voluntary administrators on 9 April 2014. No DD completed.	Did not wish to proceed with DD due to the funding and time constraints (indicative DD period of c.14 weeks required). Unable to provide interim funding.

Outcome

All of the proposals set out above were highly conditional[30] and, critically, the only offers that addressed the overleveraged capital position and liquidity issues implied a valuation that was materially less than the level of the outstanding debt (refer to Table 24).

Notwithstanding this, the Board, with the support of the Ad-Hoc Noteholders, continued to progress negotiations with Party A up to the appointment of voluntary administrators. This was done to drive the best possible outcome for all stakeholders, however the Ad-Hoc Noteholders determined that the economics of the restructuring now documented in the Approved DOCAs were better than the alternative offered by Party A (and indeed for other unsecured creditors). As a result the transaction with Party A was not pursued further and voluntary administrators were appointed on 25 February 2014.

A further sale or recapitalisation process was not pursued during the voluntary administration period as:

- there was insufficient time for a process to be completed with an ongoing funding requirement of c.USD 33.7 million for the next eight months[31] (over and above the USD 10.0 million already funded by certain Ad-Hoc Noteholders).
- the list of potential interested parties contacted by Houlihan Lokey was comprehensive and consists of a significant number of credible strategic and financial buyers with capacity to transact. None of the potential interested parties indicated that they have any interest in pursuing a separate transaction with Mirabela.

Value

In our opinion, the offers received as part of the 2013/14 sale and recapitalisation process can be used to support the DCF valuation set out in Table 21. This is a result of the following factors:

- the process concluded in February 2014 and as such is very recent
- it includes a wide spectrum of credible interested parties who have capacity to transact
- a large volume of information was made available to interested parties that signed a CA
- there have been no indications that there are any other parties willing to pay an amount in excess of these indicative offers.

[30] Conditionality of the Ad-hoc Noteholders' proposal and Party A's proposal were largely to do with structuring and regulatory relief.
[31] Assuming a nickel price of USD8.20/lb from 1 May 2014 to 31 December 2014.

7.3 Summary of valuations

7.3.1 Enterprise value range

Set out below is a summary of the valuation and offer range based on the analysis above.

Whilst our analysis of the discounted cash flows is useful in assessing the enterprise valuation of the Group, it is not reflective of the current situation, as:

- the funding requirement is significant in the short to medium term
- the Companies are currently subject to deeds of company arrangement and obtaining full value in these circumstances is challenging.

Table 21: Enterprise value range

Valuation[32]	**Enterprise value**		**Reference**
DCF valuation	***Low***	***High***	
AMC Production Case 1[33]	USD 207.9 million	USD 278.5 million	Section 7.1.3
AMC Production Case 2[33]	USD 213.5 million	USD 265.9 million	Section 7.1.3
2013/14 sale and recapitalisation process			
Implied EV (pre new money)[34]	USD 150.0 million	USD 235.0 million	Section 7.2

7.3.2 Nickel price assumptions – impact on enterprise value

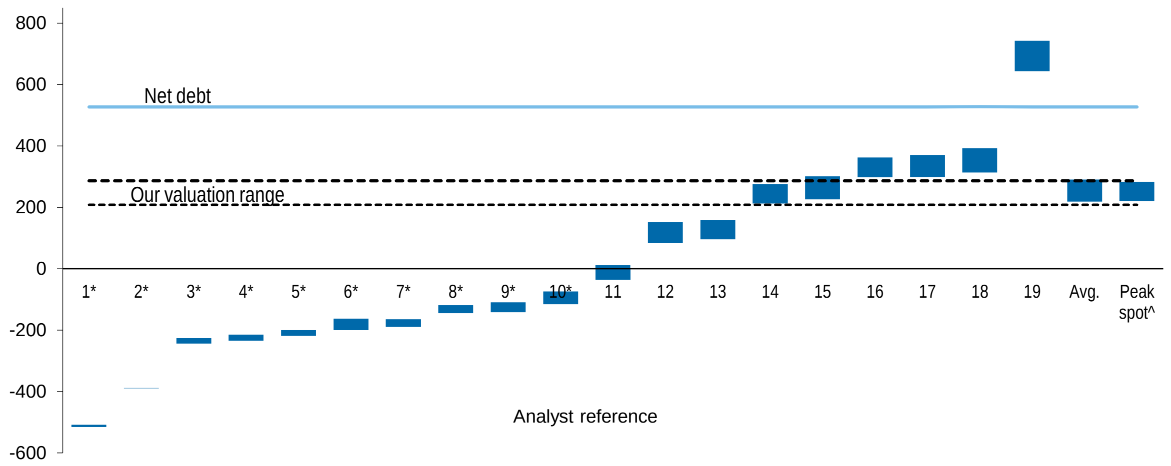
Our approach for determining forward nickel prices included in the DCF valuations set out in Table 21 is summarised in Appendix 7 and is consistent with the approach typically taken by valuers preparing market valuations, including independent experts' reports.

Whilst we do not believe it is theoretically robust to base nickel price forecasts used in a DCF valuation on a single or small sample of contributors, we have analysed the implied enterprise value of the Group based on each contributor who prepares a long-term nickel price forecast to understand the range of value outcomes for each production case. The results are summarised in the graphs below.[35]

[32] Pre transaction costs.
[33] Includes nil to USD 25.8 million for the underground inferred resource and exploration tenements (as advised by AMC).
[34] Excludes new money provided as part of the proposed transactions.
[35] Besides nickel prices, all other assumptions remain unchanged. Includes nil to USD 25.8 million for unmined inferred resources and mining tenements.

Figure 14: AMC Production Case 1 – enterprise value USD millions

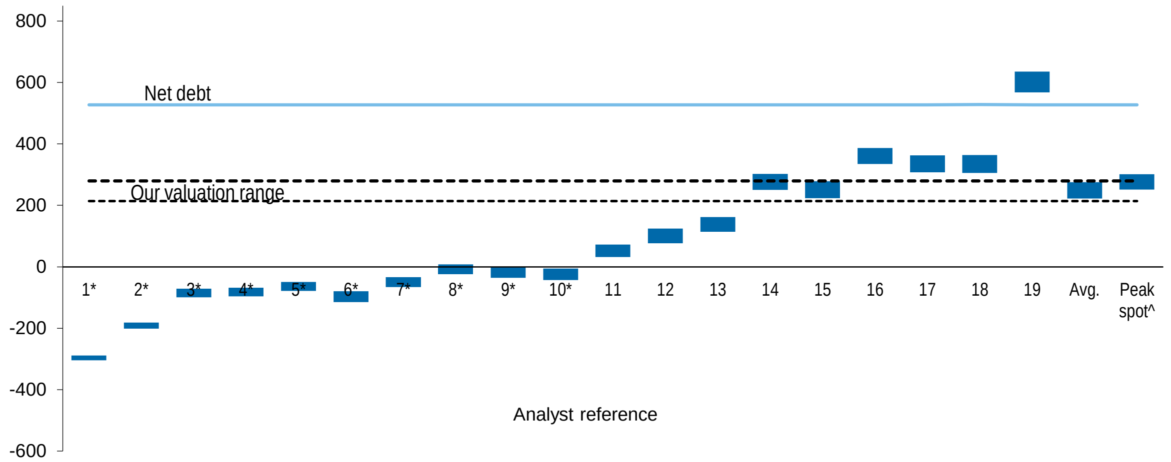
Enterpise value based on individual analyst nickel price forecasts



* Excluded from our consensus analysis set out in Appendix 7.
^ As at 13-May-14 being USD9.6/lb (peak of recent rally). Note, spot as at 16-May-14 decreased materially to c.USD8.4/lb. Currently USD8.5/lb to USD8.8/lb.

Figure 15: AMC Production Case 2 – enterprise value USD millions

Enterpise value based on individual analyst nickel price forecasts



* Excluded from our consensus analysis set out in Appendix 7.
^ As at 13-May-14 being USD9.6/lb (peak of recent rally). Note, spot as at 16-May-14 decreased materially to c.USD8.4/lb. Currently USD8.5/lb to USD8.8/lb.

Of the 19 analysts who provide long-term nickel price forecasts, only Analyst 19 implies a return to existing shareholders.

Therefore, for there to be any return to shareholders the following assumptions would need to hold true:[36]

[36] Based on analyst forecasts made available to us as at 15 May 2014. We have reviewed updated analyst's forecasts to 27 May 2014 and note that any updates will not materially change our analysis on valuation and Figure 14 and Figure 15 set out above.

1. Analyst 19's forecast nickel prices are accurate.
2. All other contributors to nickel price forecasts are incorrect and should be ignored in forming a view on forecast nickel prices.
   a. This is not best practice in determining forecast commodity prices[37] and we do not believe this is an appropriate approach for valuation purposes.
3. An acquirer would be willing to pay full value for the Group based on Analyst 19's forecasts alone, noting that the Group requires urgent and substantial investment.
4. The acquirer referred to in point 3 above to have a fully funded offer that refinanced/repaid the Unsecured Notes, Secured Notes, and the debts owing to Bradesco, Caterpillar and Atlas Copco, as all of these amounts will be due and payable if the Approved DOCAs are not effectuated (c.USD 526.8 million net of cash).
   a. Note, the Secured Noteholders have advised us that should the Proposed Recapitalisation not proceed or be implemented to their satisfaction they reserve their right to call for repayment of the facility.
5. A third party is available to provide interim liquidity support (c.USD 22.0 million to USD 55.0 million – refer to section 7.3.3 below) to fund the operations whilst a transaction is negotiated, as the current liquidity support is only available if the Proposed Recapitalisation is approved.
   a. Note, it is likely that any provider of interim liquidity support would also need to agree standstills with, or refinance the parties set out in point 4 above to avoid a liquidation scenario. The Secured Noteholders have advised us that they reserve their right to call for repayment of the facility if the Proposed Recapitalisation does not proceed or is not implemented to their satisfaction.

Therefore, Analyst 19's forecast nickel price assumptions do not change our opinion that the only real alternative to the Proposed Recapitalisation is liquidation, which results in no return to shareholders.

7.3.3 Nickel price assumptions – impact on funding requirement

We have also assessed the operating and capital expenditure funding requirement for the period from 1 May 2014 to 31 December 2014 under various scenarios and for each production case. We have not included financing and restructuring costs in our analysis.

The LOM model is constructed such that movements in the nickel price are captured immediately by an increase or decrease in revenue. Whilst this is appropriate for assessing long-term cash flows and valuation, the offtake arrangements are drafted such that in a market of rising nickel prices there will be at least a one month lag in the increase flowing to revenue. Therefore, the funding requirements set out in the tables below may be understated.

Table 22: AMC Production Case 1 funding requirement under various scenarios

Ni assumption	EV[38]	Less net debt	Implied equity value	Funding requirement May-14 to Dec-14[39]
Min	(511.6)	(526.8)	Nil	55.5
Max (Analyst 19)	693.2	(526.8)	166.4	22.2
Average	254.3	(526.8)	Nil	41.5
Model assumption[40]	243.2	(526.8)	Nil	33.7

[37] Refer to The Mining Valuation Handbook: Commodity price forecasting which states: *'The likelihood is that any forecast will prove to be wrong over time, and the aim is to determine the most probable outcome based on information available at the time the forecast is made.'* and *'There are numerous commercial suppliers as well as stockbroker analysts and economists who provide commodity price forecasts. The methods that they use individually to arrive at their forecasts may be varied, and in some cases unknown to the market, but as a whole (or on average) they may represent the market's view of likely future commodity prices.'*
[38] Being the mid-point of the range in Figure 14.
[39] Operating and capital expenditure funding requirement only.
[40] Based on the assumptions set out in Appendix 7.

Table 23: AMC Production Case 2 funding requirement under various scenarios

Ni assumption	EV[41]	Less net debt	Implied equity value	Funding requirement May-14 to Dec-14[42]
Min	(296.8)	(526.8)	Nil	55.5
Max (Analyst 19)	601.9	(526.8)	75.1	22.2
Average	248.6	(526.8)	Nil	41.5
Model assumption[43]	239.7	(526.8)	Nil	33.7

A short term operating and capital expenditure funding shortfall of c.USD 22.0 million to USD 55.0 million is forecast for the period to 31 December 2014 under each scenario set out above.

The current liquidity support is only available if the Proposed Recapitalisation is approved and absent immediate liquidity support it is likely the Companies will be liquidated (refer to section 8 for further commentary on a liquidation scenario).

7.4 Group net interest bearing liabilities

The table below sets out the amounts which was owing to lenders at 30 April 2014:

Table 24: Group interest bearing liabilities

Facility (USD millions)	30 April 2014
Bradesco – secured	47.2
SNSD – secured	60.0[44]
Caterpillar – secured	5.0
Atlas – secured	1.5
Unsecured Notes	431.9[45]
Less cash	(18.8)[46]
Total	**526.8**

Source: Company records

7.5 Conclusion

The Group's net interest bearing liabilities of USD 526.8 million (as set out in Table 24) materially exceeds the enterprise value of its assets, and accordingly in our opinion its shares have nil value.

[41] Being the mid-point of the range in Figure 14.
[42] Operating and capital expenditure funding requirement only.
[43] Based on the assumptions set out in Appendix 7.
[44] Includes fees of c.USD 15.0 million.
[45] Includes accrued interest.
[46] Net of assumed transaction costs of c.USD 10.0 million. Note, adjustments for taking on employee liabilities may reduce this amount further.

8 Alternatives to the Proposed Recapitalisation

8.1 Liquidation

In our opinion, the only alternative to the Proposed Recapitalisation is liquidation of the Companies. This is because:

- The Secured Noteholders did not vote on the Approved DOCAs and therefore are not bound by the Approved DOCAs. Further, the Secured Noteholders have advised us that should the Proposed Recapitalisation not proceed or be implemented to their satisfaction they reserve the right to call for repayment of the facility and to exercise all rights available to them.
- Mirabela has not received any other alternative proposals that are capable of being accepted.
- There is no other source of interim liquidity to fund the Brazilian operations whilst a further sale/recapitalisation process is conducted and a transaction negotiated (the current liquidity support is only available if the Proposed Recapitalisation continues to progress).
- The Unsecured Notes, Secured Notes, Bradesco, Caterpillar and Atlas Copco debt will likely be due and payable if the Approved DOCAs are not effectuated (c.USD 549.0 million).

Without an obvious alternate source of funding, Mirabela Brazil would have insufficient funds to continue its mining operations, leaving it with two options, namely:

- Look to put the mine into care and maintenance to preserve value whilst a sale or a restructure of Mirabela Brazil was completed; or
- File for bankruptcy, which would likely result in the liquidation of its assets.

8.1.1 Care and maintenance alternative

Prior to our appointment, Mirabela obtained independent advice on the likely cost of placing the Santa Rita mine into care and maintenance. Such course of action was being considered in the event that the Group was unable to complete a comprehensive restructuring.

Mirabela was advised that the initial estimated cost of placing the mine into care and maintenance would be somewhere between USD 37.7 and USD 45.6 million if Mirabela Brazil was placed into bankruptcy and USD 178.6 million in the ordinary course of business, with significant ongoing costs likely.[47] Whilst these are estimates only and were based on high level information available at the time, they nonetheless identify that the cost of transitioning to and maintaining the mine under care and maintenance would be significant and well above the financial resources presently available.

Further, Mirabela was advised there was significant risk that the lease with CBPM and operating licences may be cancelled under a care and maintenance scenario. This would materially erode value with the outcome likely to be in line with a liquidation scenario.

8.1.2 Outcome of bankruptcy of Mirabela Brazil

In the event that Mirabela Brazil filed for bankruptcy, we understand that the following would likely occur:

- A bankruptcy trustee would be appointed, and
- Absent of funding from a third party financier, the trustee would likely cease operations and liquidate the assets of Mirabela Brazil.

Detailed commentary on the potential outcomes should Mirabela Brazil file for bankruptcy is set out in section 9.5 of the report to creditors issued dated 2 May 2014 (released to the ASX on the same date).

[47] The bankruptcy scenario assumed certain creditors could be compromised without impacting the care and maintenance strategy, hence lower costs. This strategy was not confirmed.

8.1.3 Estimated outcome in liquidation

We have estimated the possible return to shareholders and creditors should the Companies be placed into liquidation in section 8.5 of our report to creditors dated 2 May 2014 (released to the ASX on the same date).

In summary, we estimate that shareholders would receive no return, employees would be paid in full, the Secured Noteholders would receive a nominal return, whilst unsecured creditors would receive no return.

We note that subsequent to issuing our report to creditors, we obtained advice from Brazilian legal counsel on the priority afforded to Mirabela's intercompany debt under Brazilian bankruptcy law. We have been advised that Mirabela's claim would be subordinated to all other debts of Mirabela Brazil, and would not rank alongside other unsecured debts, as detailed in our report dated 2 May 2014, but would rather rank below unsecured debts. The subordination of the intercompany debt further supports our assumption that Mirabela would be unlikely to receive any repayment of its intercompany loan in the event that Mirabela Brazil filed for bankruptcy.

Appendix 1– Information list

Table 25 – Proposed Recapitalisation documents

1.	Approved DOCAs
2.	PSA
3.	Other ad-hoc correspondence from the Ad-Hoc Noteholders and their advisors
4.	Bradesco 4th Amendment
5.	Caterpillar standstill arrangement

Table 26 – Information received from the Group

1.	FY13 audited annual report
2.	RATAs
3.	Loan and security documentation and summaries
4.	Site location and map
5.	ASX announcements
6.	Board minutes
7.	Indenture
8.	SNSD
9.	Corporate and staff structure
10.	Offtake summaries and contracts
11.	Reserves and resources summary
12.	FY10 to FY12 audited annual report
13.	Coffey March 2011 Technical Report

Table 27 – Administrators' work papers and reports

1.	Report to creditors dated 2 May 2014
2.	Various ASX and ASIC correspondence

Table 28 – Information received from other advisors

1.	AMC Report
2.	Azevedo Sette, 2014: Independent Report – Mining Tenements
3.	Houlihan Lokey term sheet summaries
4.	Houlihan Lokey interested party summary
5.	VogBR reports on capital expenditure
6.	Various analysts' forecasts

Appendix 2 – Statement of qualifications and declarations

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report we have relied upon and considered information believed, after due inquiry, to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld. We have evaluated the information provided to us by Mirabela, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Whilst we do not imply, and it should not be construed that, we have audited any of the information provided to us; we believe that the information provided to us is reasonable for us to address our scope set out in section 1.1 and that there are reasonable grounds for the enterprise values set out in Table 21 in section 7.3.1.

The information relied upon in the preparation of this report is set out in Appendix 1 to this report.

Mirabela has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

We have the necessary experience and professional qualifications appropriate to prepare this report for the purpose set out in section 1.1 (our curriculum vitae are set out in Appendix 9). Other KordaMentha staff have been consulted in the preparation of this report where appropriate.

We will receive a professional fee based on time spent in the preparation of this report estimated at approximately AUD 200,000 (exclusive of GST) which will be paid from the assets of Mirabela pursuant to the Mirabela DOCA. We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

It is not intended that the report should be used for any other purpose other than that contemplated in section 1.1 of this report.

Appendix 3 – Valuation approach

Valuation methodology

ASIC Regulatory Guide 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the DCF methodology.
- the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets.
- the amount that would be available for distribution to shareholders in an orderly realisation of assets (asset based valuations).
- the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

These valuation techniques are not mutually exclusive and can be applied in conjunction with each other.

DCF valuation

The DCF valuation method is based on the generally accepted theory that the value of a business is the present value of its net future cash flows after having discounted the expected future cash flows by an appropriate discount rate. This methodology provides for:

1. the forecasting of future cash flows over a sufficiently long period of time (including, if appropriate, a terminal value of the business being valued)
2. the discounting of those cash flows at an appropriate discount rate representing an opportunity cost of capital reflecting the expected rate of return obtainable by investors from investments having equivalent risks
3. separately assessing the value of non-core or surplus assets and any associated cash flows.

Future cash flows are comprised of two elements:

1. the cash amounts expected to be generated each year after paying all cash costs and cash outgoings
2. the net cash amount expected to be received upon the ultimate sale of the business (not relevant for the Group).

The DCF method is generally accepted as the most theoretically robust valuation methodology. However its use in practice is limited due to a number of factors including:

1. lack of reliable financial information
2. difficulties associated with predicting future cash flows.

Due to these restrictions, DCF valuations are usually restricted to the following situations:

1. projects or businesses with finite lives (such as mines)
2. projects or businesses operating in an environment that is undergoing regulatory changes that are likely to impact its earning profile
3. projects or businesses expecting a growth phase
4. projects or businesses with fluctuating cash flows such as abnormal or lumpy capital expenditure requirements
5. businesses with no trading history, such as start-ups.

The discount rate increases as the level of assessed risk increases. Risk is generally measured as variability in return. The higher the discount rate, the lower the value. The discount rate generally has two components, a return on equity and the cost of debt. The discount rate is determined by weighting these components using a calculation known as the weighted average cost of capital (WACC). The calculation of a discount rate is influenced by the level of debt or gearing in two ways:

1. an increase in gearing increases the risk of an equity investor and accordingly increases the required return on equity
2. an increase in gearing changes the weight attributable to the cost of debt in the WACC calculation.

An underlying assumption of a DCF analysis is that an entity's gearing ratio remains constant over time. Changes in the gearing ratio will change the cost of equity and consequently the discount rate.

There are a number of acceptable methods of assessing an appropriate required return on equity. The methods we would consider in a DCF valuation are:

1. using an economic model such as the capital asset pricing model (CAPM)
2. building up a discount rate using the adjusted capital asset pricing build-up method
3. estimating a rate having regard for similar businesses and professional judgment.

Each of these methods must have regard for the factors affecting the required return on equity. These include:

1. operational risk of the industry and the financial asset being valued (company specific factors)
2. financial risk (gearing)
3. the risk free rate of return
4. market risk
5. country risk
6. size
7. liquidity or marketability.

In calculating value using the DCF methodology it is important to ensure that the discount rate determined is expressed in terms consistent with the expression of the cash flows being discounted. In particular, if cash flows are expressed on an after-tax basis the discount rate should also be expressed on an after-tax basis, if cash flows are before debt servicing costs (un-geared) the discount rate should reflect the sources of finance (debt and equity) generating those cash flows[48] and if cash flows are expressed in real terms the discount rate should also be expressed in real terms.

The basic discounting formula is:

$c/(1+i)^n$

where:

c = cash flow in each period

i = discount rate

n = number of periods the specific cash flow is being discounted

In our opinion, the use of the DCF valuation methodology is appropriate to use as the primary valuation methodology for the enterprise value of the Group because:

1. it is the most theoretically robust approach
2. industry experts have developed two versions of a LOM model

[48] The WACC is generally used where cash flows available to all providers of capital are being discounted.

1. the business is currently loss making and the current earnings profile is not reflective of the future earning profile (assuming an increase in nickel prices)
2. the mine has a finite life.

Capitalisation of maintainable earnings or cash flows

Earnings based valuations require consideration of the following factors:

- estimation of future maintainable earnings having regard to historical and forecast operating results, the core long term profit potential and future economic conditions.
- determination of an appropriate capitalisation rate that will reflect:
  - risks inherent in the business and the industry
  - general characteristics of the entity being valued
  - size of the business
  - marketability of the asset (including the size of any free float of shares)
  - growth possibilities
  - asset backing where a business or financial instrument is being valued
  - time value of money.

Separate assessment is required of the value of surplus/unrelated assets and liabilities, being those items that are not essential to producing the estimated future earnings.

Earnings capitalisation can be in the form of:

1. capitalisation of expected net profit after tax (price earnings or PE multiple)
2. capitalisation of expected earnings before interest and tax (EBIT multiple)
3. capitalisation of expected earnings before interest, tax depreciation and amortisation (EBITDA multiple).

Future maintainable earnings are often assessed by reference to past results on the basis they represent a reasonably accurate guide to future results. There may be reasons past results are not indicative of future results. In such cases, future maintainable earnings must be assessed by obtaining an understanding of the entity's earnings generation capability, past events and expected future events and through the application of professional judgement. The future maintainable profits assessed should be the level of profit which (on average) the business can expect to maintain, in real terms, notwithstanding the vagaries of the economic cycle.

The earnings multiple must be consistent with the earnings period. Historical multiples must be applied to historical earnings and forecast multiples to forecast earnings.

The capitalisation of earnings method is particularly applicable to businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives. The expected maintainable future earnings of an entity broadly becomes a surrogate for the future cash flow of a business.

Earnings-based methods are not appropriate where there is:

1. a history of losses
2. rapidly declining profits in an industry with poor prospects
3. profitable trading but severe liquidity problems
4. lack of historical data or inadequate prospective financial information such as with start-up businesses
5. lumpy capital expenditure requirements
6. current losses with an expectation of recovery
7. an asset with a finite life.

In our opinion the earnings based methodology is not appropriate as a primary valuation methodology nor a cross-check to the DCF because, the Group:

1. is currently loss making
2. has lumpy capital expenditure requirements
3. has a finite life (in terms of nickel reserves)
4. has and is expected to continue to suffer significant liquidity issues in the short to medium term.

Determination of an appropriate, comparable and relevant capitalisation rate in these circumstances is in our view problematic.

Asset-based valuations

Asset-based valuations involve the determination of the net realisable value of the assets used in the business on the basis of an assumed orderly realisation (notional liquidation). This value includes an allowance for reasonable costs of carrying out the sale of assets, the time value of money and the taxation consequences of asset sales. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially below their fair market values.

The sum of a company's individual assets is not usually the most appropriate measure of its value. Asset-based valuations are normally used as a secondary method of valuation and as a cross check on the reasonableness of the level of goodwill implied in an earnings-based or DCF valuation. Asset-based valuations may be appropriate as primary valuation methods in special situations. They are particularly applicable in a liquidation scenario (i.e. the company is not a going concern) or where the company acts as an investor and does not carry on trading operations and the shares confer on the holder thereof control over the company.

The orderly realisation of assets basis of valuation usually provides the lowest realistic valuation for a company or business. This method assumes that the shareholder or owner has the ability to liquidate the company, usually by virtue of being the controlling shareholder. The difference between the value of the company's net assets and the value obtained using a capitalisation of earnings or DCF methodology is attributable to goodwill. By estimating asset values it is therefore possible to work out the implied goodwill component of a valuation which can be assessed for reasonableness. The higher the level of implied goodwill relative to the level of asset backing the higher the risk. Accordingly there is a cap on the value that can be obtained through an earnings-based or DCF valuation.

The notional realisation of assets basis of valuation is normally only applied to businesses which do not produce an annual cash flow, or where, because of the stage of establishment of the business or industry conditions, the outlook for a particular company's future earnings is either uncertain or the capitalised value of such earnings is less than the net realisable value of the assets employed.

The net realisable assets methodology is also used to value assets that are surplus to the core operating business.

In our opinion, the use of an asset-based valuation methodology is not appropriate to use as a primary nor as a cross-check valuation methodology because the vast majority of value is in the mining tenements and therefore, asset value will be linked to cash flows (i.e. DCF).

Given the recent 2013/14 sale and recapitalisation process, we believe the bids tabled as part of this process reflects the likely return in an orderly wind down scenario and have used this methodology as a cross-check to the DCF – refer below.

Market-based valuations

The market-based valuation approach proceeds from values at which shares are traded on the stock exchange, or where transactions are observed in the market place. The share market price may constitute the market value of shares where sufficient trading of the shares takes place. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Market-based valuations are often the most reliable, provided that relevant data is available. This is because they proceed from values at which actual transactions have occurred. All other methodologies seek to estimate values at which it is expected that hypothetical transactions would occur.

Since:

- the shares of Mirabela are currently not publicly traded and Mirabela is in subject to deed of company arrangement
- the shares appear to have 'option value' only (i.e. speculative), and have traded within this range for an extended period of time (prior to suspension)
- retail shareholders appear to account for the majority of recent trading (i.e. more speculative and likely to be less informed)

we consider that it is not appropriate to use this approach as either the primary or as a cross-check approach for the valuation of the Group.

Recent genuine offers

Where a company has undertaken a detailed and extensive process to dispose of its assets, the final round binding bids are likely to be the market's perception of value.

The final round binding bids represent the amount a potential acquirer is willing to pay based at the immediate point in time and the information available to it.

Houlihan Lokey, in its capacity as Mirabela's advisor, has completed an accelerated yet comprehensive sale and recapitalisation process.

There was limited interest and no binding bids were received. Notwithstanding this, in our opinion the non-binding offers received were from credible counterparties and have been used as a cross-check to the DCF valuation.

Appendix 4 – DCF discount rates

Valuation methodology

The determination of the correct discount rate or cost of capital for a business requires identification and consideration of the factors that affect the returns and risks of that business, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the business.

The discount rate applied to the projected cash flows from a business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the business.

Market rates of return for equity type investments and project evaluations are frequently evaluated using the CAPM. Combining the CAPM results with the cost of debt funding will determine a businesses' WACC.

Whilst the CAPM generates the required return on equity investment, the WACC represents the return required on the business.

Cost of equity and CAPM

The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, investors are risk averse and demand higher returns for accepting higher levels of risk.

The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

CAPM		
Re	=	Rf + Beta x [E(Rm)+Cr-Rf]
Where:		
Re	=	Expected equity investment return or cost of equity in nominal terms
Rf	=	Risk free rate of return
Cr	=	Country risk premium
E(Rm)	=	Expected market return
E(Rm) – Rf	=	Market risk premium
Beta	=	Equity beta

As the Group's revenue is USD linked and the models USD denominated, we have calculated the individual components of the CAPM on a USD basis. These are discussed below.

Risk free rate of return

The risk free rate of return is normally approximated by reference to a long-term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Typically in the US context the yield on US treasury bonds is used as a proxy for the risk free rate.

Given the LOM model is over a twenty year period, we have assumed the 20 year US Treasury Yield as a proxy for the risk free rate. While subject to daily fluctuations, in our opinion, a rate of around 3.2%[49] per annum is a reasonable proxy for the risk free rate in the US at this time.

[49] Calculated as the median from 1 April 2014 to 8 May 2014. http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield

Market risk premium

The market risk premium is the premium above the risk free rate that investors can expect to earn on a diversified portfolio of equity investments. It is generally measured as the difference between actual historical returns on a diversified share portfolio (or proxy such as the S&P index) and long term government bonds.

In calculating a USD denominated WACC, we have adopted the low to mid-point of the market risk premium range typically used in the North American market (5% to 7%),[50] being 5% to 6%.

Country risk

Country risk is the additional risk associated with investing in an international company rather than the domestic market. Macroeconomic factors such as political instability, volatile exchange rates and economic turmoil causes investors to be wary of overseas investment opportunities and thus require a premium for investing. The country risk premium is higher for developing markets than for developed nations.

As nearly all of the comparable listed companies operations set out in Table 29 are in Australia, a stable developed country, we have assumed an adjustment of 1.5% for the country risk associated with the operations being in Brazil.[51]

Equity Beta

Beta is a measure of the expected correlation of an investment's excess returns (i.e. over and above the risk free rate) relative to the excess return on the market as a whole.

A beta greater than one suggests that an investment's returns will outperform the market average return in a rising market and underperform the market average return in a falling market. In contrast, a beta less than one suggests that an investment's returns will underperform the market average return in a rising market and outperform the market average return in a falling market.

Equity betas are normally calculated from historical data (despite being a measure of future risk). These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Consequently, there is no correct equity beta and it is important not to simply apply historical equity betas calculated from comparable listed companies when calculating the cost of equity for the company or asset being valued. Instead, the industry risk factors which make the operating risk of the investment greater or less risky than comparable listed companies should be considered.

In choosing a time period for considering historic beta as a measure of future risk, it is worth noting the trade-off involved. By going back further in time, we get the advantage of having more observations in the regression, however this could be offset by the fact that the firm itself might have changed its characteristics, in terms of business mix and leverage, over that period. Therefore, we have based our analysis of the beta on a five year monthly analysis for listed comparable companies. This is the approach commonly adopted in independent expert's reports.

We have not used Mirabela's 5 year beta (of 1.12x) in the calculation of the WACC, as:

- shares have been (and remain) suspended since 7 October 2013
- the shares appear to have 'option value' only (i.e. speculative), and have traded within this range for an extended period of time (prior to suspension).

The equity betas of listed companies involved in similar activities or exposed to the same broad industry sectors as Mirabela are set out below:

[50] https://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/valuation-practices-survey/Documents/valuation-practices-survey-2013-v3.pdf
[51] Source: Santander January 2014 country risk report. Note, estimates provided by the Mirabela's auditors indicated a country risk factor of 2.5%.

Table 29: Equity beta factors for selected listed comparable companies

Comparable	Main operations	5 year monthly beta
Independence Group NL (ASX: IGO)	Australia	1.22x
Mincor Resources NL (ASX: MCR)	Australia	1.30x
Oz Minerals Limited (ASX: OZL)	Australia	1.06x
PanAust Limited (ASX: PNA)	Laos	1.25x
Panoramic Resources (ASX: PAN)	Australia	1.73x
Western Areas Limited (ASX: WSA)	Australia	1.28x
Xinjiang Mining Industry Co. Ltd (SEHK: 3833)	China	1.14x

Source: Capital IQ as at 12 May 2014

The above equity betas are derived from the actual and observed relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results (although more accurately projected volatility rather than past volatility should be the real driver of value). Despite the mechanistic nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

After considering the above beta estimates and the relative risks associated with Mirabela we have adopted an unlevered beta of 1.22x for our WACC. This is based on the median of the equity betas in Table 29 after delevering each for their five year average gearing (refer to Table 31).

Our relevered beta range, based on an assumed gearing of 5% to 15%, is 1.26x and 1.36x.

Cost of equity

Having regard to the above we have assessed the nominal cost of equity for Mirabela to be 12.0% to 12.6%.

Weighted average cost of capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. This contrasts with the cost of equity, which represents the return required by equity holders only.

As stated earlier, a valuer should use the WACC to assess the appropriate commercial rate of return on the capital invested in the business in recognition that a mix of debt and equity normally fund investments. Accordingly, the selected discount rate should reflect a reasonable level of debt and equity relative to the level of security and the risk attributable to the investment.

There are a number of formulae for the WACC. The differences between the formulae are in the definition of the cash flows (pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or the discount rate), and the manner and extent to which they adjust for the effects of dividend imputation.

The generally accepted WACC formula is the post-tax WACC, without adjustment for imputation:

Table 30: WACC formula

WACC =	E X	Re +	D X	Rd (1-t)
	E+D		D+E	
Where:				
Re	=	Expected return or discount rate on equity		
Rd	=	Interest rate on debt (pre-tax)		
T	=	Corporate tax rate		
E	=	Market value of equity		
D	=	Market value of debt		

Gearing

The level of gearing can have a significant effect on the WACC calculated and it is an important consideration in any rate of return calculation. The gearing level adopted should represent the level of debt that the asset can reasonably sustain and is not necessarily equivalent to the gearing level of the organisation owning or offering the asset (as in the case of Mirabela which is overleveraged).

The factors that affect the optimum level of gearing will differ between assets. Generally, the major issues to address in determining this optimum level will include:

- the variability in earnings stream
- working capital requirements
- the level of investment in tangible assets
- the timing of forecast positive cash flows
- the nature and risk profile of the tangible assets.

In general, the lower the expected volatility of cash flows (i.e. risk), the higher the debt levels which can be supported.

When assessing the appropriate gearing level it is also appropriate to consider the gearing levels of the listed companies involved in similar activities or exposed to the same broad industry sectors, which we summarise below:

Table 31: Historic gearing levels of selected listed comparable companies[52]

Company	5 year average
Independence Group NL (ASX: IGO)	0.5%
Mincor Resources NL (ASX: MCR)	Nil
Oz Minerals Limited (ASX: OZL)	Nil
PanAust Limited (ASX: PNA)	2.3%
Panoramic Resources (ASX: PAN)	Nil
Western Areas Limited (ASX: WSA)	18.4%
Xinjiang Mining Industry Co. Ltd (SEHK: 3833)	11.6%
Median	**0.5%**
Minimum	**Nil**
Maximum	**18.4%**

[52] Source Capital IQ.

Taking into consideration the risk profile of the Group and the fact it is forecast to continue to be cash flow negative for the immediate future, we have adopted net debt to capital employed ratio ranging from 5% to 15%.[53]

Cost of debt

A pre-tax cost of debt of 8.0% per annum has been used based on a 100bps premium to the average cost of debt for metals and mining companies on the S&P 500 as at January 2014[54] (note, Mirabela's USD 395 million Notes have a coupon rate of 8.75%). We have assumed the Brazilian corporate tax rate of 34% to calculate the post-tax cost of debt of 5.3%. The 100bps premium is to adjust for the risk cash flows do not turn positive as forecast in the LOM models.

Calculation of WACC

Based on the assumptions above, a real discount rate range of 8.84% to 10.07% (11.02% to 12.27% nominal) has been applied when valuing the Group.[55]

[53] This is broadly in line with the assumed gearing calculated by KPMG corporate finance for Management's impairment model testing.
[54] http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/wacc.htm
[55] Assuming an inflation rate of 2.0% based on the Fed's target inflation (http://www.federalreserve.gov/faqs/economy_14400.htm).

Appendix 5 – Description of comparable companies

Independence Group NL

Independence Group NL (IGO) is a mineral exploration company focusing on nickel, copper and zinc mining in Australia. IGO has two key mining operations being Long and Jaguar/Bentley in Western Australia. IGO currently focuses on its development Tropicana Gold project as well as Stockman copper-zinc-silver-gold project.

Mincor Resources NL

Mincor Resources NL (MCR) is a mining company focusing on nickel and base metals. MCR is focused on exploration in the Kambalda District of Western Australia. MCR also has other projects located throughout Australia.

OZ Minerals Limited

OZ Minerals Limited (OZL) is an Australian based mining company with a focus on copper. OZL owns and operates the Prominent copper-gold mine and the Carrapateena copper-gold mines in South Australia.

PanAust Limited

PanAust Limited (PNA) is a copper-gold producer with two key producing assets in Laos being Phu Kham Operation and the Ban Houayxai Operation. In addition, PNA holds a portfolio of development and exploration projects located in Laos, Chile, and Thailand.

Panoramic Resources Limited

Panoramic Resources Limited (PAN) is a mining company and production company focusing on two underground nickel sulphide mines, Savannah and Lanfranchi Project, in Western Australia. PAN also holds development project focusing on gold and PGMs.

Western Areas Limited

Western Areas Limited (WSA, formerly Western Areas NL) is an Australian-based nickel sulphide explorer and producer. The core asset is the 100% owned Forrestania Nickel Operation which comprises two operating mines. WSA also has interest in projects overseas through investments in Mustang Minerals (Canada) and FinnAust Mining (Finland), and 100% interest in Bioheap Ltd, a patented bacterial leaching technology.

Xinjiang Xinxin Mining Industry Co Ltd

Xinjiang Xinxin Mining Industry Co Ltd is engaged in mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. The major product of the Company is nickel cathode. Other major product includes copper cathode. Cobalt products, gold, silver, platinum and palladium are also produced and derived from the Company's main production process.

Appendix 6 – EV valuation range

Table 32: EV valuation range – NPV over time (USD millions)[56]

Model name	Years 1–4	Years 5–10	Years 11–end	Resources and tenement value[57]	Total EV
AMC Production Case 1	(30.8) to (30.9)	49.8 to 54.5	188.9 to 229.3	Nil to 25.8	**207.9 to 278.5**
AMC Production Case 2	(17.1) to (16.8)	110.4 to 120.8	120.2 to 1136.2	Nil to 25.8	**213.5 to 265.9**

Note, the valuation of the underground inferred resource and the exploration tenements have been determined by AMC. Further information regarding the valuation of these assets is provided in AMC's independent mining technical report set out in Appendix 12.

[56] Low to high range represents the enterprise valuation based on the assumed WACC range set out in Appendix 4.
[57] Refer to Appendix 12.

Appendix 7 – Determination of nickel prices and foreign exchange assumptions

Commodity prices

Our approach for determining forward nickel and copper prices in this report is consistent with the approach typically taken by valuers preparing market valuations including independent expert's reports. This approach is to use consensus forecast pricing, which is calculated based on a range of analysts' forecasts that were publicly available prior to the valuation date.

In determining the consensus forecast price for nickel, we undertook the following steps:

- Using the research tools available to us, including but not limited to Bloomberg, CRU and Consensus Economics, we identified as many analyst reports as possible which published pricing estimates immediately prior to the valuation date.
- We identified the most recent industry-wide forecast prior to the valuation date for each of the major analysts, excluded outliers and determined the median of the analyst forecasts.[58]
- We note that short term prices are typically forecast in nominal terms, with the long term price expressed in real terms (in 2014 dollars). Therefore, where appropriate we have deflated the consensus forecast prices, to convert the prices to real terms. Inflation forecast assumptions have been based on an inflation estimate of 2.0% per annum over the forecast period.

Nickel prices

Overall, we were able to source forecasts from 50 analysts. Where individual brokers have presented the nickel forecasts on a per tonne basis, we have converted the forecast to be shown on a per pound basis using the conversion rate of 1 tonne = 2,204.62 lb.

The following table summarises the forecast data we considered for nickel price forecasts. The results are presented on a real basis.

Table 33 – Forecast nickel prices (USD/lb real)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LT
Min	6.83	6.68	6.85	6.98	7.09	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Max	8.94	10.52	11.97	12.27	11.57	11.53	11.57	11.60	11.54	11.57	11.59	11.56
Median[57]	7.72	8.23	8.72	9.40	9.81	9.79	9.79	9.98	9.98	9.98	9.98	9.98
Average[57]	7.72	8.55	9.13	9.26	9.72	9.79	9.89	10.03	10.02	10.02	10.03	10.02

Source: Deed Administrators' analysis.

The table below represents the nickel price forecast adopted in our DCF valuations set out in Table 21.

Table 34 – Forecast nickel prices (USD/lb real) [57]

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LT
Assumption	8.20[59]	8.23	8.72	9.40	9.81	9.79	9.79	9.98	9.98	9.98	9.98	9.98

Source: Deed Administrators' analysis.

Copper prices

With regard to copper price forecasts, we were able to source forecasts from 31 brokers.

[58] We have excluded nickel price forecasts which may be considered conservative. We have not excluded any nickel price forecasts which may be considered optimistic despite possibly being outliers.
[59] This is above consensus analyst estimates for FY14 and is based on an average of closing LME nickel prices from 1 April to 14 May 2014. Consensus analyst forecasts for FY14 were not used as forecasts are quoted on an annual basis.

The following table summarises the forecast data we considered for copper price forecasts. The results are presented on a real basis.

Table 35 – Forecast copper prices (USD/t real)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LT
Min	5,950	6,176	5,836	5,269	5,269	5,269	5,269	5,269	5,269	5,269	5,269	5,269
Max	7,825	9,101	8,137	7,307	7,307	7,307	7,307	7,307	7,307	7,307	7,307	7,307
Median	7,050	6,985	6,968	6,471	6,471	6,471	6,471	6,471	6,471	6,471	6,471	6,471
Average	7,002	7,099	6,922	6,435	6,435	6,435	6,435	6,435	6,435	6,435	6,435	6,435

Source: Deed Administrators' analysis.

The table below represents the copper price forecast adopted in our DCF valuations set out in Table 21.

Table 36 – Forecast copper prices (USD/t real)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LT
Assumption	7,050	6,985	6,968	6,471	6,471	6,471	6,471	6,471	6,471	6,471	6,471	6,471

Source: Deed Administrators' analysis.

Foreign exchange

The base currency in the LOM models is the USD. Certain operating expenses are based on the Brazilian Real with head office costs expressed in Australian Dollars. In order to calculate USD denominated cash flows, the Brazilian Real operating costs and Australian Dollar head office costs were converted based on forecast foreign exchange rates.

The forecast foreign exchange rates used in our analysis are based on consensus estimates which have been derived using a similar process to that undertaken for the commodity prices above. We had regard to the same sources as those used for the previous commodity price data, if available.

With regard to the foreign exchange forecasts, we have assumed the following.

Table 37 – Foreign exchange forecasts (real)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LT
USD:Real	2.22[60]	2.52	2.51	2.48	2.46	2.46	2.47	2.48	2.48	2.49	2.49	2.49
USD:AUD	0.90	0.83	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

Source: Deed Administrators' analysis.

[60] Based on the spot rate as at 12 May 2014.

Appendix 8 – History of Mirabela

Date	Event/announcement
February 2004	Mirabela incorporated as a company.
July 2004	Mirabela completes its initial public offering, raising AUD 30.0 million and was admitted to the ASX official list. Mirabela initially was exploring three prospective nickel resources in Brazil at Santa Rita, Mirabela, Sao Francisco and one prospective copper resource at Araguacema, Brazil.
November/December 2004	Mirabela announces its drilling activities had discovered significant resources at Santa Rita and equity funding obtained for bankable feasibility study for the project.
September 2005	Scoping study for a mine at Santa Rita commenced.
January 2007	Environmental approval granted for the Santa Rita mine, subject to approval of an environmental management plan.
May 2007	Mirabela completes a CAD 182.9 million capital raising and lists on the Toronto Stock Exchange.
June 2007	Bankable feasibility study completed.
September 2007	Environmental management plan approved by Bahia State authorities and initial site infrastructure construction commenced.
July 2008	Barclays and Credit Suisse provide a USD 80.0 million bridge facility and underwrite a USD 280.0 million term loan to fund ongoing construction of the Santa Rita mine.
July 2008	Mirabela enters into a 5 year offtake agreement with Votorantim Metais Niquel S.A. to purchase 50% of nickel concentrate production until the end of 2014. Votorantim provides Mirabela with a USD 50.0 million prepayment facility.
September 2008	Mirabela enters into a 5 year offtake agreement with Norilsk Nickel Harjavalta Oy to purchase 50% of nickel concentrate production until the end of 2014. Norilsk provides Mirabela with a USD 50.0 million subordinated debt facility.
October 2008	USD 50.0 million facility provided by Norilsk drawn down in full.
March 2009	Mirabela acquires its mining fleet, financed by Caterpillar Financial SARL with a value of USD 55.0 million.
April 2009	Mirabela secures USD 190.0 million term loan commitment from a syndicate of six lenders, lower than the USD 280.0 million previously sought.
October 2009	Commissioning of crushing, grinding and flotation circuits commences.
November 2009	First nickel concentrate produced.
December 2009	Crushing, grinding and flotation circuits commissioned with a nameplate capacity of 4.6 Mtpa.
March 2011	Mirabela announces intention to raise USD 375.0 million through US placement of notes.
April 2011	Mirabela announced it has priced an upsized USD 395.0 million not offering (the Unsecured Notes).
February 2013	Mirabela announces an impairment charge of USD 380.0 million which is detailed in the financial report for the year ended 31 December 2012.
September 2013	Mirabela halts trading in its shares, announces that Votorantim intends to end the offtake agreement in November 2013 and that this may be a breach of its facility with Bradesco and the Unsecured Notes.
October 2013	Mirabela advised that an ad-hoc group of the Unsecured Noteholders had formed a committee and had engaged US law firm, Cleary Gottlieb Steen & Hamilton LLP to provide restructuring and other legal advice.
October 2013	Mirabela confirms that it missed the semi-annual interest payment of USD 17.3 million on the Unsecured Notes and that it was discussing standstill arrangements with its lenders.
November 2013	Mirabela enters into a waiver and standstill agreement with the Ad-Hoc Noteholders and Caterpillar Finance SARL.
December 2013	Mirabela secures the USD 45.0 Bridge Loan from a subset of the Ad-Hoc Noteholders.
21 February 2014	Mirabela announces that the Secured Noteholders had set a deadline of 24 February 2014 for it to agree to the terms of a restructure and also to perfect certain security interests granted by Mirabela Brazil pursuant to the terms of the Bridge Loan.
25 February 2014	Mirabela announces that it has resolved to appoint Martin Madden, Clifford Rocke and David Winterbottom as voluntary administrators and that the Ad-Hoc Noteholders had agreed the terms of the PSA.
13 May 2014	The creditors of Mirabela resolved that Mirabela enter into a deed of company arrangement.

Appendix 9 – Deed Administrators' CVs

Martin Madden

Partner

Martin Madden is one of Australia's most experienced Insolvency and Turnaround Practitioners with over 30 years' experience. He has managed the majority of Australia's infrastructure problem engagements. These include the Receivership of RiverCity Motorway, the sale and Receivership of Lane Cove Tunnel, the Receivership of CrossCity Tunnel and the sale and Receivership of the Adelaide to Darwin Railway. He completed the largest Australian Receivership, Epic Energy's Dampier to Bunbury Natural Gas Pipeline which he sold for $1.86 billion on behalf of a Syndicate of 28 Banks. He acted on the Alinta Energy work out as an adviser to the financiers and was the Scheme Administrator who implemented the debt for equity transaction.

More recently he advised Apollo and Oaktree on the Nine restructure and is presently the Administrator of Mirabela Nickel. In the past Martin has worked directly for some of Australia's biggest corporations and has restructured many of Australia's largest Universities.

Martin is currently a Partner with KordaMentha, but spent most of his career with Arthur Andersen in Australia where he was Head of the Corporate Recovery Services (CRS) Group nationally.

David Winterbottom

Partner

Based in Sydney as KordaMentha's Office Managing Partner, David has over 25 years' experience in all facets of restructuring and workouts and is one of Australia's leading restructuring professionals. He has particularly strong credentials in complex independent business reviews, constructive approaches to operational, strategic and liquidity problems, and has advised companies and lenders in large syndicated debt situations.

David has acted as Receiver and Manager, Voluntary Administrator and/or Liquidator of many large sized companies across a range of industries.

David has consulted to companies in a wide variety of industries and has performed engagements for all of Australia's major trading banks and financiers. He has formulated and implemented financial, strategic and operational turnaround plans for a number of large companies in challenging positions.

Prior to joining KordaMentha in 2004, David was a Partner with Ernst & Young's Corporate Restructuring practice and a Partner with Arthur Andersen's Corporate Recovery Practice.

Cliff Rocke

Partner

Cliff is a qualified chartered accountant with over 25 years' experience in restructuring and insolvency and financial investigations. He has held senior positions including partner in a leading 'boutique' corporate restructuring practice in Western Australia.

Cliff has completed numerous informal assignments (pre-lending and investigating accountant reviews) and formal assignments (as receiver and manager, controller, voluntary administrator, liquidator). Clients include financial institutions, accountants, credit managers and lawyers.

Cliff's expertise and experience includes:

- Industry – hospitality/tourism, property, building/ construction, engineering, manufacturing, automotive dealerships, retail, manufacturing, horticulture and viticulture, resources and mining services.
- Performing financial analysis to determine profitability, reasons for decline, cash utilisation and insolvency.
- Developing turnaround/restructure strategies.

Appendix 10 – AMC Production Case 1 free cash flows

Set out below are the undiscounted and discounted free cash flows associated with AMC Production Case 1 from 1 April 2014 to 31 December 2036.

AMC Production Case 1

Free cash flows (USD millions)	2014[a]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Net mineral sales	160.9	192.6	264.1	277.9	289.6	291.6	272.0	281.2	318.8	325.1	316.4	329.1	315.5	305.6	357.2	337.3	349.7	359.1	354.5	383.1	362.5	391.8	161.9
Mining costs (P&L)	(52.9)	(79.0)	(117.3)	(118.7)	(122.1)	(124.0)	(122.3)	(123.2)	(124.1)	(126.8)	(128.2)	(128.2)	(131.7)	(139.4)	(145.0)	(150.2)	(158.7)	(135.2)	(121.9)	(94.1)	(76.0)	(67.2)	(26.5)
Mining costs (addtl. waste movement.)	-	-	(19.8)	(20.0)	(20.6)	(20.9)	(20.6)	(20.8)	(20.9)	(21.4)	(21.6)	(21.6)	(22.2)	(23.5)	(24.5)	(6.1)	-	-	-	-	-	-	-
Processing costs	(38.3)	(43.2)	(43.5)	(43.9)	(44.4)	(44.2)	(44.1)	(44.0)	(44.0)	(43.8)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(43.7)	(21.9)
Royalties	(8.7)	(10.5)	(14.3)	(14.9)	(15.5)	(15.5)	(14.5)	(15.0)	(17.0)	(17.3)	(16.8)	(17.6)	(16.9)	(16.3)	(19.1)	(18.0)	(18.7)	(19.2)	(18.9)	(20.5)	(19.2)	(20.7)	(8.6)
Site administration costs	(13.6)	(17.3)	(17.4)	(17.6)	(17.8)	(17.7)	(17.7)	(17.6)	(17.6)	(17.6)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(17.5)	(8.8)
Other[b]	(8.4)	26.4	(8.4)	(7.9)	(7.9)	(8.5)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.3)	(7.3)	(7.0)	(23.9)
Operating cash flows	**39.0**	**69.0**	**43.4**	**54.8**	**61.3**	**60.6**	**44.9**	**52.7**	**87.4**	**90.5**	**80.7**	**92.6**	**75.6**	**57.4**	**99.7**	**93.9**	**103.3**	**135.8**	**144.5**	**200.0**	**198.8**	**235.7**	**72.3**
Income tax (cash impact ungeared)[c]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ICMS tax (not recoverable)[d]	(9.3)	(11.6)	(14.9)	(15.1)	(15.4)	(15.5)	(15.4)	(15.4)	(15.4)	(15.6)	(15.7)	(15.7)	(15.9)	(16.4)	(16.8)	(16.0)	(16.2)	(14.9)	(14.1)	(12.6)	(11.6)	(11.1)	(5.1)
PIS/COFINS tax (cash impact)[e]	(9.3)	(12.6)	(18.1)	(18.2)	(18.6)	(18.9)	(18.5)	(18.6)	(18.9)	(19.2)	(19.3)	(19.4)	(19.6)	(20.4)	(21.2)	(19.9)	(20.2)	(18.2)	(17.0)	(14.8)	(13.2)	(12.6)	(5.5)
Working capital movement	1.6	0.4	1.8	(0.2)	0.0	0.1	0.5	(0.5)	(1.3)	0.9	(0.1)	(0.4)	1.6	(0.7)	0.5	0.5	0.4	(3.9)	0.3	(4.3)	(0.4)	(1.5)	(2.4)
Capital expenditure	(57.7)	(29.2)	(33.1)	(17.8)	(21.7)	(14.8)	(10.4)	(8.8)	(13.0)	(18.5)	(17.2)	(11.8)	(13.2)	(10.1)	(9.8)	(16.2)	(18.2)	(7.7)	(9.5)	(10.4)	(7.2)	(2.1)	(0.3)
Undiscouted free cash flows[f]	**(35.8)**	**16.0**	**(20.9)**	**3.5**	**5.6**	**11.5**	**1.1**	**9.3**	**38.7**	**38.1**	**28.4**	**45.4**	**28.5**	**9.8**	**52.4**	**42.2**	**49.0**	**91.1**	**104.1**	**158.0**	**166.4**	**208.4**	**59.0**
1. Value high (WACC 8.84%)																							
Discounted free cash flows[g]	(32.7)	14.5	(17.4)	2.7	3.9	7.4	0.7	5.0	19.2	17.7	11.9	17.6	10.4	3.0	15.9	11.6	12.5	21.2	22.4	31.1	30.1	34.7	9.3
DCF	252.7																						
Add: Tenement + UG resource value	25.8																						
High enterprise value	**278.5**																						
2. Value low (WACC 10.07%)																							
Discounted free cash flows[g]	(32.6)	14.3	(17.0)	2.6	3.8	7.0	0.7	4.6	17.5	16.0	10.7	15.5	9.1	2.6	13.6	9.8	10.4	17.4	18.2	25.1	24.0	27.4	7.3
DCF	207.9																						
Add: Tenement + UG resource value	-																						
Low enterprise value	**207.9**																						

(a) 1 April 2014 to 31 December 2014. (b) Includes head office salaries, rent and admin costs. 2015 includes cash receipts from the sale of equipment of c.USD 35 million (one-off receipt). (c) Includes utilisation of accumulated PIS/COFINS tax paid from 2021 onwards, hence nil. (d) ICMS tax credits no longer available following Votorantim termination. (e) Cash impact of tax credits materially higher than historic results due to all sales now being to export customers (tax credits utilised from 2021 onwards). (f) Cash flows pre funding costs or debt amortisation. (g) FY14 cash flows discounted from valuation date of 1 May 2014 onwards.

Appendix 11 – AMC Production Case 2 free cash flows

Set out below are the undiscounted and discounted free cash flows associated with AMC Production Case 2 from 1 April 2014 to 31 December 2027.

AMC Production Case 2

Free cash flows (USD millions)	**2014[a]**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Net mineral sales	160.9	192.6	264.1	277.9	289.6	291.6	272.0	281.2	318.8	325.1	316.4	329.0	246.0	-
Mining costs (P&L)	(52.9)	(79.0)	(120.0)	(121.7)	(124.9)	(127.2)	(125.3)	(125.9)	(119.1)	(90.5)	(67.0)	(52.6)	(32.4)	-
Mining costs (addtl. waste movement.)	-	-	(10.1)	(10.3)	(10.5)	(10.7)	(10.6)	(10.6)	(8.0)	-	-	-	-	-
Processing costs	(38.3)	(43.2)	(43.4)	(44.0)	(44.3)	(44.3)	(44.1)	(44.0)	(44.0)	(43.8)	(43.8)	(43.8)	(32.8)	-
Royalties	(8.7)	(10.5)	(14.3)	(14.9)	(15.5)	(15.5)	(14.5)	(15.0)	(17.0)	(17.3)	(16.8)	(17.6)	(13.1)	-
Site administration costs	(13.6)	(17.3)	(17.4)	(17.6)	(17.8)	(17.8)	(17.7)	(17.6)	(17.6)	(17.5)	(17.5)	(17.5)	(13.2)	-
Other[b]	(8.4)	26.4	(8.4)	(7.9)	(7.9)	(8.5)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(26.5)	-
Operating cash flows	**39.0**	**69.0**	**50.5**	**61.6**	**68.7**	**67.5**	**52.0**	**60.3**	**105.2**	**148.2**	**163.5**	**189.7**	**128.0**	**-**
Income tax (cash impact ungeared) [c]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ICMS tax (not recoverable)[d]	(9.3)	(11.7)	(14.5)	(14.7)	(15.0)	(15.1)	(15.0)	(15.0)	(14.5)	(12.4)	(11.1)	(10.3)	(7.3)	-
PIS/COFINS tax (cash impact)[e]	(9.3)	(12.6)	(17.5)	(17.6)	(18.0)	(18.3)	(17.9)	(18.0)	(17.4)	(14.2)	(12.1)	(10.9)	(7.6)	-
Working capital movement	1.6	0.4	1.9	(0.2)	(0.0)	0.2	0.5	(0.6)	(4.3)	(1.6)	(1.8)	(0.8)	(5.2)	2.7
Capital expenditure	(57.7)	(29.2)	(33.1)	(17.8)	(21.7)	(14.9)	(10.4)	(8.8)	(13.1)	(18.5)	(17.2)	(11.8)	(9.8)	-
Undiscouted free cash flows[f]	**(35.8)**	**16.0**	**(12.7)**	**11.2**	**14.0**	**19.4**	**9.1**	**18.0**	**56.1**	**101.5**	**121.3**	**156.0**	**98.2**	**2.7**
<u>1. Value high (WACC 8.84%)</u>														
Discounted free cash flows[g]	(32.7)	14.4	(10.5)	8.6	9.9	12.5	5.5	9.7	27.8	46.8	51.2	60.6	35.6	0.8
DCF	240.1													
Add: Tenement + UG resource value	25.8													
High enterprise value	**265.9**													
<u>2. Value low (WACC 10.07%)</u>														
Discounted free cash flows[g]	(32.6)	14.2	(10.2)	8.3	9.4	11.8	5.2	9.0	25.3	42.2	45.6	53.4	31.2	0.7
DCF	213.5													
Add: Tenement + UG resource value	-													
Low enterprise value	**213.5**													

(a) 1 April 2014 to 31 December 2014. (b) Includes head office salaries, rent and admin costs. 2015 includes cash receipts from the sale of equipment of c.USD 35 million (one-off receipt). (c) Includes utilisation of accumulated PIS/COFINS tax paid from 2021 onwards, hence nil. (d) ICMS tax credits no longer available following Votorantim termination. (e) Cash impact of tax credits materially higher than historic results due to all sales now being to export customers (tax credits utilised from 2021 onwards). (f) Cash flows pre funding costs or debt amortisation. (g) FY14 cash flows discounted from valuation date of 1 May 2014 onwards.

KordaMentha restructuring

Appendix 12 – AMC mining technical report

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Report

Mirabela Nickel Limited (Subject to Deed of Company Arrangement)
Independent Technical Specialist's Report
The Deed Administrators

AMC Project 214031
28 May 2014

28 May 2014

The Deed Administrators
Mirabela Nickel Limited (Subject to Deed of Company Arrangement)
C/- KordaMentha Pty Ltd
Level 5, Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

Dear Sirs

Mirabela Nickel Limited (Subject to Deed of Company Arrangement)
Independent Technical Specialist's Report

It was announced on 13 May 2014 that Martin Madden, Clifford Rocke and David Winterbottom of KordaMentha Pty Ltd (KordaMentha) had been appointed as Deed Administrators of Mirabela Nickel Limited (Subject to Deed of Company Arrangement), and Mirabela Investments Pty Limited (Subject to Deed of Company Arrangement) (Mirabela).

The Deed Administrators advise that the mineral assets of Mirabela are held through subsidiary companies. Mirabela's mineral assets are located in Brazil, and comprise:

- The Santa Rita open pit sulphide nickel mine, Bahia.
- The Santa Rita underground nickel sulphide Mineral Resource, located beneath the Santa Rita open pit.
- Exploration Permits located mainly in Bahia State, but also in Minas Gerais State and Sergipe State.

It was proposed in the Circular to Creditors and Suppliers, 2 May 2014 (Circular) that an independent expert (Expert) would prepare an independent expert report (IER) on the enterprise value of Mirabela. The Deed Administrators have been commissioned as the Expert. Further, AMC Consultants Pty Ltd (AMC) was commissioned by Mirabela to provide an independent technical specialist's report (ITSR) in relation to the technical inputs to the IER.

AMC has prepared this ITSR under instruction from the Expert. It is addressed to the Deed Administrators in their capacity as Expert and is to be attached in full as an appendix to the IER.

The scope of the ITSR as advised by the Expert comprises:

- Review of information provided by Mirabela.
- Review of the latest iteration of the Santa Rita mine life-of-mine financial model (LOM Model) prepared by Mirabela. Based on that review, provide the Expert with life-of-mine production cases that include capital and operating cost schedules as inputs to the IER.
- Inspect the Santa Rita operation from 28 April to 1 May 2014.
- Provide the Expert with AMC's valuation of the Santa Rita underground Mineral Resource and exploration tenements, given that they are not covered by the life-of-mine production cases for the open pit operation.

Accordingly, AMC prepared two production cases for Santa Rita as inputs to the IER:

- Case 1: This case is based on Mirabela's LOM Model with a 22-year remaining mine life, with modifications made by AMC including a reduced plant annual throughput rate and mining rate, plus additional capital expenditure allowance for the tailings storage facility, and modified metallurgical recoveries in recognition of recent plant performance. This case is also referred to as the large-pit case from which approximately 150 Mt of ore is planned to be mined with a strip ratio of 4.7:1, reaching a final pit depth of 600 m below surface. Not all the open pit Mineral Resource is mined in this case. However, AMC considers that the potential for a larger pit than this represents is offset by the risk of not recovering all the ore in the current final pit design due to geotechnical factors which could result in slope failure or require some flattening of the slope design.

- Case 2: This case is based on a smaller pit than in Case 1. Its focus is on cost reduction over the next 12 years through reduced stripping ratio. It has been prepared by AMC based on the pit-cut-back designs provided by Mirabela for Case1. In this case, the last two cut-backs to reach the final pit design for Case 1 are not included in the AMC case. As a result, the mine life is reduced to 12 years, the ore mined is reduced to approximately 80 Mt, the strip ratio is reduced to 3.9:1, and the final pit depth is limited to 310 m below surface.

The two production cases cover a range of reasonable operating strategies, namely:

- Case 1: Seeks to maximize ore mined and processed and, potentially, value through a long mine life.
- Case 2: Seeks to reduce operating costs through reduced stripping ratio by not mining the large pit cut-backs required for the larger and deeper final pit for Case 1.

The production cases developed by AMC include capital and operating cost schedules, which are based on information provided by Mirabela.

AMC believes that the two production cases as outlined above, and which cover a range of reasonable operating strategies, are both based on reasonable grounds and assumptions.

AMC has provided the Expert with valuations of the exploration assets of Mirabela that have not been considered in production cases, namely the Santa Rita underground Mineral Resource, and the exploration tenements which are located away from the Santa Rita operation.

AMC has not visited the exploration tenements located away from the Santa Rita operation as they were not considered to be material to the overall value of Mirabela.

AMC has undertaken its commission to prepare this ITSR as a Specialist in accordance with the VALMIN Code[1] to the extent that the code is relevant to AMC's commission.

AMC's use, in this ITSR, of the terms Mineral Resources and Ore Reserves are in accordance with the 2012 JORC Code[2]. The totals of Mineral Resource and Ore Reserve estimates presented in this ITSR have been rounded.

Principal sources of information considered by AMC in the preparation of the ITSR are listed in Appendix A.

For the purposes of preparing the ITSR, AMC:

- Visited the Santa Rita operation during 28 April to 1 May 2014.
- Discussed the operation, underground potential and exploration tenements with Mirabela management, and consultants to the operation. These discussions were on site, in Mirabela's Perth office, and by phone and e-mail.

AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on material that AMC considers to be of acceptable quality and reliability. Where AMC has not been so satisfied, AMC has included comment in this ITSR and made modifications to the production cases it provided to the Expert.

AMC presents the ITSR which follows in the form of:

- Mineral assets.
- Santa Rita operation.

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[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

[2] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).

- Santa Rita underground resource.
- Exploration tenements.
- Qualifications.

This ITSR and the conclusions in it, including the valuations of the Santa Rita underground Mineral Resource and the exploration tenements, are current as at May 2014. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the operation and the exploration tenements, and the market for mineral properties.

All monetary figures in this report are expressed in 2014 United States Dollars (US$) or Brazilian Real (R$) unless otherwise noted. Costs are presented on a cash cost basis unless otherwise specified.

Reporting of production and costs in this report is presented on a calendar year (January to December) basis unless otherwise specified.

For definitions of abbreviations used in this ITSR, refer to Appendix B.

AMC key findings

Santa Rita – Production Cases – Summary

The two production cases provided by AMC to the Expert can be summarized as:

Case 1:

- Mining of 148 Mt of ore at an average grade of 0.50% nickel, and 678 Mt of waste.
- Processing of 151 Mt of ore and low grade stockpiled material, at an average grade of 0.49% nickel.
- Reduced ore and waste mining rates in 2014 and 2015, in line with Mirabela's current plan.
- From 2016 till the end of the mine life, an annual ore mining rate of 6.8 Mtpa, and a maximum total material movement of 47 Mtpa.
- Metallurgical recoveries and concentrates based on current Mirabela algorithms that reflect recent performance, producing concentrates that contain 366 kt of payable nickel.
- Total capital expenditure of $359 M for limited mining equipment rebuilding and replacement, processing plant and infrastructure sustaining capital and tailings dam capacity expansion.
- Operating costs[3] for:
  - Mining of $3.51/t mined.
  - Processing of $6.48/t processed.
  - General and administration of $3.63/t processed.
  - Product sales of $2.60/t processed.

Case 2:

- Mining of 82 Mt of ore at a grade of 0.47% nickel, and 319 Mt of waste.
- Processing of 85 Mt of ore and low grade stockpiled material, at a grade of 0.47% nickel.
- Reduced ore and waste mining rates in 2014 and 2015, in line with Mirabela's current plan (as in Case 1).
- From 2016 till the end of the mine life, an annual ore mining rate of 6.8 Mtpa, and a maximum total material movement rate of 44 Mtpa.
- Metallurgical recoveries and concentrates based on current Mirabela algorithms that reflect recent performance (as in Case 1), producing concentrates that contain 190 kt of payable nickel.
- Total capital expenditure of $264M for limited mining equipment rebuilding and replacement, processing plant and infrastructure sustaining capital and tailings dam capacity expansion.

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[3] Exclusive of PIS/COFINS and ICMS taxes.

- Operating costs[3] for:
  - Mining of $3.27/t mined.
  - Processing of $6.51/t processed.
  - General and administration of $3.65/t processed.
  - Product sales of $2.40/t processed.

Santa Rita – Underground Mineral Resource – Valuation

Reported Mineral Resources for Mirabela include an Inferred Resource of 77 Mt grading 0.78% Ni and 0.22% Cu estimated at a 0.5% Ni cut-off grade that lies beneath the open pit and might be mineable using underground mining methods.

AMC considers that the Yardstick Value method is the best method for indicating the value of the underground Inferred Resource.

AMC has identified a number of recent transactions for nickel sulphide deposits although none are in Brazil or elsewhere in South America.

AMC considers an upper Yardstick Value for the Mirabela underground Mineral Resource to be US$40/t of nickel metal, indicating an upper end of the value range of US$24M.

AMC is not aware that there is an active market in nickel exploration properties in Brazil and it is possible that there are no buyers in the current market for an underground Inferred Resource of modest grade. AMC concludes that the low end of the value range is effectively zero.

AMC concludes a range of values for the Mirabela underground Mineral Resource to be between nil and US$24M with a mid-range value of US$12M.

Exploration Tenements – Valuation

Exploration tenements held by or controlled by Mirabela consist of:

- 55 Exploration Permits.
- 49 Exploration Permit Applications.
- 7 Exploration Permits subject to public tender.

AMC is not aware that there is an active market in nickel exploration properties in Brazil and concludes that the low end of the value range is effectively zero. Considering methods used to value exploration properties without Mineral Resources, AMC considers the upper end of the value range to be US$1.8M with a mid-range value of US$0.9M.

Yours faithfully

D Varcoe
MAusIMM
Principal Mining Engineer

L J Gillett
FAusIMM (CP)
Director

Contents

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Appendices

1 Mineral assets

1.1 Santa Rita mine

The Santa Rita deposit was discovered in 2004 by Mirabela, and following proving-up the resource and undertaking feasibility studies, construction of the mine commenced in 2007. The mine is located near the town of Ipiau in the state of Bahia, Brazil.

The mine consists of an open pit mine, processing plant, workshops, offices and supporting infrastructure.

The mine produced its first nickel concentrate in November 2009, with the processing plant commissioned in December 2009 at its nameplate capacity of 4.6 Mtpa. Commercial production commenced in January 2010. All mine staff operate on a residential basis from local towns.

In 2011, the mine was upgraded to a nameplate processing capacity of 7.2 Mtpa.

Mirabela has provided the latest iteration of the Santa Rita life-of-mine (LOM) model (LOM Model)[4], which is a key foundation of this ITSR.

The location of the Project is shown in Figure 1.1.

Figure 1.1 Location

1.2 Santa Rita underground resource

Reported Mineral Resources for Mirabela include an Inferred Resource of 77 Mt grading 0.78% Ni and 0.22% Cu reported at a 0.5% Ni cut-off grade that lies beneath the open pit and might be mineable using underground mining methods.

[4] Mirabela LOM Financial Model-140320 Base Case v7 -Final.xlsm.

1.3 Exploration tenements

Mirabela holds exploration tenements mainly in Bahia State, but also in Minas Gerais State and Sergipe State. Exploration tenements held by or controlled by Mirabela consist of 55 Exploration Permits, 49 Exploration Permit Applications and 7 Exploration Permits subject to public tender.

1.4 Mirabela tenements

Mining and exploration tenements held by or controlled by Mirabela consist of:

- Mining Concessions (2) held under a contract with Companhia Baiana de Pesquisa Mineral (CBPM).
- Mining Concession Applications (3) held under the CBPM contract.
- Exploration Permits (55), three of which are held under the CBPM contract.
- Exploration Permit Applications (49), seven of which are held under the CBPM contract.
- Exploration Permits (7) subject to public tender.

The tenements are listed in Appendix D.

CBPM is a semi-public corporation connected with the Secretary of Industry, trade and Mining of the State of Bahia and Rio Salitre Mineracao Ltda.

The status of tenements is reviewed in a solicitor's report[5] which concludes that Mirabela is in compliance with payment of all fees and taxes related to the tenements.

The Exploration Permits subject to public tender relate to tenements where negative exploration reports (where no mineral substances have been identified) have been submitted and the areas will be available for new exploration permit applications through a public tender process.

Thirty two Exploration Permits expire in 2014 and partial exploration reports need to be submitted up to 60 days before expiry. For some of these tenements, this date has already passed. If Mirabela does not intend to renew the Exploration Permits, a final report needs to be submitted before the tenements expire. Mirabela has advised AMC that it plans to submit negative reports and therefore these tenements would be returned.

The solicitor's report refers to legal proceedings regarding the grant of some Exploration Permits and also regarding some of Mirabela's mining and exploration activities. The solicitor's report does not draw any conclusions on these matters.

AMC considers that it is reasonable to conclude, based on the solicitor's report, that Mirabela's tenements are in good standing.

2 Santa Rita mine

2.1 Geology and Mineral Resources

2.1.1 Santa Rita geology

The Santa Rita disseminated nickel and copper sulphide deposit is located within the Archean-Palaeoproterozoic Itabuna-Salvador-Curaça belt, which extends from southeast Bahia along the Atlantic coast to Salvador then northwards into northeast Bahia. The Itabuna-Salvador-Curaça belt is composed of a low potassium calcalkaline plutonic suite with intercalated metasediments, gabbro and basalt.

The Fazenda, Mirabela and Palestina mafic to ultramafic intrusions in the southern part of the Itabuna-Salvador-Curaça belt are considered to be associated with the last phase of Paleoproterozoic deformation during the Transamazonian orogeny. The intrusions were emplaced along the Aratuípe-Nova Canaã trend, a major structural lineament over 100 km long. Country rocks to the intrusions comprise orthogneiss and a supracrustal succession of quartzo-felspathic gneiss, quartzite, banded iron formation, and metamorphosed sedimentary rocks and volcanics. These rocks are multiply deformed.

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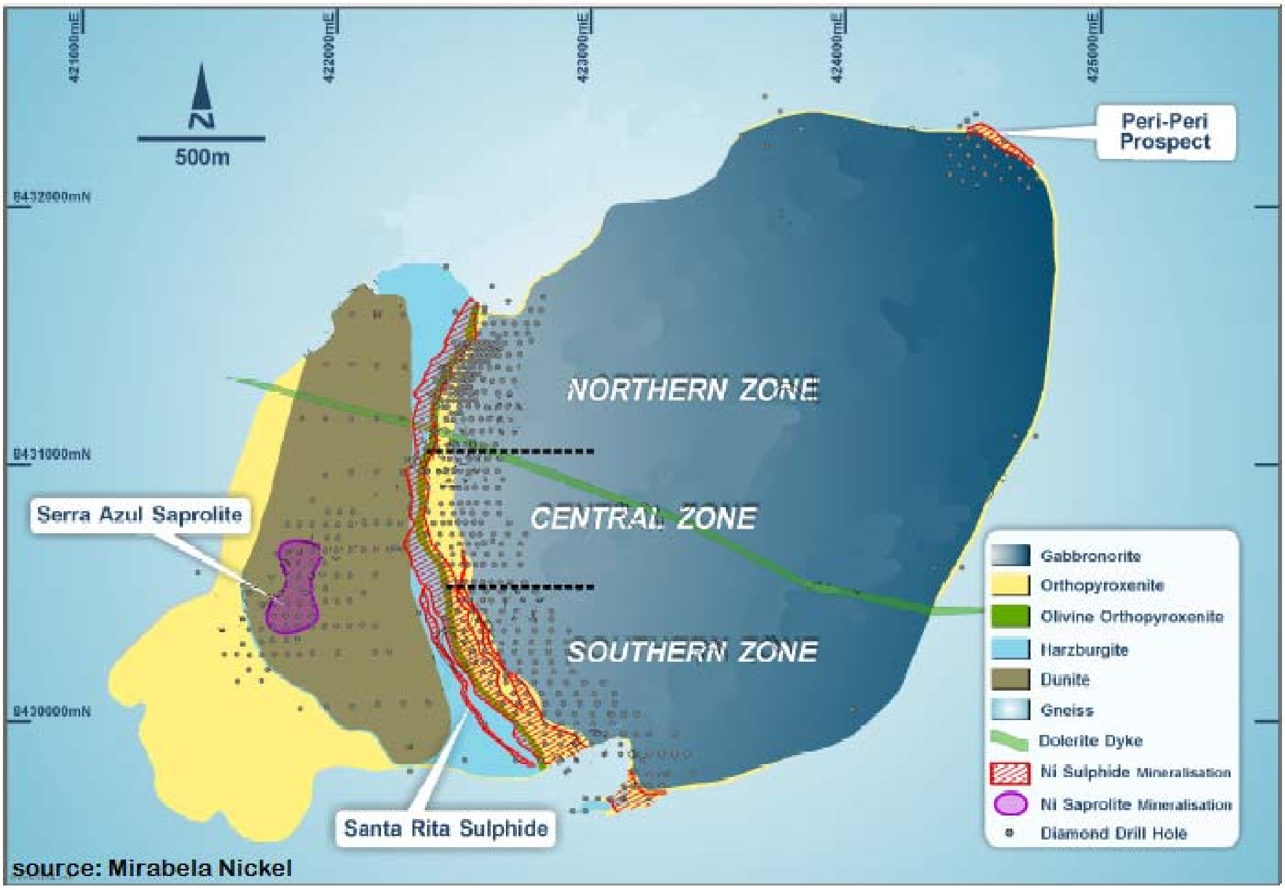
5 Azevedo Sette, 2014: Independent Report – Mining tenements of Mirabela Mineracao do Brasil, April 25, 2014.

The Fazenda Mirabela intrusion hosts the Santa Rita nickel deposit. The intrusion is layered and composed of ultramafics at the base and mafic rocks at the top. The intrusion does not show the penetrative deformation that has affected the country rock.

Cumulative fractionation of the magma resulted in a layered intrusion with a western basal ultramafic zone and an eastern mafic zone (Figure 2.1) which differentiated from a single magma.

Figure 2.1 Geological plan



The ultramafic zone comprises a dunite core overlain by harzburgite, olivine orthopyroxenite and bronzitite. Below the dunite, the layering is reversed with bronzitite and augite norite. The dunite core and much of the harzburgite are completely serpentinised. The dunite and harzburgite become gradually pyroxene-rich and olivine-poor outwards from the core. The ultramafic zone occupies about one-third of the total area of the intrusion.

The mafic zone is east of the ultramafic zone and occupies about two-thirds of the total area of the intrusion. The mafic zone is composed of gabbronorite, leuco-gabbronorite and augite norite.

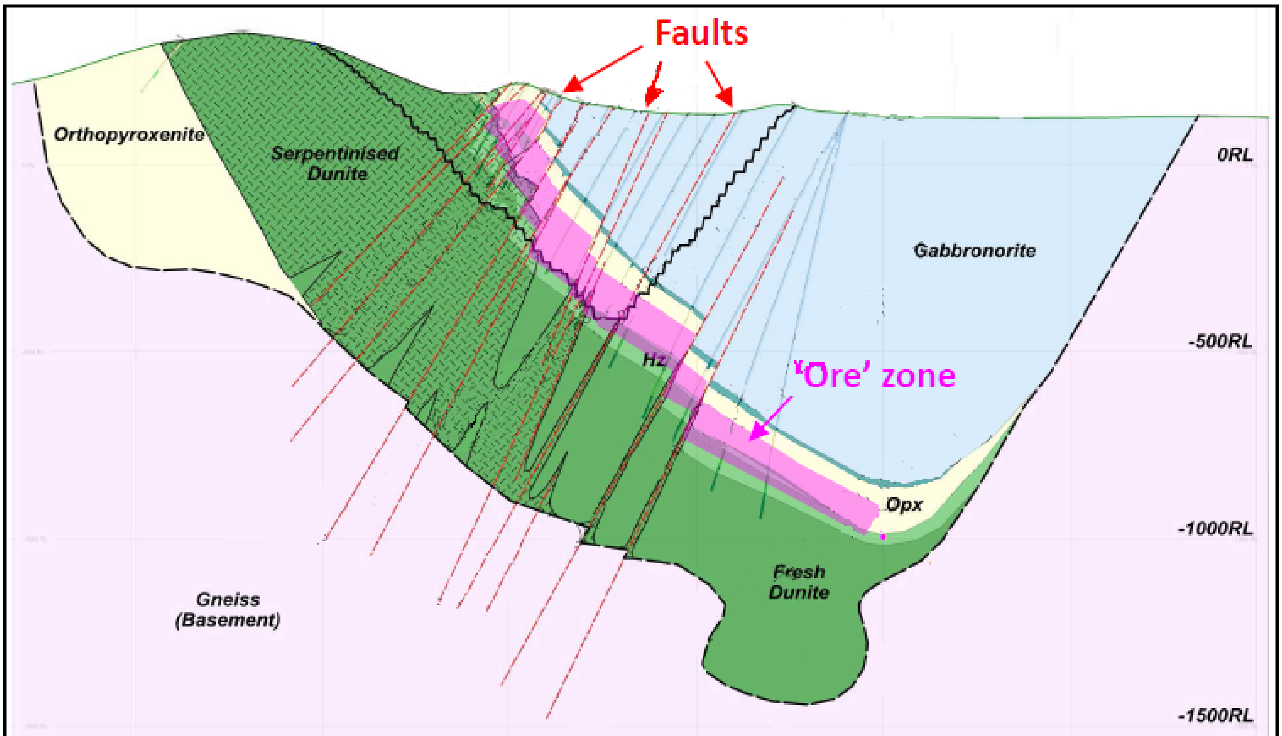
At least two sets of dolerite dykes cut the intrusion in an east-west orientation. Pegmatite dykes are common, especially within the ultramafic zone.

A significant laterite profile has developed over the dunite-harzburgite core of the ultramafic zone but is absent or poorly developed over other lithologies. The laterite profile is typically 25 m thick but reaches 60 m in places and comprises saprolite at the base of oxidation up to limonite near the surface.

The Fazenda Mirabela intrusion is a late to post tectonic magmatic body. The Santa Rita deposit is a zone of stratabound disseminated nickel sulphides located near the contact of the mafic and ultramafic zones.

Disseminated nickel and copper sulphides form a stratiform body parallel to the lithostratigraphic contacts from the harzburgite through the olivine orthopyroxenite and into the bronzitite (Figure 2.2). The strike length of the mineralization exceeds two kilometres and extends from one side of the intrusion to the other. On average, the mineralization is 40 m thick and is up to 140 m thick. Mineralization has been tested down dip to depths exceeding 1,000 m.

Figure 2.2 Geological section



source: Mirabela Nickel

The mineralogical layering and the sulphide mineralization have been dislocated by a series of west-dipping step faults that throw the eastern side down relative to the western side of the faults.

The primary disseminated mineralisation is mainly granular aggregates of pentlandite (52%) with minor violarite (7%) associated with chalcopyrite, pyrite and pyrrhotite. Traces of platinum group elements appear to be included within the structure of the principal sulphides.

A serpentine alteration product (SAP) occurs as narrow hydrothermal alteration selvedges up to 0.5 m wide on brittle structures within the mineralized zone. Most of the alteration structures are associated with the faults that truncate and offset the mineralized zone.

The SAP is primarily composed of serpentine, vermiculate and smectite minerals and can contain but up to 5% talc but typically less than 1%. The presence of SAP has adverse implications for metallurgical recovery.

2.1.2 Exploration

Mirabela became involved in mineral exploration in the Santa Rita area to test nickel laterite mineralization at Serra Azul about 1 km west of the Santa Rita sulphide nickel deposit. Exploration initially focused on the Fazenda Mirabela ultramafic intrusion and the Peri Peri and Palestina prospects. Exploration activities included extensive geophysical surveys and diamond and reverse circulation (RC) drilling.

Nickel sulphides were first intersected in drillholes in 2004 with the first Mineral Resource estimate reported in 2005. Deeper drilling led to reporting in 2008 of a Mineral Resource that might be mined using underground mining methods.

2.1.3 Drilling

Exploration drilling in the Santa Rita area has consisted of diamond, RC, percussion and auger drilling but only diamond drillholes have been used for resource estimation. Drilling prior to 2004 was part of exploration carried out before Mirabela's involvement in the project. The main phase of drilling for resource delineation was carried out by Mirabela between 2004 and 2008. Further drilling was undertaken in 2011 and 2012.

Diamond drillholes were generally collared in HQ diameter core and finished in NQ diameter. Most drillholes are drilled at 60º dip to the west to intersect the mineralised zone at a high angle.

Drillhole collar locations were initially determined by global positioning system (GPS) but final collar surveys were completed by licensed surveyors and recently by Mirabela mine surveyors. Downhole surveys were completed initially using a single shot camera to check dip and azimuth. Recent downhole surveys were completed using a gyroscopic survey instrument. Drill core was photographed. Detailed logging includes core recovery, lithology, alteration, mineralisation, texture, weathering and colour. Geotechnical data were also recorded.

The core interval to be sampled was based on the rock type, generally from the gabbro just above the pyroxenite contact and continued into dunite. Drill core was sampled in 1 m intervals. Sample preparation and analysis was carried out by a commercial laboratory. A multi-element assay protocol was followed. Most nickel and copper assaying has been completed using inductively coupled plasma atomic emission spectroscopy (ICP-AES).

An industry standard quality control protocol is in place consisting of:

- Certified reference materials.
- Blanks.
- Coarse duplicates.
- Pulp duplicates.

The quality control results show that the data are acceptable for use in resource estimation.

AMC considers that the drillhole data used for resource estimation have been collected using accepted industry practice supported by a quality control protocol.

2.1.4 Mineral Resource estimation

Mineral Resources reported by Mirabela for the Santa Rita deposit include Mineral Resources targeted for open pit mining and an Inferred Resource that might be amenable to underground mining. Mineral Resources were last publicly reported, depleted for mining, on 30 September 2012 (Table 2.1).

Table 2.1 Mineral Resources at 30 September 2012

Classification	Tonnes (Mt)	Ni (%)	Cu (%)
Open Pit			
Measured	16.0	0.50	0.10
Indicated	188.0	0.49	0.13
Measured and Indicated	**204.0**	**0.49**	**0.12**
Inferred	79.6	0.56	0.15
Underground			
Inferred	77.0	0.78	0.22

Open Pit Mineral Resources reported at recoverable 0.13% Ni cut-off grade
Underground Mineral Resource reported at 0.50% Ni cut-off grade

The Mineral Resource estimate was based on interpretation of geological and mineralisation domains. Lithological contacts, faults, mineralised zones and the bases of oxidation, supergene and transition weathering domains were interpreted from drillhole information. The depth of full oxidation is consistently shallow over the gabbro but increases substantially over the ultramafic lithologies with a maximum oxidation depth of 55 m over the dunite.

Nickel and copper sulphides are hosted by three main lithologies: harzburgite, olivine orthopyroxenite and orthopyroxenite. Minor sulphides occur in dunite and gabbro. The lithological contacts between the rock types have been modelled as sub-parallel layers that dip generally between 40º and 60º to the east. The contacts are offset by a series of faults interpreted to strike north-northeast and dip to the west.

The mineralized zone has been defined using the sulphur content. Silicate nickel content varies in the host lithologies and it is not possible to use a single nickel grade cut-off to define the mineralised zone. An indicative sulphur value 0.2% S was used to delineate a mineralised envelope.

The interpreted mineralisation fault blocks were “un-faulted” to assist grade estimation.

Raw drillhole data were composited to 3 m for statistical analysis and grade estimation. Composites were assessed for statistical outliers but grade caps were not applied.

The relationship between recoverable nickel, sulphur and magnesium oxide (MgO) is important in processing and recovery of nickel in the plant. Recoverable nickel is calculated with an algorithm using nickel, sulphur and MgO values.

Bulk density values were assigned by lithology and oxidation categories from the means of determinations from drill core.

Grades were estimated into a block model for Ni, Cu, S, Co, Fe, Mg, Pt, Pd, Au and recoverable Ni using ordinary kriging and estimation parameters derived from a study of variography. The estimation was carried out in the “un-faulted” model and returned to real coordinates.

The estimate was validated using visual verification, swath plots and statistical validation.

The Mineral Resource estimate for the Santa Rita deposit has been classified as Measured, Indicated and Inferred Mineral Resources in accordance with the 2004 JORC Code[6]. The part of the estimate that might be mined using underground mining methods has been classified as Inferred Resource. The resource classification broadly reflects drillhole spacing.

AMC considers that the Mineral Resource estimate has been completed using accepted industry practices and has been appropriately classified in accordance with the 2004 JORC Code.

2.2 Mining

2.2.1 Access and mining method

Mining at Santa Rita is by open pit methods. Mining is undertaken by conventional drill-and-blast with hydraulic excavators and haul trucks. Mine development is based on accessing the ore via a series of stages (pushbacks) to the existing pit to the east and west. The current activities are mining ore and waste in stage 4 of the sequence of stages with additional; stages 5, 6, 6a and 7 remaining to be extracted. The final design shows an open pit some 2 km long (north/south), 1200 m wide and 600 m deep.

The open pit has been mined to a depth of approximately 100 m below surface and the development is transitioning between stages 3 and 4. The current operation consists of three mining areas; the north pit, the centre pit and the south pit.

Waste is deposited on the eastern and southern waste dumps and ore is hauled directly to the run-of-mine (ROM) pad adjacent to the primary crusher.

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[6] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

The mine is scheduled to operate 24 hours per day utilizing three production shifts 365 days per year. When Mirabela established the operation in 2009 it purchased and operated the initial mining fleet. Contractors have been used to support the owners operations. In the last few years, due to the aging of the Mirabela mining fleet and also the deferral of major maintenance, the performance of the mining fleet has been poor. Consequently a decision was taken to use external contractors for the load-and-haul functions of the mining operations effective from the start of 2014. Mirabela continues to operate the production drills and the support equipment.

The mining fleet purchased by Mirabela consisted of three Orenstein & Koppel (O&K) RH 120 excavator (16.5 m^3 capacity) and one O&K RH 90 excavator, two Caterpillar 994 loader and one Caterpillar 992 loader, six Caterpillar 777 trucks (90 t), two Atlas Copco Pit Vipers drill rigs, one Atlas Copco DML drill rig, four Atlas Copco L8 blasthole drills plus ancillary equipment. The Caterpillar equipment was purchased predominantly through a leasing facility provided by Caterpillar Financial.

In 2012 Mirabela purchased four DML blasthole drill rigs via a financing facility provided by Atlas Copco Customer Finance. As mine production increased during 2009 and 2010 an additional twelve Caterpillar 785 haul trucks (136 t) were added to the mining fleet.

The mine is developed using 15 m high primary blast benches with ore mined on 7.5 m high benches. Both ore and waste are mined in smaller 3 m horizontal slices (flitches) suited to the size of the mining equipment and in the case of ore to reduce dilution by waste material.

Due to operational and maintenance issues the mine has not operated efficiently over the last few years. The Mirabela mining equipment is in a poor state of repair necessitating the transition to mining contractors.

2.2.2 Mine plan

In 2010, local mining consultants undertook an update to the mine design work. The consultants used the resource model current at the time and, utilizing Whittle mine optimization software, calculated a series of economic shells on which the pit design is based. This is standard industry practice. Pit design wall slope parameters were provided by Brazilian based geotechnical consultants.

The mining consultants designed a final pit design based on the selected optimum pit shell. To provide a smoother waste and ore mining schedule and to defer waste the pit design was scheduled in a series of stages or cut-backs. In the case of Mirabela, seven pit stages were designed incorporating ramp access and allowing for minimum mining widths between each stage.

The current operation is at a position between stages 3 and 4 indicated in the plan shown in Figure 2.3. Figure 2.4 shows the remaining stages and Figure 2.5 shows the final stage (stage 7). AMC supports the staged approach to the mine design and schedule. However, the Mineral Resource model was updated in 2012 and the cost structure has subsequently changed. AMC understands that additional pit optimization work was carried out by the mining consultants in 2013 using updated input parameters. AMC has reviewed the updated optimization work and believes it may not support the current final pit design. This is due to the use in the pit optimization of lower operating costs than the site is achieving and the selection of a pit shell that does not represent the maximum discounted value. It is not possible for AMC to select a preferred shell based on this work however this work should be revisited by Mirabela. Based on these findings, AMC also developed an alternative production case based on a smaller open pit.

Figure 2.3 Santa Rita pit – current development stage

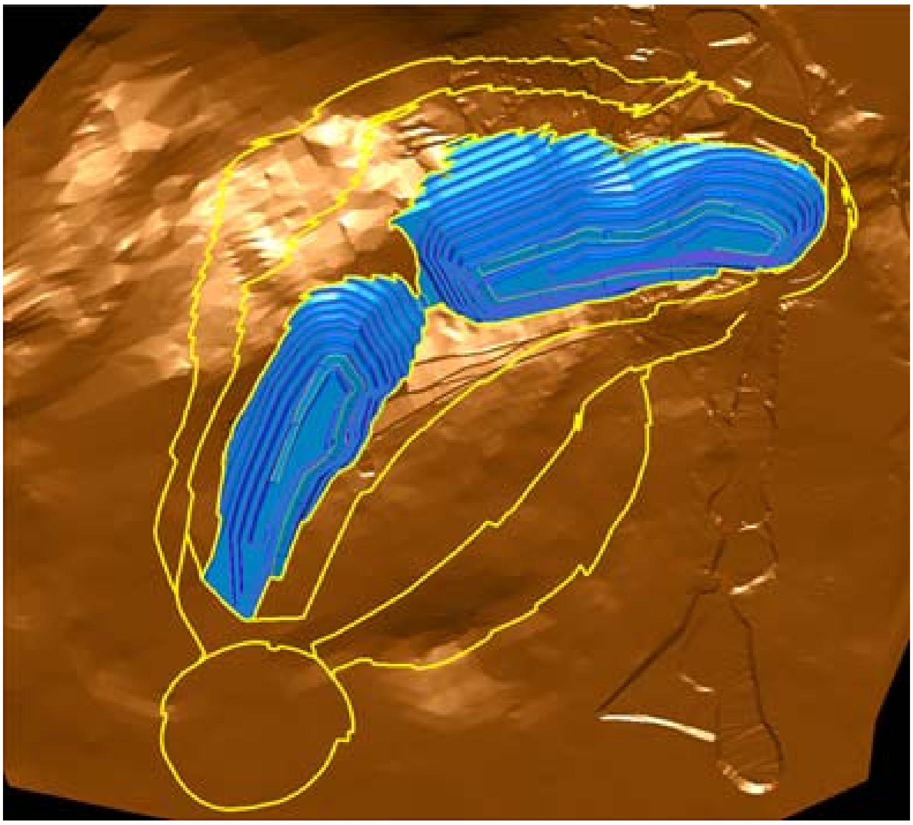


Figure 2.4 Santa Rita pit – development stages

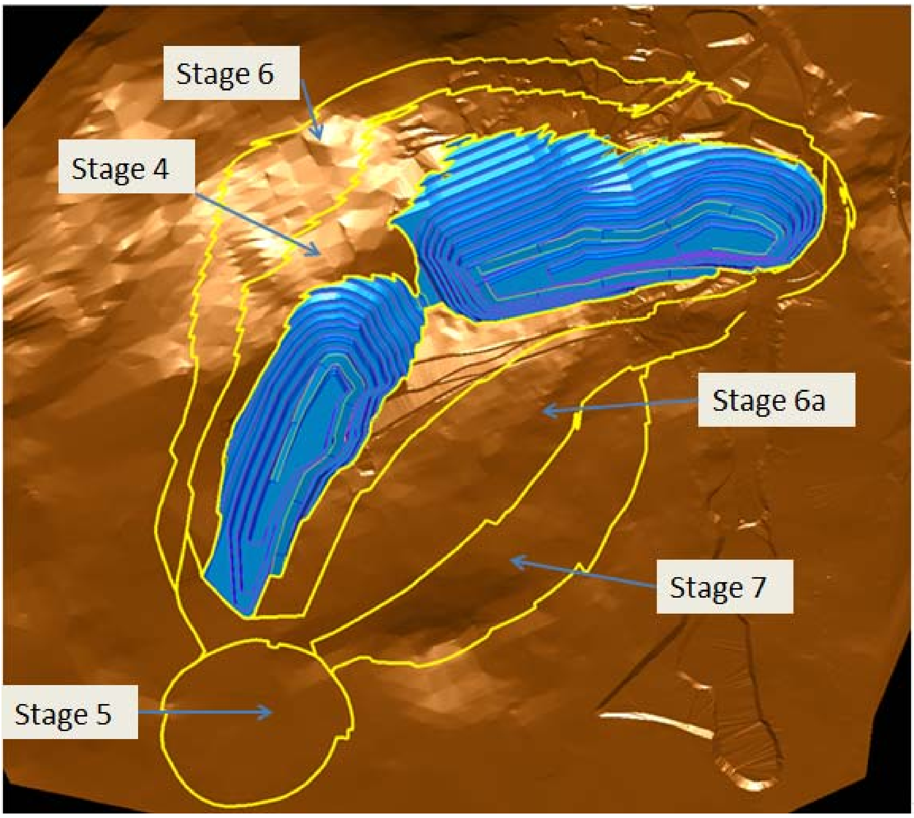


Figure 2.5 Santa Rita pit – final stage

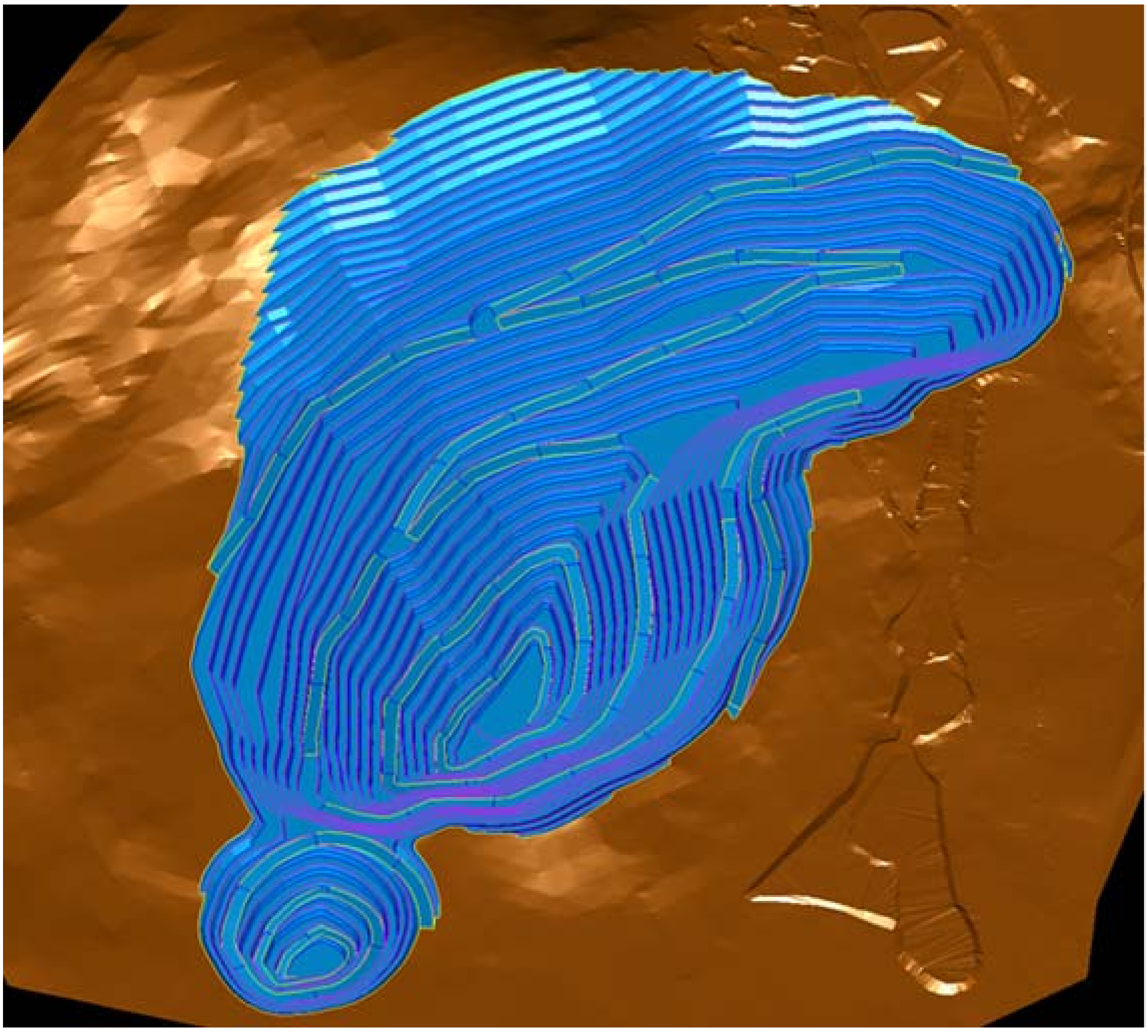


Table 2.2 and Table 2.3 show the current LOM mining schedule based on the existing final pit design discussed above. The schedule is based on a lower mining rate for years 2014 and 2015 to reduce expenditure in these years, it shows a mining rate of 50 Mtpa from 2016. In AMC's opinion the mining schedule is optimistic due to the assumed high vertical rate of advance in some stages and high production as mining areas reduce in footprint. Therefore AMC has adjusted the schedule in its production cases. To achieve the higher mining rate beyond 2015, additional mining fleet should be provided by the contractor alternatively the Mirabela fleet will be require repair. The LOM Model assumes the use of a mining contractor to complete the open pit operations.

Table 2.2 Mine schedule – annual

Year	Ore COG (Ni Rec %[1])	Ore (kt)	Ni (%)	Ni Rec (%)	MgO (%)	S (%)	Waste (kt)	Total (kt)
2014	0.13	5,676	0.46	0.26	27.93	0.69	18,070	25,000
2015	0.07	5,725	0.45	0.24	30.34	0.61	19,275	25,000
2016	0.13	7,204	0.48	0.28	28.01	0.71	40,479	50,000
2017	0.13	7,200	0.46	0.27	27.20	0.72	41,368	50,000
2018	0.13	7,204	0.46	0.27	26.96	0.72	41,347	50,000
2019	0.13	7,200	0.48	0.28	28.00	0.73	41,152	50,000
2020	0.10	7,194	0.44	0.24	28.23	0.66	44,307	52,000
2021	0.13	7,202	0.45	0.26	27.72	0.72	43,348	52,000
2022	0.16	7,201	0.50	0.31	26.83	0.83	40,894	50,000
2023	0.13	7,195	0.49	0.30	26.78	0.79	41,858	50,000

Year	Ore COG (Ni Rec %[1])	Ore (kt)	Ni (%)	Ni Rec (%)	MgO (%)	S (%)	Waste (kt)	Total (kt)
2024	0.13	7,200	0.49	0.30	27.18	0.78	41,673	50,000
2025	0.13	7,201	0.51	0.31	28.20	0.80	41,850	50,000
2026	0.07	7,205	0.48	0.25	31.28	0.58	42,795	50,000
2027	0.13	7,200	0.56	0.34	29.93	0.79	41,611	50,000
2028	0.13	7,202	0.52	0.30	29.71	0.75	36,989	45,000
2029	0.15	7,201	0.50	0.31	26.71	0.86	36,573	45,000
2030	0.13	7,202	0.52	0.33	26.91	0.88	16,891	25,000
2031	0.13	6,983	0.50	0.32	25.98	0.89	17,067	25,000
2032	0.13	7,205	0.54	0.35	27.07	0.93	7,238	15,350
2033	0.13	7,205	0.53	0.34	26.83	0.92	4,038	11,720
2034	0.13	7,202	0.57	0.37	27.43	0.95	1,791	9,600
2035	0.13	1,512	0.59	0.37	29.12	0.91	447	1,998

[1] Ni Rec % = nickel ore grade multiplied by process plant recovery

Table 2.3 Mine schedule – by stage

Year	Total Mined by Stage (kt)							
	PB02	PB03	PB04	PB05	PB06a	PB06	PB07	Total
2014	12,500	7,831	4,669	–	–	–	–	25,000
2015	5,042	–	19,958	–	–	–	–	25,000
2016	–	–	36,500	13,500	–	–	–	50,000
2017	–	–	18,400	8,000	23,600	–	–	50,000
2018	–	–	11,630	3,873	34,497	–	–	50,000
2019	–	–	11,133	–	38,867	–	–	50,000
2020	–	–	5,724	–	43,500	2,776	–	52,000
2021	–	–	–	–	47,360	4,640	–	52,000
2022	–	–	–	–	30,800	19,200	–	50,000
2023	–	–	–	–	24,605	20,000	5,395	50,000
2024	–	–	–	–	21,250	20,000	8,750	50,000
2025	–	–	–	–	14,350	19,510	16,140	50,000
2026	–	–	–	–	1,641	23,800	24,559	50,000
2027	–	–	–	–	–	16,265	33,735	50,000
2028	–	–	–	–	–	13,550	31,450	45,000
2029	–	–	–	–	–	11,600	33,400	45,000
2030	–	–	–	–	–	9,020	15,980	25,000
2031	–	–	–	–	–	248	24,752	25,000
2032	–	–	–	–	–	–	15,350	15,350
2033	–	–	–	–	–	–	11,720	11,720
2034	–	–	–	–	–	–	9,600	9,600
2035	–	–	–	–	–	–	1,998	1,998
Total	**17,542**	**7,831**	**108,014**	**25,373**	**280,470**	**160,608**	**232,829**	**832,668**

2.2.3 Ore Reserves

As at 31 December 2010, the mine had total Ore Reserve of 159.3 Mt at an average nickel grade of 0.52% as shown in Table 2.4.

Table 2.4 Proved and Probable Ore Reserves as at 31 December 2010

Classification	Tonnes (Mt)	Nickel Grade (%)	Copper Grade (%)	Cobalt grade (%)	Recovered Nickel (kt)
Proven	16.7	0.57	0.14	0.016	64.1
Probable	142.6	0.52	0.13	0.015	505.7
Total	**159.3**	**0.52**	**0.13**	**0.015**	**569.8**

Source: Mirabela Annual Information Form 2012

As at 31 December 2013, a total of 19.1 Mt of ore had been mined from Ore Reserves at an average nickel grade of 0.48%. The Ore Reserves were estimated by external mining consultants. Ore Reserves are defined as material with a recovered nickel grade over 0.13% Ni.

A review of the mine plan as discussed above could result in a smaller open pit with a reduced mine life, this change would impact on the Ore Reserves. The existence of Inferred Mineral Resources outside the open pit could provide an upside to the LOM and Ore Reserves if that material is converted to an Indicated Mineral Resource and is accessed as being economic. AMC considers, however, that this potential is offset by the geotechnical risk inherent in completing the mining of a 600 m deep open pit as planned.

2.2.4 Historical performance

Historical mining costs were reviewed from data available in monthly reports as well as a Mirabela data book. Reports of historical costs need to be considered with care as the mine was in a ramp up phase during 2010, and from 2012 has operated in a hybrid owner and contractor mode under difficult circumstances. Historical production data and costs are shown in Table 2.5.

Table 2.5 Historical production data

Mining	Unit	2010	2011	2012	2013	2014 (to March)
Total Material	t	29,057,779	47,292,612	38,531,233	38,005,909	6,145,679
Ore Mined	t	3,636,422	5,744,782	6,790,642	6,340,593	1,191,754
Grade	% Ni	0.55	0.48	0.50	0.46	0.42
Unit mining cost	$/t TMM	1.99	2.80	2.94	2.66	3.12

Source: Mirabela Board performance reports, monthly reports and data book.

2.2.5 Mining operations

Mirabela has entered into contractual agreements with a Brazilian mining contractor. The contractor has been involved with the Santa Rita operation as preferred mining contractor since the operation commenced. Due to the deferral of maintenance of the Mirabela mining fleet the company has been forced to transition more activities to the contractor under difficult circumstances. This has led to a complex contracting arrangement. The LOM is based on a continuation of mining contractor as the principal mining operator. The current contracts have terms of the order of two to three years. Further contract negotiation will be required which could result in unfavourable changes to the mining costs. AMC understands, however, that the relationship with the mining contractor is solid and an ongoing relationship is expected. The mining operating costs in the LOM Model are based on the current contract and represent a reasonable estimate.

RC grade control and continued focus on technical improvement with the goal of improvements of the mining performance in the key areas of dilution control, cost control and productivity are supported by AMC. AMC recommends this work continues because analysis indicates that it has been effective.

2.2.6 Cut-off grade

The mine operates on a cut-off grade (COG) of 0.2% recovered nickel for high grade ore. Recovered nickel grade is the Mineral Resource estimated grade multiplied by a recovery estimate for that particular ore block considering Ni, MgO and S grade values. Low grade is also scheduled in the LOM during periods when there is insufficient high grade, low grade is defined at a COG of 0.13 % recovered nickel and marginal grade material is defined by a 0.10 % recovered nickel grade.

2.2.7 Mining operating costs

Mining operating costs have trended up since mining began at Santa Rita. This is due to the transition from oxide to fresh material, the aging equipment, poor maintenance practices, ad-hoc use of mining contractors, poor short-term mine planning and recent water issues in the pit floor. AMC reviewed the current mining contract to assess likely future operating costs. In AMC's opinion, based on the mining contract costs and an assumption that operating and planning functions will improve in the medium term, the forecast mining costs in the LOM Model appear reasonable.

2.2.8 Mining capital costs

Due to the transition to mining contractor for the majority of the functions in the mine area there is only a limited need for sustaining capital in the LOM Model allowing for scheduled rebuilds and replacement of the Mirabela drill fleet consisting of 10 units. The rebuild estimate is prepared on a machine by machine basis allowing for scheduled operating hours.

2.3 Mineral processing

2.3.1 Processing plant

The Santa Rita processing plant consists of crushing, grinding, flotation, concentrate thickening and filtration to produce a saleable nickel concentrate with cobalt, copper, platinum group and gold metals which attract a refining credit.

Plant commissioning occurred between October and November 2009. Designed throughput has been increased in stages by debottlenecking of the crushing and grinding sections and by expanded filtration capacity, and other measures.

Initial recovery problems in the plant were attributed to the presence of transitional ore types (semi – oxidized) and also the SAP fault infill material. Tests with various dispersants such as sodium carbonate, sodium silicate and sodium ethyl xanthate showed signs of improving the situation.

Initial problems with the crushing circuit and low mechanical availability are attributable to poor ore blasting resulting in oversized feed which, in turn, led to the installation of a second primary crushing unit in 2011.

The original milling circuit; a semi-autogenous grinding (SAG)/ball mill conventional combination performed well.

Flotation and tails and concentrate thickening commissioned well.

A second, parallel ball mill, and pebble crusher (to reduce intermediate-size material in SAG mill discharge) were installed in June 2011, raising the nominal throughput to 6.4 Mtpa.

A second pebble crusher and a second Larox filter were installed during 2012 to take production to a nominal 7.2 Mtpa.

A desliming circuit was also added in 2012 to remove an ultrafine (<10 μm) fraction from flotation feed. This removes a significant proportion of deleterious clay from the plant which aids in flotation recovery.

2.3.2 Ore types

The dominant sulphide minerals in the deposit are pentlandite, pyrrhotite, pyrite, chalcopyrite and violarite. Recoverable nickel is predominately associated with the pentlandite, violorite and pyrite. Copper is associated with chalcopyrite.

Based on the mineralogical findings, in particular the deportment of nickel and magnesia, Mirabela subdivided the orebody into three domains which are shown in Table 2.6.

Table 2.6 Ore domains based on the results of mineralogical testwork

Domain	Petrography	Description
P	Orthopyroxenite	Moderately competent average grade ore that yields the highest overall nickel recoveries and lowest magnesia in concentrates. Represents 60% of current Mineral Resource.
O	Olivine Orthopyroxenite	Relatively high grade ore with other properties that are close to the average for the orebody. Some oxidation is present at the surface expressions and, as a result, some oxide ore is excluded from the Ore Reserve because of low or negligible potential for nickel recovery by flotation. Represents 14% of current Mineral Resource.
H	Harzburgite	Moderate grade ore with relatively low specific gravity (SG) and high competence. It has elevated levels of MgO and a low S;Ni ratio. Nickel recoveries and concentrate grades tend to be lower with the geological domain as demonstrated in the flotation testwork to date. Represents 26% of current Mineral Resource.

In the P and O domains the nickel is associated with sulphides and has a higher recovery wheras the H domain nickel is also assiciated with gangue minerals and therefore has a lower recovery.

2.3.3 Process circuit description

ROM ore is crushed from a nominal F_{80} of 800 mm via a Metso 50/65 gyratory crusher to a P_{80} size of 250 mm the crusher has a 1,500 tph (10 Mtpa) nominal capacity.

Crusher ore is conveyed to a stockpile and reclaimed by three feeders. Crusher ore is fed directly to a SAG mill.

The SAG mill is a 30 ft diameter by 16.4 ft long Outotec mill with an 8 MW motor.

Two pebble crushers operate in closed circuit with the SAG mill.

Ball mill feed is minus 12 mm to the 2 x 20 ft diameter by 28.5 ft long 5.8 MW ball mills producing a product with a P_{80} of 125 µm.

A desliming circuit is installed to remove ultrafine material with low nickel recoveries and that is also detrimental to flotation recovery. The desliming circuit was commissioned mid-2012.

A flotation circuit consisting of 6 x 160 m^3 Outotec rougher tanks and 6 x 160 m^3 scavenger tanks.

Rougher concentrate reports to a cleaner circuit of 6 x 70 m^3 cleaner cells, 3 x 70 m^3 scavenger cells and four 30 m^3 recleaner cells.

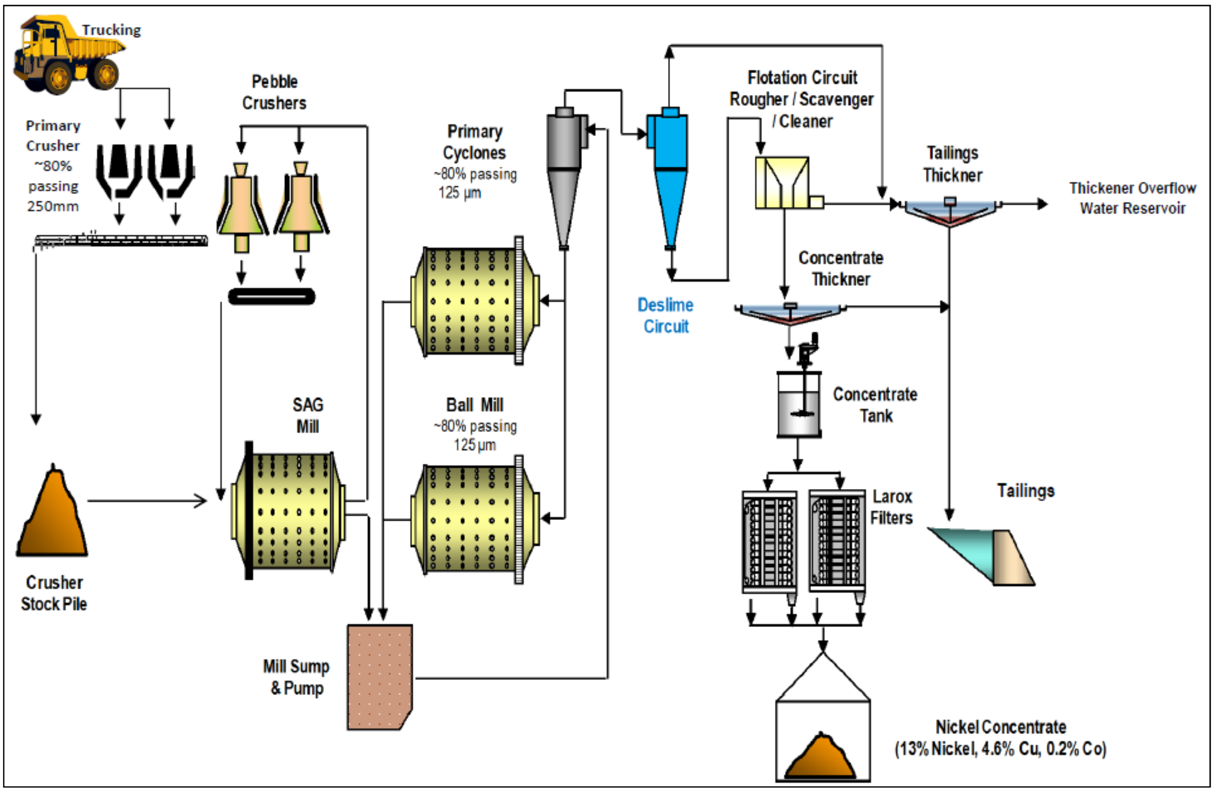
Final concentrate is thickened in a 15 m diameter thickener to 65% w/w solids.

Concentrate is filtered using a Larox pressure filter.

Final concentrate is bagged for transport to the Ilheus and Salvador ports for final transport to customers.

The process flowsheet is shown in Figure 2.6.

Figure 2.6 Process flowsheet



2.3.4 Process plant performance

2.3.4.1 Throughput

Historical throughput and recovery information is included in Table 2.7. The processing plant has not achieved nameplate capacity of 7.2 Mtpa on an annual basis, although it has in some monthly periods during 2012. The 7.2 Mtpa throughput is a challenge which is at the upper end of the capability of the plant as it is currently being operated. In 2014 year-to-date, the plant operated at an average feed rate of 744 tph and with an overall utilisation (mechanical availability (%) x operational utilization (%)) of 86%. 7.2 Mtpa would require a feed rate of 917 tph and an overall utilization of 90%. Running at this rate also relies on 0.8 Mtpa of material removed via the slimes circuit which may be a challenge for the tailings thickener. Higher throughputs may also result in slightly lower recoveries.

In AMC's production cases, a more realistic throughput of 6.8 Mtpa is assumed, which is higher than historical production but 5.5 % lower than forecast in the Mirabela LOM model. In AMC's opinion 6.8 Mtpa should be achievable over the life of the project without the need for further plant upgrades. The lower throughput allows for other interruptions to plant performance including ore type variation, tailings and water supply issues and logistics interruptions and notionally takes into account the reliable ore mining rate from the pit.

Table 2.7 Historical processing plant throughput, recovery, and cost performance

Processing	Unit	2010	2011	2012	2013	2014 (to March)
Ore Processed	t	3,804,819	5,373,205	6,472,895	6,528,071	1,380,705
Ni Grade	% Ni	0.51	0.50	0.51	0.45	0.42
Recovery	%	53	59	58	53	51
Contained Ni in Con	DMT	10,375	15,855	19,253	15,626	3,052
Contained Cu in Con	DMT	3,239	4,926	5,858	4,402	1,272
Contained Co in Con	DMT	178	241	335	277	77
Processing operating cost[1]	$/t processed	13.73	12.22	9.37	7.66	7.30

[1] Includes PIS/CONFINS taxes

2.3.4.2 Recovery

Mirabela has modelled a recovery estimate based on actual performance that calculated the recovery based on nickel, sulphur and MgO grades in the feed. This formula is:

$$\text{Nickel Recovery} =: (95.335*F^2+12.105*F+0.4133)*1.05;\ \text{where } F = Ni/MgO*S$$

Historically the plant has shown a residual tails assay 0.2% Ni.

Mirabela has developed another recovery algorithm based on testwork to reflect the addition of the desliming circuit for higher recoveries are predicted. AMC has not used that algorithm in its production cases because it is not proven.

2.3.4.3 Concentrate specifications

The two sales contracts have specifications for concentrate grades and physical properties with penalties for non-specification material and also credits for other metals. AMC notes that lower grade ore types may cause variations in concentrate quality. AMC has not reviewed historical credits/penalties as this is outside the ITSR scope.

2.3.5 Tailings Management

The plant sources water from the tailings storage facility (TSF) and also fresh water from the nearby river.

The valley-fill TSF is constructed adjacent to and west of the processing plant. Water management on the TSF has been a continuing issue for the operation. At the time of the AMC site visit the TSF was almost full with tailings impounded against the main wall. There was insufficient freeboard on the TSF to cater for a significant rain event. Construction is underway to complete a 2 m lift on the wall. This re-establishes the required freeboard on the facility but does not provide significant additional capacity. Capital works will continue through 2014 to develop the second stage of the TSF wall downstream providing the foundation for future wall lifts over the remaining life of the operation. These works are behind schedule due to the current financial situation of Mirabela however there is a plan to complete the works by the end the first quarter of 2015. The upcoming wet season poses a risk to the construction timetable.

Mirabela is currently managing tailings coffer dams and additional pumps to relocate water on the facility. This is incurring additional cost and has caused a reduction in plant throughput.

The desliming circuit results in more ultrafine, clay material reporting to the TSF, and requires significant additional water to operate. The circuit is not being run due to the water constraint, resulting in reduced recovery of Ni due to the deleterious effects of clay ultrafines in flotation. In addition, the lack of adequate settling area in the TSF has resulted in the return of clay ultrafines to the plant which exacerbates the negative influence on recovery. Return of the tailings management system to full functionality is a high priority for the plant.

2.3.6 Water supply

Water is sourced for Santa Rita from the Rio de Contas River. Plant water supply is impacted by the return of dirty water from the TSF while it is being operated in the current manner. Due to the dirty water feed the slime circuit cannot function correctly and total plant throughput is reduced.

2.3.7 Power

Santa Rita mine site is connected to state grid power. AMC was advised that power supply reliability has not had a significant impact on operations.

2.3.8 Concentrate Handling

Concentrate is bagged on site and trucked via the sealed roads to the ports of Ilheus and Salvador. Transport is provided by contractors. At the port concentrate is loaded to customer’s ships.

2.3.9 Processing operating costs

Unit operating costs for the processing plant have steadily decreased from 2010 to the present as a consequence of year-on-year increases in processing plant throughput. The 2013 average was US$7.66/t processed. The budget for 2014 is US$6.64/t processed, again in response to an increase in throughput from 6.53 Mtpa (actual 2013) to 7.09 Mtpa (budget 2014). Significantly higher reagent costs are expected in 2014 due to the use of additional reagents to mitigate the effects of ultrafine contamination of the plant; resulting from no desliming.

2.3.10 Processing capital cost

The LOM Model makes an allowance of R$112M in 2014 to cover the scope of works to expand the TSF footprint and to raise the wall. AMC has, following discussion with site personal, increased that estimate to R$150M in its production cases reflecting an updated cost estimate and an allowance for contingency.

The project BFS[7] showed capital estimate of US$239M for plant and infrastructure (escalated to an estimated replacement cost today of US$350M). AMC typically uses an annual sustaining capital cost estimate of 1% to 2% of initial capital, which gives an estimate in the range US$3.5M to US$7M. The original estimate in the BFS for plant sustaining capital was US$23.6M over the 15 year mine life. In AMC's opinion the current estimate in the LOM Model of approximately US$10M per annum is probably an over estimate. The AMC production cases have been adjusted in the area of sustaining cost.

2.4 Environmental

2.4.1 Overview

The Santa Rita mine is located in an area where mining is not a well-established land use; that situation inherently carries risks of community opposition and sustained complaint.

The environmental licence for the mine is in the process of being renewed, but complete security of purpose cannot, at this stage, be attested.

Technical environmental issues – flora and fauna impacts, surface and groundwater management, acid mine drainage, blast impacts, closure and rehabilitation – appear to have been professionally addressed, with high standard monitoring and reporting programmes established.

2.4.2 Significant issues – statutory environmental approvals

The critical environmental operating licence expired in September 2013, and Mirabela was formally advised that operations could continue under the terms of that licence until certain additional matters were complied with. This is a normal situation in jurisdictions worldwide.

Six issues were highlighted by the Brazilian environmental regulator (INEMA) as requiring additional information. Mirabela has advised in writing as to the status of these issues:

- Temporary storage of solid waste – water protection: Finalised with INEMA.
- Management of used tyres and metal scrap: In progress.
- As-constructed report on TSF raise: In progress.
- Assessment report on blasting impacts: In progress.
- Application for Authorisation to Suppress Vegetation: Attended to and filed with INEMA.
- Update Closure Plan: Attended to and filed with INEMA.

Thus, while it is possible that final and full licensing is a matter of procedure, it cannot be viewed by AMC as guaranteed. It is noted that the deadline for compliance is 5 June 2014. AMC is aware that, because of the risk of bureaucrats in Brazil being potentially held liable for failed environmental protection from licensed operations, there is reluctance for those bureaucrats to complete final sign-offs. The extent to which this is a significant risk for the Santa Rita mine can only be determined by detailed consultation with the agency and, ultimately, by the passage of time.

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AMC has attempted to determine if the mine was also subject to the broad Environmental Impact Statement (EIS) process which commonly constitutes statutory environmental regulation. EIS is a broad assessment of environmental feasibility, identifying risks which are considered manageable (or otherwise); manageable risks are then subject to approval conditions, which are supplemented by the licensing processes discussed above. AMC is as yet uninformed on the applicability of an EIS process to the mine.

2.4.3 Acid and metalliferous drainage

Acid and metalliferous drainage risks have been thoroughly assessed through geochemical testwork on what appears to be a carefully selected set of samples. Some 5% of mine waste has been shown to be acid forming (AF), 39% potentially acid forming (PAF), 12% neutral, and 44% acid consuming. It is also noted that sulphates often constitute significant proportions of the total sulphur content of waste materials.

This well-planned testwork provides a sound basis for long term management of acid generating material: there is ample neutral and acid consuming material to encapsulate AF and PAF waste in waste stockpiles so that moisture and oxygen ingress is prevented and sulphide oxidation thus avoided. These are standard mining industry techniques, the main requirement being efficiently integrating the encapsulation operations into the mining schedule. Failure to properly manage these issues can have significant and long term cost implications for remediation.

2.4.4 Closure and Rehabilitation

A reasonably detailed and exhaustive closure and rehabilitation plan has been prepared, against a primary aim of leaving a safe, stable and non-polluting site after operations cease. Individual operational areas (waste stockpiles, plant site, TSFs, roads, etc.) have had landscaping and revegetation treatments identified.

A closure cost of some R$50.9M has been calculated. Based on the land areas of different types (waste stockpiles, TSF, plant, ROM pad, roads etc.), and using cost data for typical closure operations in the mining industry, AMC considers this to be a reasonable estimate of closure liabilities.

2.4.5 Community issues

As noted, the Santa Rita mine is located in an area where mining is not a well-recognized land use. Further, Mirabela advises that many surrounding landowners are “hobby-farmers”, who see mining as incongruous with their lifestyle. Sustained complaints from one landowner are believed to be based on his desire that Mirabela purchase his property.

Such community sensitivity commonly results in political involvement. AMC is unaware of the socio-political situation in the mine area and region, but experience elsewhere in the world suggests that at least considerable management time is, in these situations, diverted from traditional production activities, to deal with neighbours, bureaucrats and politicians; additional costs are also likely, for additional monitoring, and especially if purchase of neighbours land becomes necessary.

To more fully appreciate the community risks of the project, a detailed social, economic and political study would be required.

2.5 AMC production cases

AMC has developed two production cases for Santa Rita mine. The cases are projections of mining and processing tonnages, grades, products and costs. The cases are provided to the Expert for consideration of value. AMC has prepared its production cases for Santa Rita mine based on information provided by Mirabela.

Mirabela has estimated Mineral Resources for Santa Rita.

Mirabela has prepared staged pit designs for Santa Rita. The staged pit designs are used for mine planning and the estimation of Ore Reserves.

Not all of the Mineral Resources are converted to Ore Reserves, either because they are outside the pit design, or because they are Inferred Mineral Resources.

In relation to Mineral Resources outside of the Ore Reserve estimate at Santa Rita, and for planning purposes, Mirabela distinguishes between open pit and underground Mineral Resources. Open pit Mineral Resources are situated above 600 m below surface (the depth of the south end of the pit design), and underground Mineral Resources are situated below 600 m below surface.

AMC's production cases are based on the Ore Reserve, and do not include any of the open pit Mineral Resources not contained in Ore Reserves on the basis that:

- The south end of the pit design is relatively deep (600 m below surface). In AMC's opinion, ore at the base of the pit design might not be recovered due to geotechnical risks (pit wall stability) and management's responses to resulting hazards (for example flattening of pit wall slopes). Geotechnical hazards will lead to less ore being recovered.
- The north end of the pit is shallower than the south end of the pit (around 450 m below surface). Inferred Mineral Resources have been estimated beneath the pit. Mirabela consider that these open pit Mineral Resources, after exploration drilling and mine planning, might be converted to Ore Reserves.
- AMC considers that the opportunity to add additional production forecasts, in consideration of extending the north end of the pit, are cancelled out by risk that less of the Ore Reserve will be recovered from the south end of the pit.

AMC's production cases do not include any of the underground Mineral Resources. Mirabela has only undertaken limited and preliminary mine planning work on the underground Mineral Resources. Although Mirabela's economic assessments of the potential underground are preliminary, Mirabela advises that it has concluded that the underground Mineral Resources are uneconomic. In the absence of the necessary work being undertaken to demonstrate that the project is economic, and its relatively low grade for an underground mine, AMC has assigned an exploration value to the underground Mineral Resource (refer section 3).

Notwithstanding that Mirabela's production target for the Santa Rita mine is 7.2 Mtpa, AMC's production cases are scheduled to achieve 6.8 Mtpa. In AMC's opinion, for valuation purposes, a 6.8 Mtpa mining and processing target rate is appropriate given:

- Historically Santa Rita's production performance has been less than 7.2 Mtpa.
- The mining vertical rate of advance (up to 100 m per annum) required to meet the ore production target is relatively high and, in AMC's opinion, difficult to achieve consistently.

For 2014 and 2015, Mirabela has scheduled a reduced total material (ore and waste) mining rate. The total material mining schedule is around 25 Mtpa, compared to the longer term scheduled rate of 50 Mtpa. This measure has been implemented to reduce Mirabela's operating costs in the short term, before reverting back to the long term rate in 2016. Shortfalls of ore production during this period are scheduled to be made up from surface stockpiles. AMC has adopted this reduced total material movement schedule in 2014 and 2015 for its production cases.

AMC's production cases are scheduled within the Mirabela LOM Model. The LOM Model calculates costs based on periodic fixed costs and variable unit costs. AMC considers that these unit costs are appropriate for Santa Rita and take into account current performance. AMC has adopted these costs for its production cases.

AMC has adjusted the LOM Model sustaining capital costs to increase tailings dam costs up to the first quarter of 2015 to R$150M (from R$112M, as discussed in section 2.3.10). Mirabela's LOM Model also includes an annual 5% escalation in baseline processing plant sustaining capital costs, as an allowance for aging of the plant. AMC has not adopted this plant aging escalation factor. AMC considers that the unfactored plant sustaining capital costs are an adequate allowance.

Ore and waste loading and hauling are undertaken by a mining contractor. In AMC's production cases, it is assumed that Mirabela's loading and hauling mining equipment (acquired previously as part of owner mining) has a sale value US$35M.

2.5.1 AMC Production Case 1

Case 1 includes a production forecast for the Santa Rita mine that AMC has prepared, based on information provided by Mirabela. The Case 1 production forecast is based on Ore Reserves, depleted for production to the end of the first quarter of 2014.

Key aspects of AMC's Case 1 are:

- A reduced processing rate compared to the Mirabela schedule.
- Mining of 148 Mt of ore at an average grade of 0.50% nickel and 0.12% copper, and 678 Mt of waste.
- Processing of 151 Mt of ore and low grade stockpiled material, at an average grade of 0.49% nickel and 0.12% copper.
- The production forecast consists completely of Ore Reserves and low grade material contained in surface stockpiles.
- Reduced ore and waste mining rates in 2014 and 2015, in line with Mirabela's current plan.
- From 2016 till the end of the mine life, an annual ore mining rate of 6.8 Mtpa, and a maximum total material movement of 47 Mtpa.
- Metallurgical recoveries and concentrates based on current Mirabela algorithms that reflect recent performance, producing concentrates that contain 366 kt of payable nickel and 75 kt of payable copper.
- Total capital expenditure of $359 M for limited mining equipment rebuilding and replacement, processing plant and infrastructure sustaining capital and tailings dam capacity expansion.
- Operating costs for:
  - Mining of $3.51/t mined.
  - Direct processing of $6.48/t processed.
  - General and administration of $3.63/t processed.
  - Product sales of $2.60/t processed.

Table 2.8 summarizes key parameters of AMC's Case 1.

Table 2.8 Santa Rita – AMC production Case 1[1 2 3 4]

Item	Unit	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034-2036	Total
Physicals											
Ore Tonnes Mined	Mt	4,257	5,725	6,800	6,800	6,800	34,000	34,000	34,000	15,945	148,327
Waste Tonnes Mined	Mt	13,642	19,275	40,038	40,038	40,038	200,192	200,192	117,110	7,674	678,199
Ore Tonnes Processed	Mt	5,100	6,800	6,800	6,800	6,800	34,000	34,000	34,000	17,000	151,300
Payable Nickel in Concentrate	t	9,713	11,695	15,479	15,072	15,077	77,173	83,188	90,499	48,106	366,002
Payable Copper in Concentrate	t	2,566	3,269	3,301	3,363	3,197	14,866	16,754	21,949	6,217	75,482
Payable Cobalt in Concentrate	lb	180,800	230,918	211,068	211,953	196,365	908,175	1,096,766	936,279	346,127	4,318,450
Payable Platinum in Concentrate	oz	2,426	3,240	4,289	4,176	4,177	21,382	23,048	25,074	13,328	101,140
Capital Costs											
Initial / Expansion	$M										
Sustaining	$M	57,723	29,182	33,131	17,786	21,712	65,660	62,043	62,033	9,655	358,926
Total	$M	57,723	29,182	33,131	17,786	21,712	65,660	62,043	62,033	9,655	358,926
Operating Costs											
Mining	$M	52,922	78,986	137,137	138,719	142,733	725,096	785,900	666,315	169,632	2,897,439
Processing	$M	38,297	43,223	43,483	43,919	44,369	220,171	218,616	218,616	109,308	980,002
Administration	$M	21,049	24,473	24,759	24,579	24,759	123,123	122,500	122,500	61,250	548,992
Selling Costs	$M	7,901	12,743	16,680	16,382	16,488	83,978	89,809	97,342	51,582	392,904
Rehabilitation and Closure	$M	-	-	-	-	-	-	-	-	20,404	20,404
Other											
Mining Equipment Sale	$M	-	-34,667	-	-	-	-	-	-	-	-34,667

[1] Nine months of production listed for 2014 – excludes 1 January to 31 March.
[2] Mining Equipment Sale is a revenue item.
[3] Waste mining operating costs have not been capitalized.
[4] Exclusive of PIS/COFINS and ICMS taxes.

Case 2 includes a production forecast for Santa Rita mine that AMC has prepared, based on information provided by Mirabela. AMC reviewed pit optimisation results prepared for the Santa Rita mine in 2013. From those results, AMC considered that a smaller ultimate pit should be considered for valuation purposes, because it has a lower stripping ratio, but still exhibits a mine life greater than ten years. Judgementally, AMC considers that a pit of the order of pit shell 8, from optimization results, represents a reasonable smaller pit case. AMC's production forecast is based on:

- The Ore Reserves contained in pit design stage (PB02 to PB6a) prepared by Mirabela, which is aligned with optimum pit shell 8.
- Waste tonnes contained in the pit design stages, reduced by 10% to make allowance for the removal of design elements included for the mining of the subsequent stages that would be required to reach the larger final pit per Case 1.

The Case 2 production forecast is based on Ore Reserves, depleted for production to the end of the first quarter of 2014.

Key aspects of AMC's Case 2 are:

- A reduced processing rate compared with the Mirabela schedule.
- Mining of 82 Mt of ore at a grade of 0.47% nickel and 0.11% copper, and 319 Mt of waste.
- Processing of 85 Mt of ore and low grade stockpiled material at a grade of 0.47% nickel and 0.11% copper.
- The production forecast consists completely of Ore Reserves and low grade material contained in surface stockpiles.
- Reduced ore and waste mining rates in 2014 and 2015, in line with Mirabela's current plan (as in Case 1).
- From 2016 till the end of the mine life, an annual ore mining rate of 6.8 Mtpa, and a maximum total material movement rate of 37 Mtpa.
- Metallurgical recoveries and concentrates based on current Mirabela algorithms that reflect recent performance (as in Case 1), producing concentrates that contain 190 kt of payable nickel and 39 kt of payable copper.
- Total capital expenditure of $264 M for limited mining equipment rebuilding and replacement, processing plant and infrastructure sustaining capital and tailings dam capacity expansion.
- Operating costs for:
  - Mining of $3.27/t mined.
  - Direct processing of $6.51/t processed.
  - General and administration of $3.65/t processed.
  - Product sales of $2.40/t processed.

Table 2.9 summarizes key parameters of AMC's Case 2.

Table 2.9 Santa Rita – AMC production Case 2[1 2 3 4]

Item	Unit	2014	2015	2016	2017	2018	2019-2023	2024-2026	Total
Physicals									
Ore Tonnes Mined	Mt	4,257	5,725	6,800	6,800	6,800	34,000	17,000	81,382
Waste Tonnes Mined	Mt	13,642	19,275	37,148	37,148	37,148	162,257	12,828	319,447
Ore Tonnes Processed	Mt	5,100	6,800	6,800	6,800	6,800	34,000	18,700	85,000
Payable Nickel in Concentrate	kt	9,713	11,695	15,479	15,072	15,077	77,173	45,990	190,199
Payable Copper in Concentrate	kt	2,566	3,269	3,301	3,363	3,197	14,866	8,119	38,681
Payable Cobalt in Concentrate	lb	180,800	230,918	211,068	211,953	196,365	908,175	589,476	2,528,755
Payable Platinum in Concentrate	koz	2,426	3,240	4,289	4,176	4,177	21,382	12,742	52,432
Capital Costs									
Initial / Expansion	$M								
Sustaining	$M	57,723	29,182	33,131	17,786	21,712	65,660	38,721	263,916
Total	$M	57,723	29,182	33,131	17,786	21,712	65,660	38,721	263,916
Operating Costs									
Mining	$M	52,922	78,986	130,313	131,812	135,590	627,985	151,750	1,309,357
Processing	$M	38,297	43,223	43,483	43,919	44,369	220,171	120,239	553,701
Administration	$M	21,049	24,473	24,759	24,579	24,759	123,123	67,375	310,116
Selling Costs	$M	7,901	12,743	16,680	16,382	16,488	83,978	49,631	203,803
Rehabilitation and Closure	$M	-	-	-	-	-	-	20,404	20,404
Operating Costs									
Mining Equipment Sale	$M	-	-34,667	-	-	-	-	-	-34,667

[1] Nine months of production listed for 2014 – excludes 1 January to 31 March.
[2] Mining Equipment Sale is a revenue item.
[3] Waste mining operating costs have not been capitalized.
[4] Exclusive of PIS/COFINS and ICMS taxes.

2.6 Risks and opportunities

The main risks and opportunities for the Santa Rita mine, as identified by AMC during preparation of this ITSR, are:

Risks

- Geotechnical issues with pit walls require a redesign which might sterilize some Ore Reserves.
- Hydrological issues are not well-understood and may cause added cost to the open pit operations.
- Mining contractor costs increase as the current arrangement expires and is renegotiated.
- Estimated sale value for Mirabela's mining equipment is not realized.
- Metallurgical ore recoveries may underperform against the assumed recovery function.
- AMC has reduced ore processing rates in its production cases. There is a risk that ore processing rates could be lower in 2014 and 2015 than scheduled in AMC's production cases, primarily due to TSF capacity constraints.
- AMC's production cases are based on Mirabela's use of a contract miner. If this approach changes, capital expenditure requirements would be higher (for mobile equipment replacement and rebuilding) which would be offset by a reduction in operating costs (lower mining unit rates). And the sale of mining equipment would not proceed.

Opportunities

- A longer term contract for open pit mining is negotiated that results in cost reductions.
- Stability in the mining operations allows for a planned approach to maintenance and short term mine scheduling which improve costs, productivities and ore quality controls.
- Ore mining practices improve and result in lower dilution and higher ore recovery.
- Better operating practices in the processing plant result in higher throughput, higher recovery and lower operating costs.
- The allowance in the LOM model for sustaining capital in the processing and infrastructure areas appears high.
- Additional Inferred Mineral Resources are tested and add to the Ore Reserves for the open pit and potential underground operations.
- Better blasting practices improve the mining performance.
- Improved understanding of mineralogy may lead to improvements in metallurgical ore recoveries.

3 Santa Rita underground resource

As referred to in section 2 of this report, reported Mineral Resources for Mirabela include an Inferred Resource of 77 Mt grading 0.78% Ni and 0.22% Cu estimated at a 0.5% Ni cut-off grade that lies beneath the open pit and might be mineable using underground mining methods. The resource estimate has been developed using the same approach as the open pit resource estimate but relies on wider-spaced drillhole data and extrapolation from data points.

Methods used for valuing exploration areas that may or may not include a Mineral Resource are outlined in Appendix E.

Mirabela does not currently have plans to mine the underground Inferred Resource. Very preliminary studies of the economics of mining this material have returned widely differing results. Mining of this material (if at all) is unlikely to occur until after completion of the Santa Rita open pit. Given that, AMC does not consider that it is possible to value the underground Inferred Resource using the Expected Value method.

AMC considers that the Yardstick Value method is the best method for indicating the value of the underground Inferred Resource.

AMC has identified a number of recent transactions for nickel sulphide deposits although none are in Brazil or elsewhere in South America. In assessing the relevance of these transactions, many of the deposits are not comparable to the Mirabela underground Mineral Resource.

AMC has concluded that the recent transaction for the Avebury nickel deposit in Australia is the most relevant to the Santa Rita underground resource, which indicates a Yardstick Value of US$126/t of nickel metal in the Mineral Resource.

However, the Mirabela underground Mineral Resource is different to Avebury in that it:

- Is entirely Inferred Resource.
- Has no underground development.
- Is slightly lower grade.
- Is unlikely to be developed at least until completion of the open pit.

Given these considerations, AMC considers an upper Yardstick Value for the Mirabela underground Mineral Resource to be US$40/t of nickel metal, indicating an upper end of the value range of US$24M.

AMC is not aware that there is an active market in nickel exploration properties in Brazil and it is possible that there are no buyers in the current market for an underground Inferred Resource of modest grade that is not likely to be mined until completion of the open pit. A recent transaction in Australia containing a large low grade Inferred Mineral Resource for nickel indicated almost no value for the contained metal. On this basis, AMC concludes that the low end of the value range is effectively zero.

Based on these considerations, AMC concludes a range of values for the Mirabela underground Mineral Resource to be between nil and US$24M with a mid-range value of US$12M.

4 Exploration tenements

4.1 Exploration tenements summary

Exploration tenements held by or controlled by Mirabela consist of:

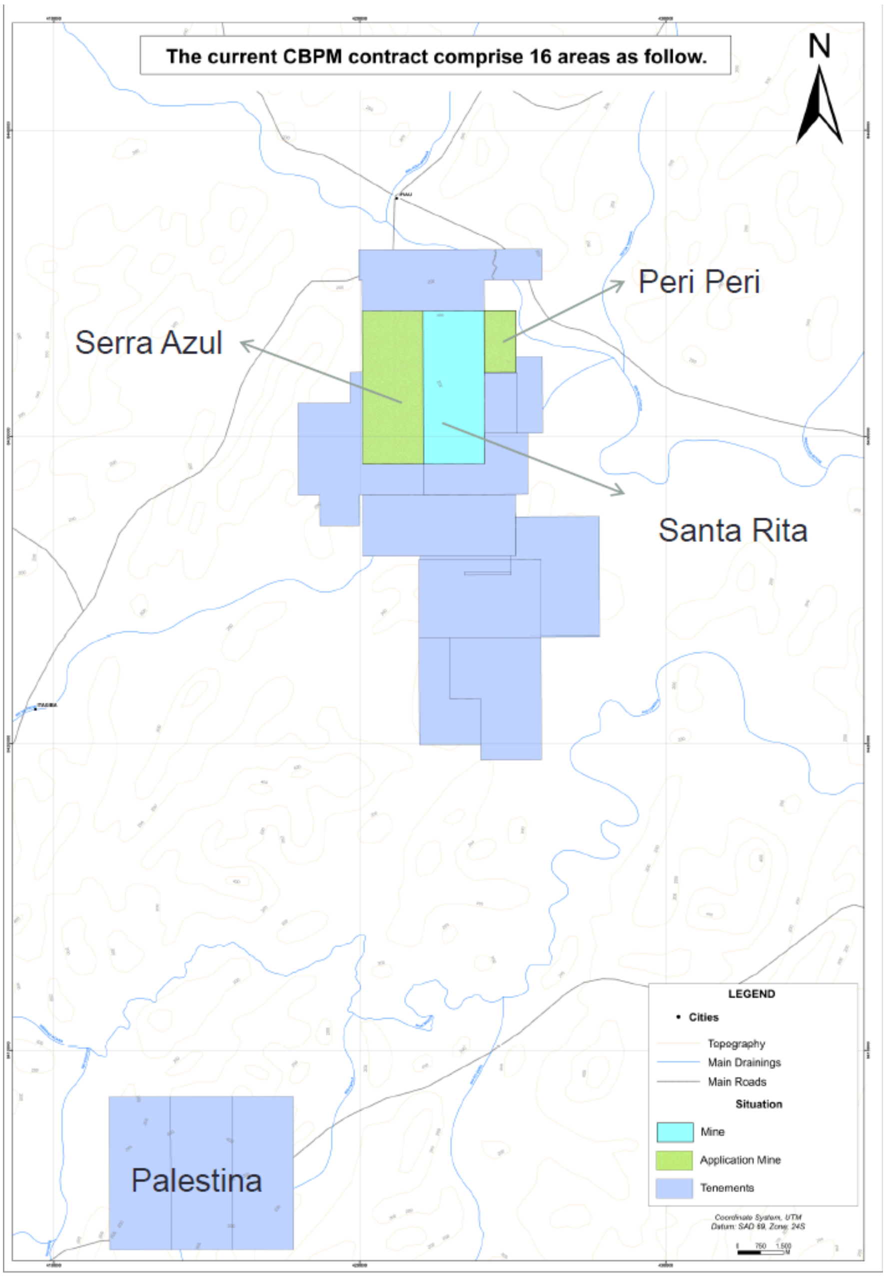
- 55 Exploration Permits, three of which are held under the CBPM contract.
- 49 Exploration Permit Applications, seven of which are held under the CBPM contract.
- 7 Exploration Permits subject to public tender.

Thirty-two of the Exploration Permits expire in 2014.

AMC has ascribed no additional value to tenement applications or tenements that will be the subject of public tender or those that expire in 2014.

The tenements in the Santa Rita area are shown in Figure 4.1.

Figure 4.1 Tenements in the Santa Rita area



4.1.1 Palestina

The Palestina group of tenements cover 2,990.81 ha and have been the subject of grass roots exploration and some follow-up drilling. The tenements cover a mafic and ultramafic intrusion soil sampling indicated anomalous nickel copper and platinum group elements. Geophysical surveys identified conductors that might indicate sulphide mineralisation. About 6,000m of drilling was been completed prior to 2010. Nickel sulphide mineralisation over narrow intervals with grades of around 0.43% Ni was intersected in a number of drillholes. No Mineral Resource has been estimated.

4.1.2 Peri Peri

The Peri tenement covers 208.22 ha and is located to the north-east of Santa Rita on the opposite site of the intrusive complex. Drilling has been carried out prior to 2010 but no Mineral Resource has been estimated. Disseminated nickel sulphides were intersected in a number of drillholes over widths up to 60 m with a strike length of 350 m and up to 150 m below surface. There has not been any recent exploration activity. The tenement is the subject of a mining concession application. There has been no recent exploration activity.

4.1.3 Sao Francisco

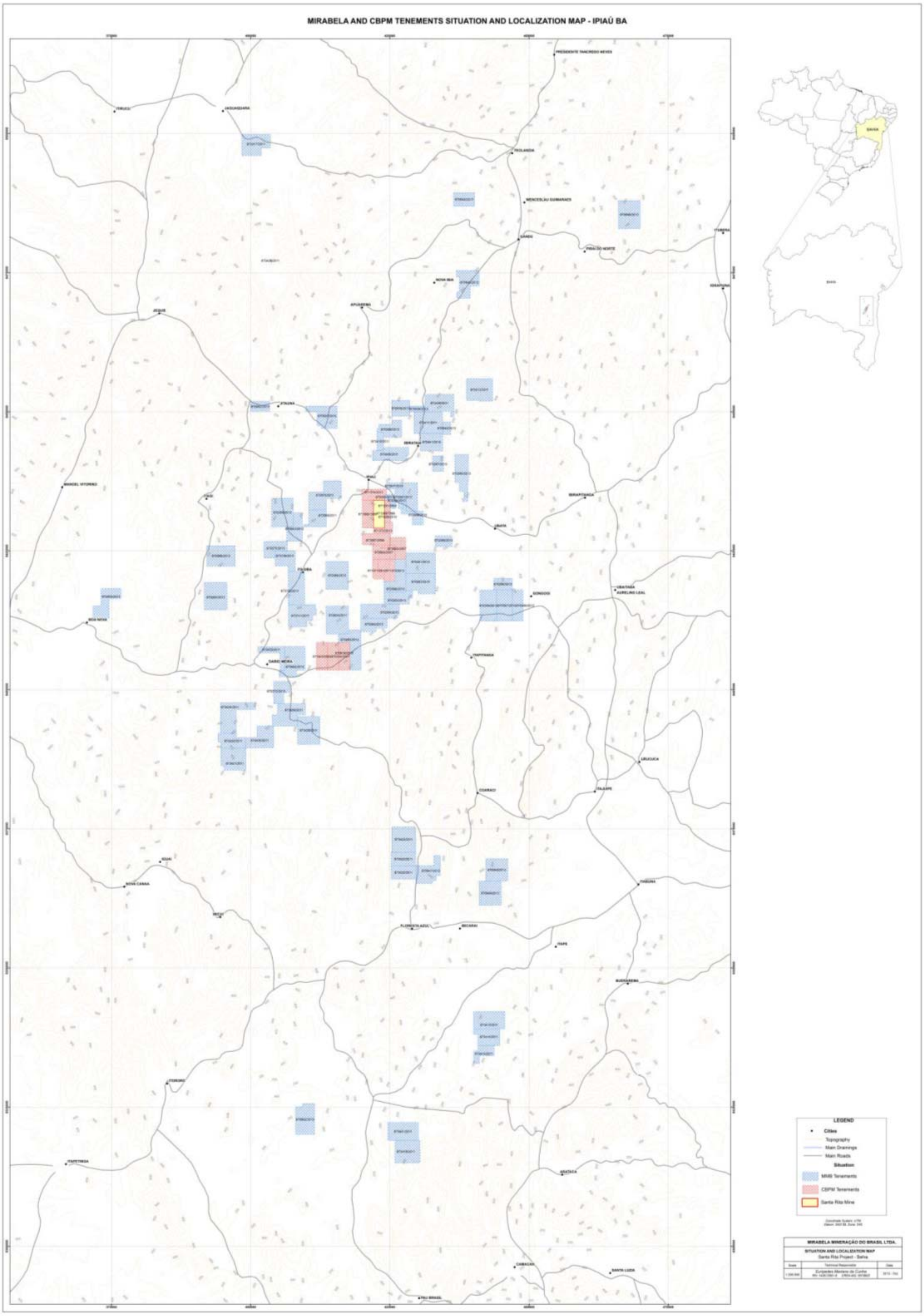
The Sao Francisco group of tenements are about 500 km from Santa Rita and cover an area of 24,937 ha. The area has been explored with geophysics and soil geochemistry (in 2007) and anomalous nickel in soils over ultramafic rocks has been recorded. No drilling has been carried out. There has been no recent exploration activity.

4.1.4 Other Tenements

A further 8,694.9 ha are subject to exploration tenements where there has been little exploration activity.

Other tenements are shown in Figure 4.2.

Figure 4.2 Other tenements



4.2 Valuation

AMC is not aware that there is an active market in nickel exploration properties in Brazil and it is possible that there are no buyers in the current market for exploration properties without Mineral Resources. On this basis, AMC concludes that the low end of the value range is effectively zero.

Considering other methods used to value exploration properties without Mineral Resources, and also maintaining relativity in value between groups of tenements, AMC considers the upper end of the value range to be US$1.8M with a mid-range value of US$0.9M.

5 Qualifications

AMC is a firm of mineral industry consultants whose activities include the preparation of independent technical specialist’s reports, and due diligence reports on, and reviews of, mining and exploration projects for purposes related to equity and debt funding, and public reports. In these assignments, AMC and its subconsultants act as an independent party.

AMC has carried out a two consulting assignments on Santa Rita for Mirabela Nickel Limited, namely a geometallurgical review in 2012, and preliminary pit design work in 2005/2006.

Neither AMC nor its subconsultants have any business relationship or association with Mirabela, other than the carrying out of individual technical consulting assignments as engaged.

AMC and its subconsultants have not carried out technical or other consulting assignments for noteholders (Noteholders) as referred to in the Circular to Creditors and Suppliers, 2 May 2014 (Circular).

While some employees of AMC and its subconsultants may have small direct or beneficial shareholdings in Mirabela, neither AMC nor the contributors to this report nor members of their immediate families have any interests in Mirabela or the Noteholders that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with Mirabela, KordaMentha, or the Noteholders.

Mirabela will pay AMC a professional fee according to AMC’s normal per diem rates, for the preparation of this ITSR, plus reimbursement of out-of-pocket expenses. The fee is not contingent upon the outcome of the proposals contained in the Circular. AMC will receive no other benefit for the preparation of this ITSR.

In a letter relating to our engagement, Mirabela agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made.

Although AMC has not audited the Mineral Resources, Ore Reserves, mining schedules, costs or other information provided by Mirabela, AMC has reviewed the information to the extent necessary to satisfy itself that the two production cases dealt with in this report are both based on reasonable grounds and assumptions, and that the information it has in relation to the valuation of the underground Mineral Resource and exploration tenements, is sufficient.

Mirabela has been provided with a draft of this ITSR to enable correction of any factual errors and notation of any material omissions.

Mirabela represented in writing that, to the best of its knowledge, it has provided AMC with all material information relevant to its mineral assets described in this ITSR.

This ITSR and the conclusions in it are effective at 28 May 2014. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the operation, underground resource and exploration tenements and the market for mineral properties.

Mirabela has provided AMC with indemnities in regard to damages, losses and liabilities related to or arising out of its engagement other than those arising from illegal acts, bad faith or negligence on its part or its reliance on unauthorized statements from third parties.

This ITSR has been provided to the Expert for the purposes of forming its opinion in relation to the proposals contained in the Circular. AMC has given its consent for its report to be appended to the Expert's report and for it to be provided to shareholders and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this ITSR nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and bound by its Code of Ethics.

Yours faithfully

D Varcoe
MAusIMM
Principal Mining Engineer

L J Gillett
FAusIMM (CP)
Director

Appendix A
Principal sources of information

In preparing this report, AMC has relied on information provided by Mirabela.

For the purposes of preparing this report, AMC has visited the Santa Rita operation, reviewed material technical reports and management information, and met with management staff both on site at Santa Rita and in the Perth office of Mirabela. AMC has not visited the exploration projects located away from Santa Rita as they are not considered to be material to the overall value of Mirabela's mineral assets.

The principal, but not exhaustive, reference documents used by AMC are listed below.

General

Mirabela LOM Financial Model-140320 Base Case v7 -Final.xlsm

Base Case LOM model.xlsm (provided by The Deed Administrator) dated 30 April 2014

Second Circular to Creditors.pdf (dated 2 May 2014)

2013-10-15 MBN LOM Presentation.pdf

2011-03-24 MBN Santa Rita Technical Report NI43-101.pdf

Santa Rita Open Pit Operation

Geology, Resources and Reserves

MBN Resource Announcement; 19 October 2012

Barnes, L A, 2012 Technical Report for Santa Rita Deposit Bahia, Brazil October 2012

Coffey Mining, 2011: Santa Rite Project, Brazil. Technical Report. 22 March 2011

MMB Resource Update Presentation-Lauritz Barnes.pdf, 2 April 2012

MMB Resource Update Presentation-Lauritz Barnes.pdf, 14 December 2012

MMB Santa Rita Regional Geology Overeview.pdf

Santa Rita Mineral Resource Model and Drillhole Data

Mining and Processing

Databook.xls (historical physical and cost performance)

Life of Mine.xlsx

LOM Mine Plan - Based on Guzman v0 1 (adj for Mirabela Grade recovery Algorithm).xlsx

LOM Mine Plan - Guzman v0 1.xlsx

LOM Mine Plan - Guzman Optimisation (Nov 2013)

MBN Optimization.pdf

Optimización Mirabela.xlsx

MBN_MineSchedulesEvaluation.xlsx

2010-06-24 MBN SRK Consulting Operations Report.pdf

2008-10-13 MMB VOGBR Report 2008 Model.pdf

Wall_stability.pdf

2013-06-13 MMB Mining Fleet Valuation.xlsx

2013-09-18 MMB LOM Rebuild and Replacement Pricing.xlsx

2012-09-28 MMB Coffey Mining Site Visit.pdf

2012-10 MMB Optimization Results.pdf

Costs for Carlos Guzman - Lerchs Grossman.xlsx

Optimisation Results.xlsx

2013-05-17 MMB 7.2 & 9.0 Mtpa Mining Strategic Schedules.xlsx

2013-05-27 MMB Optiro Optimisation Memo.pdf

Tender Document - Mining Specification (MBM) _UM 28_05_2013.pdf
Various MMB Production Reports
Various MBN Board Performance Reports
2013-10 MMB Site Presentation.pdf
Reconciliation_Physicals_2013_October.xlsx
MMB Lycopodium Plant Production Optimisation 001
MBN Coffey Mining Site Visit Summary – Processing
MBN Consolidated Budget Presentation
MMB Budget Presentation
Santa Rita Bankable Feasibility Study 2007
Santa Rita Nickel Recovery, 13 Nov 2013

Environment and Permitting

NOTIFICATION Mirabela (Formal Translation).docx
2014-05-07 Atendimento da Notificação.docx
2014-02-26 Ltr from INEMA re Operating License Renewal.pdf
2014-02-10 Renotificação 2013.001.000605-NOT-002.pdf
2008-12-05 MMB VOGBR Mine Closure Plan (P).pdf
2013-11-21 MMB INEMA Notificacao.pdf
2013-11-21 MMB INEMA Notificacao (translation).pdf
Licenca de Alteracao - LA 2012.pdf
Licença de Operação - LO.pdf
MMB Summary of Conditions for Operating Licence.xls
2013-09-25 MMB Legal Opinion Renewal.pdf
2014-02-26 Ltr from INEMA re Operating License Renewal.pdf

Exploration Tenements

Azevedo Setta, 2014: Independent Report - Mining Tenements of Mirabela Mineração do Brasil Ltda. 25 April 2014
Exploration_Mirabela_April_14.pdf
Budget Tenement 2012 a 2014.xlsx

Appendix B
List of abbreviations

$M	Dollars million
%	Percent
AF	Acid forming
AMC	AMC Consultants Pty Ltd
AMD	Acid and metalliferous drainage
ARD	Acid rock drainage
Au	Gold
BFS	Bankable Feasibility Study
Capex	Capital expenditure
Circular	Circular to Creditors and Suppliers, 2 May 2014
CBPM	Companhia Baiana de Pesquisa Mineral
COG	Cut-off grade
Con	Concentrate
Co	Cobalt
Cu	Copper
DCF	Discounted cash flow
DMT	Dry metric tonnes
EIS	Environmental Impact Statement
Fe	Iron
g	Gram
g/t	Grams per tonne
GPS	global positioning system
IER	Independent expert's report
ITSR	Independent Technical Specialist's Report
INEMA	The Brazilian environmental regulator
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC)
km	Kilometres
kt	Thousand tonnes
ktpa	Thousand tonnes per annum
LOM	Life-of-mine
LOM Model	Life-of-mine Excel model version 7
M	Million
m	Metres
m^2	Square metre
m^3	Cubic metres
Mg	Magnesium
MgO	Magnesium Oxide
mRL	Reduced level

Mt	Million tonnes
Mtpa	Million tonnes per annum
Ni	Nickel
Ni Rec %	Nickel grade multiplied by the estimated metallurgical recovery
NAF	Non acid forming
NPV	Net present value
Opex	Operating costs
oz	Ounce
PAF	Potentially acid forming
PB	Push back or open pit stage
Pb	Lead
Pd	Paladium
Pt	Platinum
RC	Reverse circulation
ROM	Run of Mine Ore pad
S	Sulphur
SAG	semi-autogenous grinding
SAP	serpentine alteration product
Si	Silica
t	Tonnes
tpa	Tonnes per annum
tph	Tonnes per hour
TMM	Total material movement
TSF	Tailings storage facility
US$	United States Dollars
µm	Micrometre
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
w/w	On weight basis

Appendix C
Report contributors

The contributors to this report include the following:

Name	Qualifications	Affiliations	Involvement
Brad Watson	BEng (Hons) (Mining Engineering), BComm (Finance)	AMC Senior Mining Engineer	Preparation of Santa Rita mine production cases and technical support.
Chris John	BSc Agriculture (Hons), PHD	AMC Environmental Subconsultant	Environmental operational and exploration value.
David Varcoe	BEng (Hons) (Mining Engineering)	AMC Principal Mining Engineer	Project Manager and mining aspects.
Dean Carville	B App Sc (App. Geol)	AMC Geology Manager – Perth Principal Geologist	Geology, Mineral Resources and exploration valuations.
Lawrie Gillett	BEng (Mining) (Hons) DipGeosc (Mineral Economics)	AMC Director/Global Practice Leader – Corporate Consulting	Peer review.
Luis Diaz	BEng Mining	AMC Senior Mining Engineer	Technical and site visit support.
Rob Chesher	BSc Metallurgy (Hons)	AMC General Manager – Brisbane Principal Consultant	Metallurgy processing and infrastructure aspects.

Appendix D
Material tenements

Tenement Type	Tenement Number	Location (state)	Title Holder or Applicant	Date Granted	Date Expiry	Area (ha)
E	830.325/2011	Minas Gerais	Mirabela	16/09/2011	16/09/2014	741.83
E	830.326/2011	Minas Gerais	Mirabela	4/07/2011	4/07/2014	1479.65
E	830.328/2011	Minas Gerais	Mirabela	4/07/2011	4/07/2014	1354.14
E	830.329/2011	Minas Gerais	Mirabela	4/07/2011	4/07/2014	1862.79
E	878.147/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1999.71
E	878.148/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1994.82
E	878.149/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1998.98
E	878.152/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1998.45
E	878.153/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1998.52
E	878.154/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1999.18
E	878.155/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1999.64
E	878.156/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1997.20
E	878.157/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1912.34
E	878.159/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1613.67
E	878.150/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1556.38
E	878.151/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1998.19
E	878.158/2011	Sergipe	Mirabela	14/11/2013	14/11/2016	1862.36
E	870.270/2013	Bahia	Mirabela	29/10/2013	29/10/2016	971.27
E	870.305/2012	Bahia	Mirabela	29/10/2013	29/10/2016	1677.85
E	870.306/2012	Bahia	Mirabela	29/10/2013	29/10/2016	1089.50
E	870.307/2012	Bahia	Mirabela	29/10/2013	29/10/2016	1549.62
E	870.396/2012	Bahia	Mirabela	29/10/2013	29/10/2016	692.01
E	872.947/2010	Bahia	Mirabela	12/08/2011	12/08/2014	308.01
E	872.824/2011	Bahia	Mirabela	19/09/2011	19/09/2014	1999.79
E	872.969/2011	Bahia	Mirabela	19/09/2011	19/09/2014	993.79
E	872.970/2011	Bahia	Mirabela	19/09/2011	19/09/2014	1943.97
E	872.084/2012	Bahia	Mirabela	29/10/2013	29/10/2016	714.11
E	872.088/2012	Bahia	Mirabela	29/10/2013	29/10/2016	1506.56
E	873.408/2011	Bahia	Mirabela	22/11/2011	22/11/2014	1395.00
E	873.426/2011	Bahia	Mirabela	22/11/2011	22/11/2014	9.00
E	873.409/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1903.44
E	873.410/2011	Bahia	Mirabela	5/10/2011	5/10/2014	375.10
E	873.411/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1993.80
E	873.412/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1863.73
E	873.413/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1734.21
E	873.414/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1238.18
E	873.415/2011	Bahia	Mirabela	5/10/2011	5/10/2014	737.95
E	873.417/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1716.19
E	873.421/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1743.36
E	873.422/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1104.77
E	873.423/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1938.20
E	873.428/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1597.81
E	873.429/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1994.92
E	873.430/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1532.47
E	873.432/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1028.23
E	873.433/2011	Bahia	Mirabela	5/10/2011	5/10/2014	803.34

Tenement Type	Tenement Number	Location (state)	Title Holder or Applicant	Date Granted	Date Expiry	Area (ha)
E	873.420/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1120.74
E	873.424/2011	Bahia	Mirabela	5/10/2011	5/10/2014	1966.70
E	873.739/2011	Bahia	Mirabela	21/11/2011	21/11/2014	1113.45
E	873.740/2011	Bahia	Mirabela	21/11/2011	21/11/2014	1752.45
E	873.741/2011	Bahia	Mirabela	21/11/2011	21/11/2014	1723.45
E	873.743/2011	Bahia	Mirabela	21/11/2011	21/11/2014	1999.95
E	873.567/2006	Bahia	CBPM	5/06/2007	10/12/2016	999.71
E	870.618/2010	Bahia	CBPM	7/07/2010	15/07/2016	999.81
E	871.826/2010	Bahia	CBPM	15/06/2011	15/07/2016	208.22
EPA	870.259/2013	Bahia	Mirabela	application		57.18
EPA	870.260/2013	Bahia	Mirabela	application		1587.31
EPA	870.263/2013	Bahia	Mirabela	application		1076.08
EPA	870.264/2013	Bahia	Mirabela	application		1740.22
EPA	870.265/2013	Bahia	Mirabela	application		994.61
EPA	870.266/2013	Bahia	Mirabela	application		569.83
EPA	870.267/2013	Bahia	Mirabela	application		539.30
EPA	870.269/2013	Bahia	Mirabela	application		1992.99
EPA	870.272/2013	Bahia	Mirabela	application		944.16
EPA	870.261/2013	Bahia	Mirabela	application		1231.39
EPA	870.262/2013	Bahia	Mirabela	application		1315.70
EPA	870.268/2013	Bahia	Mirabela	application		953.03
EPA	870.937/2013	Bahia	Mirabela	application		1603.93
EPA	870.938/2013	Bahia	Mirabela	application		741.81
EPA	870.939/2013	Bahia	Mirabela	application		281.18
EPA	870.940/2013	Bahia	Mirabela	application		321.45
EPA	870.941/2013	Bahia	Mirabela	application		1253.38
EPA	870.942/2013	Bahia	Mirabela	application		624.20
EPA	870.943/2013	Bahia	Mirabela	application		1125.85
EPA	870.944/2013	Bahia	Mirabela	application		1008.82
EPA	870.947/2013	Bahia	Mirabela	application		1477.94
EPA	870.950/2013	Bahia	Mirabela	application		1741.80
EPA	870.951/2013	Bahia	Mirabela	application		1794.19
EPA	870.952/2013	Bahia	Mirabela	application		1800.44
EPA	870.953/2013	Bahia	Mirabela	application		1941.31
EPA	870.954/2013	Bahia	Mirabela	application		1977.24
EPA	870.956/2013	Bahia	Mirabela	application		1864.53
EPA	870.945/2013	Bahia	Mirabela	application		917.39
EPA	870.946/2013	Bahia	Mirabela	application		1970.49
EPA	870.949/2013	Bahia	Mirabela	application		1717.34
EPA	870.948/2013	Bahia	Mirabela	application		1593.57
EPA	870.955/2013	Bahia	Mirabela	application		549.54
EPA	871.406/2013	Bahia	Mirabela	application		1.11
EPA	871.407/2013	Bahia	Mirabela	application		1373.44
EPA	871.408/2013	Bahia	Mirabela	application		1011.28
EPA	872.083/2012	Bahia	Mirabela	application		1788.98
EPA	872.085/2012	Bahia	Mirabela	application		1999.57
EPA	872.087/2012	Bahia	Mirabela	application		1215.72
EPA	872.051/2013	Bahia	Mirabela	application		3.91
EPA	872.765/2013	Bahia	Mirabela	application		335.81
EPA	873.416/2011	Bahia	Mirabela	application		1786.62

Tenement Type	Tenement Number	Location (state)	Title Holder or Applicant	Date Granted	Date Expiry	Area (ha)
EPA	873.431/2011	Bahia	Mirabela	application		1762.46
EPA	871.371/2012	Bahia	CBPM	application		499.97
EPA	871.372/2012	Bahia	CBPM	application		478.93
EPA	871.373/2012	Bahia	CBPM	application		999.43
EPA	871.374/2012	Bahia	CBPM	application		842.30
EPA	870.336/2013	Bahia	CBPM	application		155.35
EPA	872.706/2013	Bahia	CBPM	application		859.28
EPA	872.689/2013	Bahia	CBPM	application		984.61
MC	871.368/1989	Bahia	CBPM	11/03/2014		1000.00
MC	871.369/1989	Bahia	CBPM	2/01/2008		1000.00
MCA	871.291/2003	Bahia	CBPM	application		208.27
MCA	871.843/2003	Bahia	CBPM	application		1000.00
MCA	870.255/2007	Bahia	CBPM	26/10/2012		1000.00
PT	870.721/2006	Bahia	Mirabela	22/01/2007	25/01/2016	17.93
PT	871.904/2009	Bahia	Mirabela	18/11/2009	18/11/2012	140.99
PT	871.905/2009	Bahia	Mirabela	18/11/2009	18/11/2012	426.92
PT	872.870/2008	Bahia	Mirabela	3/10/2008	3/10/2011	11.32
PT	872.288/2009	Bahia	Mirabela	18/11/2009	18/11/2012	182.72
PT	872.289/2009	Bahia	Mirabela	18/11/2009	18/11/2012	111.14
PT	872.948/2010	Bahia	Mirabela	26/04/2011	26/04/2014	701.51
Tenement Type: E - Exploration Permit; PT - Public Tender; EA Exploration Permit Application; MC Mining Concession; MCA Mining Concession Application						

Appendix E
Valuation of exploration properties

In relation to the development status of a mineral asset, the VALMIN Code provides the following categories:

- Exploration areas: properties where mineralization may or may not have been identified, but where a Mineral Resource has not been estimated.
- Advanced exploration areas: properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching, or some other form of detailed geological sampling. A Mineral Resource may or may not have been estimated but sufficient work will have been undertaken on at least one prospect to provide a good understanding of the type of mineralization present and encouragement that further work may lead to estimation of a Mineral Resource.
- Pre-development projects: properties where Mineral Resources have been estimated and their extent determined (possibly incompletely), but where a decision to proceed with development has not been made.
- Development projects: properties for which a decision has been made to proceed with construction or production, but which are not yet commissioned or are not yet operating at design levels.
- Operating mines: properties, particularly mines and processing plants which have been commissioned and are in production.

The methods for valuing exploration areas and advanced exploration areas produce a Technical Value which is a value exclusive of any particular strategic factors and not necessarily related to share market values at any point in time. A Technical Value is one which assumes a willing buyer and willing seller in an arm's length transaction for a "going concern" entity.

The value determined in this report is a Technical Value. These conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the projects and the market for mineral properties.

The valuation of exploration projects, particularly those for which it is not possible to quantify Mineral Resources, is very subjective. There are, however, several generally accepted procedures to value exploration projects and AMC has used such methods as appropriate to arrive at balanced judgments of value.

Where possible, AMC attempts to use more than one method before selecting the valuation appropriate to that project. Values have been rounded, outliers in contributing estimates sometimes excluded. AMC has considered the following methods of valuation:

The Past Expenditure Method

A prospectivity enhancement multiplier (PEM) generally between 0.5 and 3.0 is applied to past expenditure which we judge to be effective in regard to future prospectivity.

The Yardstick Value Method

Rules of thumb or yardstick values can be used for properties where a Mineral Resource has been quantified, particularly in the case of gold. A value per contained ounce of gold or gold equivalent (based on treatment recoveries and net smelter return factors) is assigned to an actual Mineral Resource or to a preliminary mineralization estimate. The yardstick values AMC has considered are based on our assessment of transactions in recent years.

AMC considers that in 2014 the market for advanced exploration properties that may or not include Mineral Resources is subdued compared with previous years. AMC has considered transactions to develop yardstick values that occurred when the market for these transactions was much more buoyant. To reflect the current market, AMC has judged that it is appropriate to apply a current market discount to the values indicated by the yardstick value method.

Actual or Comparable Transaction Method

A value is determined by reference to either actual transactions for the property in question or to recent transactions for projects considered to be similar to those under review. Comparable transactions are normally converted to a value per unit area.

Joint Venture Terms Method

Many transactions on exploration tenements are of a farm-in nature and AMC assesses a "cash equivalent" value for them by assessing from the terms the "deemed expenditure" on the property at the time of the deal, discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement. AMC adjusts the resulting value for any other terms of the joint venture or for the results of work carried out since the commencement of the farm-in.

Expected Value Method

Expected values are estimated where it is reasonably possible to target a range of economic parameters that can be applied to a project that may result from ongoing exploration, usually with allowance for the costs of that ongoing exploration and with a probability or risk factor for the chances of that exploration being successful.

Values for exploration properties vary widely with time and also with the nature of the deal, the purpose of the valuation and/or the strategic value of the property to the hypothetical buyer. A cash transaction will normally be at the low end of a value range obtained by methods discussed above. Share market values, as in a float, will often be at the higher end.

Valuation of mineral tenements is normally carried out for groups of tenements as small tenements may have almost no stand-alone value. An individual tenement holds its value as part of a group of tenements covering a larger area with exploration potential or covering a complete Mineral Resource rather than part of it.

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Attachment B Mirabela Deed of Company Arrangement

GILBERT + TOBIN

LAWYERS

Deed of Company Arrangement

Mirabela Nickel Limited (administrators appointed) ACN 108 161 593
Mirabela Investments Pty Limited (administrators appointed) ACN 124 449 716
Martin Madden, Clifford Stuart Rocke and David John Winterbottom

Contents

Date: 13 May 2014

Parties

1 **Mirabela Nickel Limited** (administrators appointed) ACN 108 161 593 c/- KordaMentha, Level 10, 40 St Georges Terrace, Perth WA 6000 (**Mirabela**)

2 **Mirabela Investments** means Mirabela Investments Pty Limited (administrators appointed) ABN 70 124 449 716 c/- KordaMentha Level 10, 40 St Georges Terrace, Perth WA 6000 (**Mirabela Investments**)

3 **Martin Madden** c/- KordaMentha, Level 5 Chifley Tower, 2 Chifley Square, Sydney NSW 2000, **Clifford Stuart Rocke** c/- KordaMentha Level 10, 40 St Georges Terrace, Perth WA 6000 and **David John Winterbottom** c/- KordaMentha Level 5 Chifley Tower, 2 Chifley Square, Sydney NSW 2000 (**Deed Administrators**)

Background

A Martin Madden, Clifford Stuart Rocke and David John Winterbottom were appointed joint and several voluntary administrators of Mirabela and Mirabela Investments pursuant to Part 5.3A of the Act on 25 February 2014 which appointment continues today.

B On 13 May 2014, pursuant to section 439A of the Act, a second meeting of Mirabela's creditors was held. At that meeting, the creditors resolved that Mirabela execute a deed of company arrangement proposed by a majority of the Noteholders on the condition in particular that any Claims of Shareholders Claimants be extinguished subject to the terms of this Deed.

C The Deed Administrators have consented to be the administrators of this Deed.

D Subject to the terms of this Deed, this Deed binds all creditors in accordance with section 444D of the Act and also binds Mirabela, its officers and members in accordance with section 444G of the Act.

The parties agree

1 Definitions and Interpretation

1.1 Definitions

In this Deed, unless the subject or context otherwise requires:

Act means the *Corporations Act 2001* (Cth).

Administrative Agent has the meaning given under the Syndicated Note Subscription Deed.

Appointment Date means 25 February 2014.

ASIC means the Australian Securities and Investment Commission.

Bare Trustee means Mirabela Investments as bare trustee of the Transfer Shares to be transferred pursuant to the Section 444GA Order.

Bradesco Credit Facility means the document entitled 'Credit Agreement' dated 20 January 2012 by and between Mirabela Brazil and Banco Bradesco S.A as amended from time to time.

Business Day means any day other than a Saturday, Sunday or public holiday in Perth, Western Australia.

Calculation Date means the date a court orders a transfer of the Transfer Shares under section 444GA of the Act.

Caterpillar Credit Facility means the document entitled 'Master Funding and Lease Agreement' dated 23 March 2009 by and between Mirabela Brazil and Caterpillar Financial Services Corporation as amended from time to time.

Claim means a debt payable by, and any claim and all claims against, Mirabela (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims the circumstances giving rise to which occurred on or before the Appointment Date that would be admissible to proof against Mirabela in accordance with Division 6 of Part 5.6 of the Act, if Mirabela had been wound up and the winding up is taken to have commenced on the Appointment Date.

Commencement Date means the date that this Deed is executed by Mirabela and the Deed Administrators.

Committee of Creditors mean the committee of creditors appointed at the first creditors meeting of Mirabela held on 10 March 2014 in Perth.

Convertible Secured Note means the convertible note as defined in the New Indenture.

Costs includes costs, charges and expenses incurred in connection with the performance of the Deed Administrators' duties, obligations and responsibilities under this Deed during the Deed Period including costs, charges and expenses incurred in connection with advisers.

Court means the Supreme Court of New South Wales or the New South Wales registry of the Federal Court of Australia or any court having jurisdiction to hear and determine matters under the Act.

Creditor means each Noteholder and each Shareholder Claimant.

Deed means this deed of company arrangement as amended from time to time.

Deed of Amendment and Acknowledgement means the agreement between Mirabela, the Administrative Agent and the Security Trustee compromising the liabilities under the SNSD Notes amongst other things.

Deed Period means the period commencing on the Commencement Date and ending on the Termination Date.

Directors means the directors of Mirabela from time to time.

Enforcement Process, in relation to property, means:

(a) execution against that property; or

(b) any other enforcement process in relation to that property that involves a Court or a sheriff.

Excluded Creditors means those creditors (including employees) of Mirabela who are not Noteholders and not Shareholder Claimants.

FATA means *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Financier means a Financier as defined in the Syndicated Note Subscription Deed.

Foreign Investment Policy means the document entitled "Australia's Foreign Investment Policy" published by the Treasurer on www.firb.gov.au (as amended from time to time).

Indenture means the indenture dated 14 April 2011 by and among the Mirabela Parties and the Bank of New York Mellon as note trustee.

Legal Personal Representative means a trustee or executor appointed to any of the Administrators or Deed Administrators upon death, incapacity, insanity or any combination of them.

Majority Noteholders means those Noteholders who hold 51% or more of the aggregate total number of outstanding Notes at the time of determination.

Mirabela Brazil means Mirabela Mineração do Brasil Ltda. a limited liability company organised under the laws of Brazil of Fazenda Santa Rita, sem número, sala 01, escritório central, Zona Rural, CEP 45585-000, Itagibá, Bahia, Brazil.

Mirabela Investments DOCA means the deed of company arrangement (as amended from time to time) entered into by Mirabela Investments and the Deed Administrators on or about the date of this Deed.

Mirabela Parties means each of Mirabela, Mirabela Investments and Mirabela Brazil.

New Capital Share means a Share to be issued to a Noteholder as consideration for that Noteholder having agreed to subscribe for Convertible Notes not subscribed for by other Noteholders.

New Indenture means a document so entitled to be entered into between the Mirabela Parties and others which will set out the terms upon which Mirabela will issue up to approximately US$135,000,000 in secured convertible notes (excluding paid-in-kind interest).

New Rollover Fee Share means a Share to be issued to a Financier as consideration for that Financier having agreed to exchange its Secured Syndicated Note Debt for Convertible Notes.

Noteholder means the holder of one or more Notes.

Noteholder Claim Period means the period of 12 months following the date of the Section 444GA Order.

Notes means the Notes as defined in the Indenture.

Regulations means the Corporations Regulations 2001 (Cth).

Relief means:

(a) from ASIC, such exemptions and/or declarations pursuant to section 655A of the Corporations Act as are necessary in order to permit each of the following transactions to occur without the approval of Mirabela shareholders:

(i) the transfer of the Transfer Shares to the Noteholders in accordance with clause 6.2(b) of this Deed;

(ii) the issuance of the New Rollover Fee Shares and the New Capital Shares; and

(iii) the conversion into Shares by a Noteholder of any Convertible Secured Notes issued to that Noteholder; and

(b) from ASX, such waivers from ASX Listing Rules 7.1 and 10.1 as are necessary in order to permit each of the following transactions to occur without the approval of Mirabela shareholders:

(i) the issuance of the Convertible Secured Notes and their conversion into Shares; and

(ii) the granting of security over their assets by Mirabela, Mirabela Investments and/or Mirabela Brazil in favour of the holders of Convertible Secured Notes,

in each case in a form (and subject to conditions) acceptable to the Deed Administrators and the Majority Noteholders.

Remuneration means the costs, fees, and expenses of the Deed Administrators under this Deed.

Resolution mean the resolution of the creditors of Mirabela referred to in recital B of this Deed.

Section 444GA Application means the application to be commenced in Court by the Deed Administrators in respect of the shares in Mirabela.

Section 444GA Order means an order in favour of the Section 444GA Application.

Secured Syndicated Note Debt means the secured debt owing under the Syndicated Note Subscription Deed.

Security Trustee has the meaning given under the Syndicated Note Subscription Deed.

Shareholder Claimants means persons who would have a subordinated claim under section 563A of the Act in a winding up of Mirabela had it been wound up on the Appointment Date.

Shares means fully paid ordinary shares in the capital of Mirabela.

SNSD Notes means notes issued pursuant to the Syndicated Note Subscription Deed.

Syndicated Note Subscription Deed means the syndicated note subscription deed dated 24 December 2013 by and among the Mirabela Parties and the financiers named therein, as amended from time to time.

Termination Date means the date upon which this Deed is terminated in accordance with clause 17.

Transfer Shares means 98.2% of the Shares.

Treasurer means the Treasurer of the Commonwealth of Australia.

Unaccounted Noteholders means those Noteholders whose entitlements to the Transfer Shares have not been confirmed in accordance with clause 6.2(a) before the end of the Noteholder Claim Period.

Unaccounted Proceeds is defined in clause 6.2(c).

Unaccounted Proceeds Period is defined in clause 6.2(c).

1.2 Interpretation

In this Deed, unless the subject or context otherwise requires:

(a) words importing the singular include the plural and vice versa;

(b) words importing any one gender include the other gender and vice versa;

(c) words importing natural persons include corporations, firms, unincorporated associations, partnerships, trusts and any other entities recognised by law and vice versa;

(d) words "written" and "in writing" includes any means of visible reproduction of words in a tangible and permanently viable form;

(e) if a word or phrase is defined, other clauses of speech and grammatical forms of that word or phrase have corresponding meanings;

(f) reference to clauses and schedules are references to clauses and schedules of this Deed;

(g) references in this Deed to any statutory enactment or law shall be construed as references to that enactment or law as amended or modified or re-enacted from time to time and to the corresponding provisions of any similar enactment or law of any other relevant jurisdiction;

(h) references in this Deed to sections shall be construed as references to sections of the Act;

(i) references to (or to any specific provision of) this Deed or to any other agreement or document shall be construed as references to (that provision of) this Deed or that other agreement or document as amended, substituted, novated, supplemented, varied or replaced with the agreement of the relevant parties and in force at any relevant time;

(j) headings in this Deed are for the purpose of mere convenient reference only and do not form the clause of this Deed or affect its construction or interpretation;

(k) a term or expression not otherwise defined in this Deed shall have the same meaning, if any, as provided for in the Act;

(l) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of the Deed or any clause of it.

1.3 Inconsistency with Act or Regulations

If there is any inconsistency between the provisions of this Deed and the Act or Regulations, this Deed shall prevail to the extent permitted by law.

1.4 Other Inconsistencies

If there is any inconsistency between the provisions of this Deed and the Constitution of Mirabela and any other obligation binding on Mirabela, the provisions of this Deed shall prevail to the extent of the inconsistency, and all persons bound by this Deed agree to sign all documents and do all things necessary to remove such inconsistency, the costs of which shall be borne by Mirabela.

1.5 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this Deed is a day other than a Business Day, such act, matter or thing shall be done on the immediately succeeding Business Day.

1.6 Successors and assigns

The obligations and liabilities imposed and rights and benefits conferred on the parties under this Deed shall be binding upon and ensure in favour of the respective parties and each of their respective successors in title, legal personal representatives and permitted assigns.

2 Operation

2.1 Interdependency

The effectiveness and operation of this Deed is interdependent with the operation of the Mirabela Investments DOCA, so that this arrangement is conditional on execution of the Mirabela Investments DOCA by Mirabela Investments and the proposed deed administrators in accordance with section 444B(6) of the Act.

3 Recapitalisation of Mirabela

The purpose of this Deed is to give effect to certain elements of the recapitalisation component of Mirabela involving the following elements:

(a) the transfer of the Transfer Shares with leave of the Court pursuant to section 444GA of the Act and in accordance with the terms of this Deed; and

(b) the compromise of the Notes and the Shareholder Claimants' Claims; and

(c) the satisfaction and discharge of the Secured Syndicate Note Debt pursuant to the Deed of Amendment and Acknowledgement; and

(d) the issuance of the Convertible Secured Notes and the New Rollover Fee Shares and the New Capital Shares.

4 Schedule 8A not to apply

The prescribed provisions set out in Schedule 8A of the Regulations are excluded from this Deed and apply only to the extent that they have been incorporated by reference in this Deed.

5 Commencement of this Deed

This Deed shall commence on the Commencement Date.

6 Claims

6.1 Release and extinguishment of Claims and Shareholder Claims

Immediately upon and after this Deed becoming effectuated:

(a) the Bare Trustee will hold the Transfer Shares on trust for and on behalf of the Noteholders and each Noteholder will become entitled to their pro-rata amount of Transfer Shares in the same proportion that the Noteholder's Notes held on the Calculation Date bears to the total aggregate number of Notes outstanding on the Calculation Date on the terms set out in this clause 6;

(b) the Claims of Shareholder Claimants in their capacity as holders of Shares will be fully satisfied and completely discharged; and

(c) the Claims of Noteholders in their capacity as holder of Notes will be fully satisfied and completely discharged.

6.2 Transfer of Shares

(a) The Bare Trustee will:

(i) calculate the pro-rata amount of Transfer Shares to which each Noteholder is entitled in the same proportion that the Noteholder's Notes held on the Calculation Date bears to the total aggregate number of Notes outstanding on the Calculation Date rounded down to the nearest Transfer Share; and

(ii) request each Noteholder to confirm:

(A) its pro-rata entitlement to Transfer Shares;

(B) its instructions in respect of its pro-rata entitlement to the Transfer Shares upon effectuation of this Deed; and

(C) that any such instructions are permitted at law.

(b) The Bare Trustee will either:

(i) transfer to a Noteholder (or as a Noteholder directs) that Noteholder's entitlement to Transfer Shares in accordance with this Deed upon the Bare Trustee having received confirmation of and agreed the Noteholder's entitlement; or

(ii) sell the Noteholder's entitlement to Transfer Shares and deposit any proceeds realised (less the costs, fees, taxes and expenses associated with the sale) in an account notified to it, if either:

(A) instructed to do so by the relevant Noteholder in accordance with clause 6.2(a)(ii)(B); or

(B) a Noteholder or beneficial owner of a Note does not confirm that its instructions to deal with its pro-rata entitlement of Transfer Shares are permitted at law.

(c) As soon as practicable following expiry of the Noteholder Claim Period, the Bare Trustee will sell the Transfer Shares to which any Unaccounted Noteholders are entitled and hold the proceeds of the sale of those Transfer Shares less the costs, fees, taxes and expenses associated with the sale (**Unaccounted Proceeds**) on trust for and on behalf of the Unaccounted Noteholders until the 6 year anniversary of the Calculation Date (**Unaccounted Proceeds Period**).

(d) If an Unaccounted Noteholder provides evidence to the Bare Trustee of its holding of Notes at the expiry of the Noteholder Claim Period and that holding is agreed to by the Bare Trustee and that Unaccounted Noteholder during the Unaccounted Proceeds Period, the Bare Trustee will remit to that Unaccounted Noteholder from the Unaccounted Proceeds their pro-rata amount of the Unaccounted Proceeds in the same proportion that the Unaccounted Noteholder's holding of Notes at the expiry of the Noteholder Claim Period bears to the total aggregate number of Notes held by Unaccounted Noteholders at the expiry of the Noteholder Claim Period less any fees, costs, taxes and expenses associated with such remission.

(e) After the expiry of the Unaccounted Proceeds Period, the Bare Trustee will remit any Unaccounted Proceeds then remaining to the Department of Treasury (Western Australia) pursuant to, and in accordance with, the Unclaimed Money Act 1990 (WA).

6.3 Trustee rights and obligations

(a) The Transfer Shares cannot be transferred or sold by the Bare Trustee other than in accordance with clauses 6.2(b) or 6.2(c).

(b) The Bare Trustee will not exercise any right attaching to a Transfer Share which is held by it (including, without limitation, the right to vote), other than to the extent necessary to comply with this Deed or an order or direction of a Court.

(c) Mirabela Investments accepts no personal liability for any acts, matters or omissions relating to things done or not done in its capacity as Bare Trustee, including, without limitation, any liability relating to any amounts payable to a Noteholder as a result of the sale of any Transfer Shares by the Bare Trustee, other than for fraud by Mirabela Investments.

6.4 Survival

This clause 6 shall survive termination of this Deed.

7 Acknowledgement – Excluded Creditors

Mirabela and the Deed Administrators acknowledge and agree that the rights and claims of the Excluded Creditors are not intended to be impacted by the operation of this Deed.

8 Scope of Arrangement and Moratorium

8.1 Binding Effect

This Deed binds:

(a) in accordance with section 444D of the Act, all creditors who have a Claim; and

(b) in accordance with section 444G of the Act, Mirabela, its officers and members and the Deed Administrators.

8.2 Moratorium

During or after the Deed Period, no creditor shall in relation to his, her or its Claim:

(a) make or proceed with an application for an order to wind up Mirabela;

(b) institute, revive or continue any action, suit, arbitration, mediation or proceeding against Mirabela or in relation to the property of Mirabela;

(c) institute, revive or continue with any Enforcement Process against the property of Mirabela;

(d) take any action whatsoever to seek to recover any part of its Claim;

(e) exercise any right of set off or defence, cross claim or cross action to which that creditor would not have been entitled had Mirabela been wound up;

(f) commence or take any further step in any arbitration against Mirabela or to which Mirabela is a party; or

(g) otherwise enforce any right it may have or acquire,

except with the consent of the Deed Administrators or with the leave of the Court.

8.3 Property available to Noteholders

The only property available to the Noteholders is the entitlement to Shares which are to be administered in accordance with this Deed.

8.4 Property available to Shareholder Claimants

There is no property available to the Shareholder Claimants.

8.5 Consistency with the Act

(a) For the purposes of section 444DA of the Act, any eligible employee creditor will retain a priority at least equal to that they would have been entitled to if the property of Mirabela had been applied in accordance with sections 556, 560 and 561 of the Act.

(b) For the purposes of section 444DB of the Act, if the Deed Administrators were to call for proof (which is not contemplated by this Deed), the Deed Administrators must determine that a debt by way of superannuation contribution (**Superannuation Debt**) is not admissible to proof against Mirabela if:

(i) that debt by way of superannuation guarantee charge:

(A) has been paid; or

(B) is, or is to be, admissible against the company; and

(ii) the Deed Administrators are satisfied that the superannuation guarantee charge is attributable to the Superannuation Debt.

(c) If the Deed Administrators make a determination in accordance with clause 8.5(b) the Superannuation Debt is to be treated as extinguished as against Mirabela.

9 The Officers and Members

9.1 Effect of this Deed on Mirabela's officers

(a) During the Deed Period, unless authorised in writing by the Deed Administrators, the Directors and Mirabela's officers cannot perform or exercise, and must not purport to perform or exercise a function or powers as an officer of Mirabela.

(b) During the Deed Period, the Directors will:

(i) co-operate with and assist the Deed Administrators in the performance by the Deed Administrators of their obligations under this Deed;

(ii) carry out and perform such operations, functions, powers and other matters as may be delegated to them by the Deed Administrators; and

(iii) perform their obligations pursuant to this Deed.

(c) During the Deed Period:

(i) the Deed Administrators may remove and appoint Directors to Mirabela as they think fit; and

(ii) the Deed Administrators' power to remove and appoint directors to Mirabela is to the exclusion of any shareholder power to remove and appoint directors to Mirabela.

10 Deed Administrators' Appointment

10.1 Acceptance of Appointment

The Deed Administrators:

(a) accept the appointment as administrators of this Deed; and

(b) agree to act as administrators of this Deed during the Deed Period or until the Deed Administrators retire or are removed from office in accordance with this Deed or the Act.

10.2 Deed administrators are agents

In exercising the powers conferred by this Deed and carrying out the duties arising under this Deed, the Deed Administrators will act as agent for and on behalf of Mirabela.

10.3 Management

(a) The Deed Administrators shall retain day to day management and control of Mirabela until the Termination Date to the exclusion of the Directors.

(b) The Deed Administrators will not be obliged to take any action under this Deed in the event that there are insufficient funds to pay the Remuneration and the Costs.

10.4 Joint and several

The rights, powers and privileges of the Deed Administrators may be exercised by them jointly and severally.

10.5 No Limitation

Nothing in this Deed shall limit the rights in law or equity of the Deed Administrators:

(a) to make an application under section 444F of the Act; or

(b) to apply for orders or directions pursuant to section 447A(1) or section 447D of the Act.

11 Powers of the Deed Administrators

11.1 General Powers

Subject to clause 11.3, the Deed Administrators are entitled to exercise all the rights, powers, privileges, authorities and discretions which are conferred by Mirabela's constitution or otherwise by law on the Directors (to the exclusion of the Directors), provided that the Deed Administrators shall not be responsible for such statutory obligations that may continue to be imposed on the Directors during the Deed Period.

11.2 Additional Powers

Without limiting the powers in clause 11.1 above and subject to the Act and clause 11.3, the Deed Administrators shall have the following powers:

(a) to remove from office a Director;

(b) to appoint a person as a director of Mirabela, whether to fill a casual vacancy or not;

(c) to enter upon or take possession of the property of Mirabela;

(d) to lease or let on hire property of Mirabela;

(e) to insure property of Mirabela;

(f) to insure the Deed Administrators for actions taken during the Deed Period;

(g) to repair or renew property of Mirabela;

(h) to call in, collect or convert into money the property of Mirabela;

(i) to administer the assets available for the payment of Claims in accordance with the provisions of this Deed;

(j) to borrow and grant security;

(k) to bring, prosecute and defend in the name and on behalf of Mirabela or in the name of the Deed Administrators any actions, suits or proceedings;

(l) to refer to arbitration any question affecting Mirabela;

(m) to resolve any dispute of any nature commercially;

(n) to make payments to any secured creditor of Mirabela and any person who is an owner or lessor;

(o) to convene and hold meetings of the members or creditors of Mirabela for any purposes the Deed Administrators think fit;

(p) to appoint agents to do any business or to attend to any matter or affairs of Mirabela that the Deed Administrators are unable to do, or that it is unreasonable to expect the Deed Administrators to do, in person;

(q) to engage or discharge employees on behalf of Mirabela;

(r) to appoint a solicitor, accountant or other professionally qualified person to assist the Deed Administrators;

(s) to permit any person authorised by the Deed Administrators to operate any account in the name of Mirabela;

(t) to do all acts and execute in the name and on behalf of Mirabela all deeds, receipts and other documents, using Mirabela's common or official seal when necessary;

(u) subject to the Bankruptcy Act 1966, to prove in the bankruptcy of any contributory or debtor of Mirabela or under any deed executed under that act;

(v) subject to the Act, to prove in the winding up of any contributory or debtor of Mirabela or under any scheme of arrangement entered into, or deed of company arrangement executed, under the Act;

(w) to draw, accept, make or endorse any bill of exchange or promissory note in the name and on behalf of Mirabela;

(x) to take out letters of administration of the estate of a deceased contributory or debtor, and do any other act necessary for obtaining payment of any money due from a contributory or debtor, or the estate of a contributory or debtor, that cannot be conveniently done in the name of Mirabela;

(y) to bring or defend an application for the winding up of Mirabela;

(z) to control Mirabela's business, property and affairs;

(aa) to carry on the business of Mirabela on such terms and conditions and for such purposes and times and in such manner as the Deed Administrators think fit subject only to the limitations imposed by this Deed;

(bb) to perform any function and exercise any power that Mirabela or any of its officers could perform or exercise if Mirabela was not subject to this Deed;

(cc) to compromise any Claims brought by or against Mirabela on such terms as the Deed Administrators think fit and to take security for the discharge of any debt forming part of the property of Mirabela; and

(dd) to enter into and complete any contract for the sale of shares in Mirabela;

(ee) in accordance with section 444GA of the Act, to transfer shares in Mirabela;

(ff) to do anything that is incidental to exercising a power set out in this clause; and

(gg) to do anything else that is necessary or convenient for the purpose of administering this Deed.

11.3 Restriction on exercise of Powers

During the Deed Period and after the termination of this Deed, the Deed Administrators will not do any act or thing which is inconsistent with or could cause Mirabela to breach this Deed.

11.4 Solicitors and Consultants

The Deed Administrators shall have power to engage solicitors and consultants, the costs of which shall be part of the Costs.

The Deed Administrators may delegate their powers under this clause 11 including by way of appointing agents to act on behalf of the Deed Administrators.

11.5 No Personal Liability

During the Deed Period, the Deed Administrators are acting as the agent of Mirabela and accept no personal liability for any acts, matters or omissions relating to things done or not done in that capacity, including, without limitation, any liability relating to any amounts payable by the Deed Administrators for services rendered, goods bought or property hired, leased, used or occupied by or on behalf of Mirabela.

12 Deed Administrators' right to Mirabela's books

A person is not entitled as against the Deed Administrators:

(a) to obtain possession of the books of Mirabela; or

(b) to claim or enforce a lien on such books, but such a lien is not otherwise prejudiced.

13 Deed Administrators may investigate affairs

The Deed Administrators may investigate Mirabela's business, property, affairs and financial circumstances and may report the results of their investigations to ASIC and creditors.

14 Reporting

Except as required by law, the Deed Administrators shall not be required to report to creditors. However, the Deed Administrators may, in their absolute discretion, report to creditors during the Deed Period at such times as the Deed Administrators consider appropriate and on matters which the Deed Administrators consider ought to be brought to the attention of the creditors.

15 Administrators' Remuneration and Indemnity

15.1 Remuneration

(a) The Deed Administrators are entitled to be paid the Remuneration and Costs on the basis of the time spent by the Deed Administrators, their partners and staff in the performance of services in connection with or in relation to the administration of Mirabela during the Deed Period and such time will be charged at the Deed Administrators' standard rates, from time to time, for work of that nature.

(b) The Committee of Creditors is reappointed for the purposes of this Deed, including but not limited to consideration of the Remuneration and Costs of the Deed Administrators should guidance be required.

15.2 Funding of the Deed Administrators' Remuneration

The Remuneration and Costs are to be paid from, and are limited to, the assets of Mirabela.

15.3 Indemnity

The Deed Administrators are entitled to be indemnified for:

(a) the Remuneration and Costs;

(b) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of or in the course of the administration of Mirabela during the Deed Period; and

(c) any amount for which the Deed Administrators are entitled to exercise a lien at law in equity on the property of Mirabela,

except in the case of fraud or breach of duty by the Deed Administrators.

15.4 Continuing Indemnity

The indemnity in this Deed is a continuing indemnity and will endure for the benefit of the Legal Personal Representatives despite the removal of the Deed Administrators and the appointment of new deed administrators or the termination of this Deed for any reason whatsoever.

15.5 Indemnity not to be affected or prejudiced

The indemnity under clauses 15.3 and 15.4 will not:

(a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the Deed Administrators and extends to cover any actions, suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Deed Administrators or defect in the approval or execution of this Deed or otherwise; or

(b) affect or prejudice all or any rights that the Deed Administrators may have against Mirabela or any other person to be indemnified against the Costs, and liabilities incurred by the Deed Administrators in the performance of, or incidental to, any of the powers or authorities conferred on the Deed Administrators by this Deed or otherwise.

15.6 Administrators' lien

The Deed Administrators are entitled to exercise a lien over Mirabela's assets for all amounts in respect of which they are entitled to an indemnity from Mirabela.

15.7 Priority of indemnity and lien rights

The rights of the Deed Administrators to an indemnity and lien conferred by this clause 15 shall have the same priority as that conferred by section 443E of the Act in respect of rights conferred by section 443D of the Act (modified as applicable).

16 Meetings

Regulations 5.6.23 to 5.6.36A of the Regulations apply with such modifications as are necessary, to meetings of creditors held under this Deed as if the references to "the liquidator", "the liquidator or provisional liquidator", "the liquidator, provisional liquidator or chairman" or "the liquidator, provisional liquidator or trustee for debenture holders", as the case may be, were references to the Deed Administrators.

17 Effectuation and Termination of Deed

17.1 Effectuation

(a) Upon and after the following occurring this Deed will become fully effectuated:

(i) an amendment and/or extension of the Bradesco Credit Facility is effected to the satisfaction of the Deed Administrators ;

(ii) the waiver of any enforcement under the Caterpillar Credit Facility granted on 28 February 2014 continues in effect to the satisfaction of the Deed Administrators;

(iii) a Court makes the Section 444GA Order;

(iv) the Deed of Amendment and Acknowledgement is entered into to the satisfaction of the Deed Administrators ;

(v) either:

(A) the Majority Noteholders have received a written notice under FATA and/or the Foreign Investment Policy from the Treasurer (or his delegate) stating that, or to the effect that, the Commonwealth Government does not object to the transfer of the Transfer Shares, the issue of Convertible Secured Notes and the issue of the New Rollover Fee Shares, New Capital Shares and shares to be issued on conversion of the Convertible Secured Notes (**FIRB Transaction**), either without condition or on terms acceptable to the Deed Administrators; or

(B) following notice of the FIRB Transaction having been given by or on behalf of the Majority Noteholders to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part II of FATA because of the expiry of the applicable statutory waiting period;

(vi) Relief has been obtained in a form satisfactory to the Deed Administrators; and thereafter contemporaneously

(vii) the Convertible Secured Notes become 'Finance Documents' for the purposes of the Syndicated Note Subscription Deed and have the benefit of the 'Security' as defined;

(viii) Mirabela receives funds in respect of the Convertible Secured Notes to the satisfaction of the Deed Administrators; and

(ix) the Deed Administrators transfer the Transfer Shares to the Bare Trustee.

(b) This Deed (other than clause 6) terminates after its terms have been fulfilled and the Deed Administrators give notice to ASIC that this Deed has been fully effectuated.

(c) Upon termination of this Deed in accordance with this clause 17.1:

(i) the day to day management and control of Mirabela will revert to the Directors; and

(ii) the Deed Administrators will thereupon retire and, except in respect of any provision which survives termination, Mirabela will cease to be subject to this Deed.

17.2 Termination on non-compliance

If this Deed is not fully effectuated in accordance with clause 17.1 by 31 July 2014 (or such later date as the Deed Administrators and the Majority Noteholders agree) the Deed Administrators will convene a meeting of Mirabela's creditors to consider terminating this Deed and winding up Mirabela.

17.3 No Limitation

Nothing in this Deed shall limit the operation of section 445D of the Act or the rights of the creditors under section 445E or section 445F of the Act.

17.4 Previous operation of this Deed preserved

In accordance with section 445H of the Act, the termination or avoidance, in whole or in part, of this Deed does not affect the previous operation of this Deed.

18 Liquidation

18.1 Winding Up

Where at a meeting convened under section 445F of the Act, the creditors pass a resolution terminating this Deed, whether or not notice of that meeting set out a proposed resolution that Mirabela be wound up, the creditors may resolve at the meeting that Mirabela be wound up.

18.2 Commencement of Winding Up

For the avoidance of doubt, if the creditors resolve to wind up Mirabela, the winding up will be deemed to have begun or commenced on the Appointment Date.

19 Further Assurances

All persons bound by this Deed shall exercise all such powers as are available to them, do all such acts and things, sign, execute and deliver all such documents and instruments and provide assistance and cooperation as may be reasonably required to give full effect to the provisions of this Deed.

20 Severance

If any part of this Deed is or becomes illegal, ineffective, invalid or unenforceable, that part shall be severed from this Deed and that severance shall not affect the effectiveness, validity or enforceability of the remaining part of this Deed.

21 Jurisdiction

This Deed shall be governed by and construed in accordance with the laws from the time being enforced in the State of New South Wales and the parties hereby irrevocably submit to the jurisdiction of the Court including any Courts having appellant jurisdiction there from.

22 Waiver

The wavier by any of the persons bound by this Deed in respect of any breach by another person bound by this Deed, of any of the provisions of this Deed, shall not be deemed to be a waiver in respect of any other breach or of any subsequent similar breach by a person bound by this Deed and no delay or omission on the part of a person to exercise or avail itself of any rights accruing to it under this Deed shall operate as a waiver in respect of any default by another person under this Deed.

23 Counterparts

This Deed may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

24 Notices

24.1 Address of Notice

Any notice or document required to be given to or served upon any of the parties pursuant to or in connection with this Deed shall be in writing and shall be deemed to be duly given or made when delivered (in the case of facsimile provided confirmation of the transmission has been received) to the party to which such notice is given or served by:

(a) any means permitted by the law or the regulations; or

(b) pre-paid post to the person's address last known to the Deed Administrators.

24.2 Notice by Post

Any notice sent by pre-paid post shall be taken to have been received by the addressee at the time at which it would have been delivered in the ordinary course of post.

24.3 Notice by facsimile

Any notice given by facsimile on a day which is not a Business Day shall be deemed dispatched on the next succeeding Business Day.

24.4 Signing of Notice

Any notice may be given or signed on behalf of the party giving or serving the same by a director, secretary or other duly authorised person thereof.

Execution page

Executed as a deed.

Signed and delivered by **Mirabela Nickel Limited ACN 108 161 593 (administrators appointed)** by its administrator in accordance with section 442A of the Corporations Act in the presence of:

Signature of witness	Signature of Administrator
Nicholas Edwards	Martin Madden
Name of witness (print)	Name of Administrator (print)

Signed and delivered by **Mirabela Investments Pty Limited ACN 124 449 716 (administrators appointed)** by its administrator in accordance with section 442A of the Corporations Act in the presence of:

Signature of witness	Signature of Administrator
Nicholas Edwards	Martin Madden
Name of witness (print)	Name of Administrator (print)

Signed sealed and delivered by **Martin Madden** in the presence of:

Signature of witness	Signature of Martin Madden
Nicholas Edwards	
Name of witness (print)	

Signed sealed and delivered by **Clifford Stuart Rocke** in the presence of:

Signature of witness

Signature of Clifford Stuart Rocke

Nicholas Edwards

Name of witness (print)

Signed sealed and delivered by **David John Winterbottom** in the presence of:

Signature of witness

Signature of David John Winterbottom

Aaron Swaffield

Name of witness (print)