



MIRABELA NICKEL
LTD

(Administrators appointed)

www.mirabela.com.au

Email: info@mirabela.com.au

Company Update

Perth, AUSTRALIA – 02 May 2014: Mirabela Nickel Limited (Administrators appointed) (**Mirabela** or the **Company**) (ASX: MBN) wishes to provide the following update.

Further to the announcements dated 24 March 2014 and 25 March 2014, the second meetings of creditors will be held on 13 May 2014, at the offices of KordaMentha, Level 10, 40 St Georges Terrace, Perth WA. Registration for all creditors will open at 10:00am with the meetings commencing at 10:30am.

A copy of the Administrators' report pursuant to section 439A of the Corporations Act and the Proposed Deed of Company Arrangement (**Proposed DOCA**) have been sent to creditors and are attached to this announcement. This information can also be found on the KordaMentha web site at www.kordamentha.com in the Creditor Information section.

If creditors resolve to execute the Proposed DOCA, the Administrators estimate that the recapitalisation will be completed before 30 June 2014.

DISCLAIMER – FORWARD-LOOKING INFORMATION

Certain information in the attached document, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian & Australian securities laws. Such forward-looking information includes, but is not limited to, information which reflects management's expectations regarding Mirabela's results of operations.

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

The Company's MD&A and the Annual Information Form contain information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information disclosed in the attached document is qualified by this cautionary statement.

CIRCULAR TO CREDITORS AND SUPPLIERS

2 May 2014

Dear Sir/Madam

Mirabela Nickel Limited (Administrators Appointed) ACN 108 161 593
Mirabela Investments Pty Limited (Administrators Appointed) ACN 124 449 716
(together 'the Companies')

I refer to the appointment of Cliff Rocke, David Winterbottom and I, Martin Madden as voluntary administrators of Mirabela Nickel Limited and Mirabela Investments Pty Limited on 25 February 2014 pursuant to section 436A of the Corporation Act 2001 (*Cth*) ('the Act').

Report to creditors

Pursuant to section 439A of the Act, we are required to prepare a report on the Companies' business, property, affairs and financial circumstances. A copy our report pursuant to section 439A of the act is enclosed.

Meetings of creditors

The second meetings of creditors of the Companies pursuant to section 439A of the Act will be held as follows:

Date	13 May 2014
Registration open:	10:00am
Meetings commence:	10:30am
Location:	Offices of KordaMentha, Level 10 40 St Georges Terrace, Perth WA

Please find enclosed Form 529 being the "Notice of Second Meetings of Creditors of Companies under Administration". Also enclosed is Form 532, Appointment of Proxy. If you intend to appoint another person to act on your behalf, at the meeting, or you are a corporate creditor, you are required to complete and return the proxy form appointing you representative to KordaMentha, GPO Box 2523, Sydney NSW 2001, by fax to (02) 8257 3099 or via email to aswaffield@kordamentha.com no later than 4:00 pm on 12 May 2014.

Any creditor who wishes to attend the meetings must have lodged Form 535, Formal Proof of Debtor of Claim no later than 4:00pm on 12 May 2014. A Form 535, Proof of Debt or Claim is enclosed.

Those creditors who have already lodged a Proof of Debt are not required to lodge a further proof (unless they wish to amend their claim).

Should you have any questions regarding the above or enclosed or if you require further information, please contact Nick Short on +61 2 8934 3121 or via email to nshort@kordamentha.com.

Yours faithfully



Martin Madden
Administrator

Enc.

Form 529

Corporations Act 2001

Notice of Second Meeting of Creditors of Companies under Administration

Mirabela Nickel Limited (Administrators Appointed) ACN 108 161 593
Mirabela Investments Pty Limited (Administrators Appointed) ACN 124 449 716
(together, 'the Companies')

Notice is hereby given that the second meetings of creditors of the Companies will be held on 13 May 2014 at the offices of KordaMentha, Level 10, 40 St Georges Terrace, Perth WA 6000. Registration for all creditors and employees will open at 10.00am with the meetings commencing at 10.30am.

Agenda

1. The purpose of the meetings is:
 - a. to review the report of the Administrators in connection with the business, property, affairs and financial circumstances of the Companies
 - b. for the creditors of each Company to resolve:
 - i. that the Company execute a deed of company arrangement, or
 - ii. that the administration should end, or
 - iii. that the Company be wound up.
2. A resolution will be considered to hold the meetings concurrently.
3. A resolution will be considered to approve the Administrators' remuneration calculated in accordance with rates charged by KordaMentha for the period of the voluntary administration and if the creditors resolve that the Company execute a deed of company arrangement, a resolution will be considered to approve the Deed Administrators' remuneration.
4. Any other business properly brought before the meeting.

Creditors wishing to vote at the meeting, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than 4.00pm on the last business day prior to the meeting, by post to KordaMentha, GPO Box 2523, Sydney NSW 2001 or by facsimile on +61 2 8257 3099 or by email to aswaffield@kordamentha.com. A form of proxy is attached.

Dated: 2 May 2014



Martin Madden
Administrator

Appointment of Proxy	Form 532 Regulation 5.6.29 Corporations Act 2001
Mirabela Nickel Limited (Administrators Appointed) ACN 108 161 593 (‘the Company’)	

1. Insert Full Name and Contact Details (please print)

_____	_____
<i>Given name</i>	<i>Surname</i>
_____	_____
<i>Company name</i>	<i>Telephone number</i>

<i>Address</i>	

2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company appoint:

..... of

as my/our proxy, or in his/her absence _____, to vote at the meeting of creditors to be held on 13 May 2014 at Level 10, 40 St Georges Terrace, Perth WA at 10:30 am or at any adjournment of that meeting.

3. Voting by your Proxy

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf.

and/or

Option 2: If appointed as a special proxy for some or all resolutions, specifically in the manner set out below (**please tick**).

Resolution (please specify the particular resolution)	For	Against	Abstain	General Proxy to Vote
“That Mirabela Nickel Limited (administrators appointed) execute the proposed deed of company arrangement detailed in the report to creditors dated 2 May 2014 and that Martin Madden, Clifford Stuart Rocke and David John Winterbottom be appointed as deed administrators”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“That Mirabela Nickel Limited (administrators appointed) be wound up”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“That the administration of Mirabela Nickel Limited (administrators appointed) ends”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“That the remuneration of the Administrators for the period 14 April 2014 to 27 April 2014 in the amount of \$77,032, excluding GST, calculated on the basis of time at the rates as set out in the schedule titled KordaMentha Rates National FY14, is approved for payment.”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“That the estimated remuneration of the Administrators for the 28 April 2014 to 13 May 2014 is determined and approved for payment on a monthly basis in arrears or as required, up to a maximum of \$215,358 excluding GST, calculated on the basis of time at the rates as set out in the schedule titled KordaMentha Rates National FY14.”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

“That the estimated remuneration of the Administrators for the period 14 May 2014 to the effectuation or termination of the DOCA is determined and approved for payment on a monthly basis in arrears or as required, up to a maximum of \$672,375, excluding GST, calculated on the basis of time at the rates as set out in the schedule titled KordaMentha Rates National FY2014. However, if the value of the work performed exceeds the capped amount, then seek further approval of fees may be sought from creditors.”

4. Signature Section (in accordance with Sections 127 or 250D of the Corporations Act 2001)

Signature of individual or person authorised by corporate resolution to represent corporation

Print Name:

The common seal was affixed hereto in the presence of:

Director

Director/Company Secretary

Dated this

Certificate of Witness

Please Note: This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy.

I, of certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness:

Appointment of Proxy	Form 532 Regulation 5.6.29 Corporations Act 2001
Mirabela Investments Pty Limited (Administrators Appointed) ACN 124 449 716 (‘the Company’)	

1. Insert Full Name and Contact Details (please print)

_____	_____
<i>Given name</i>	<i>Surname</i>
_____	_____
<i>Company name</i>	<i>Telephone number</i>

<i>Address</i>	

2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company appoint:

..... of

as my/our proxy, or in his/her absence _____, to vote at the meeting of creditors to be held on 13 May 2014 at Level 10, 40 St Georges Terrace, Perth WA at 10:30 am or at any adjournment of that meeting.

3. Voting by your Proxy

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf.

and/or

Option 2: If appointed as a special proxy for some or all resolutions, specifically in the manner set out below (**please tick**).

Resolution (please specify the particular resolution)	For	Against	Abstain	General Proxy to Vote
"That Mirabela Investments Pty Limited (administrators appointed) execute the proposed deed of company arrangement outlined in the report to creditors dated 2 May 2014 and that Martin Madden, Clifford Stuart Roche and David John Winterbottom be appointed as Deed Administrators"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
"That Mirabela Investments Pty Limited (administrators appointed) be wound-up"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
"That the administration of Mirabela Investments Pty Limited ends"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Signature Section (in accordance with Sections 127 or 250D of the Corporations Act 2001)

Signature of individual or person authorised by corporate resolution to represent corporation

Print Name:

The common seal was affixed hereto in the presence of:

Director

Director/Company Secretary

Dated this

Certificate of Witness

Please Note: This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the
person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness:

Form 535

Corporations Act 2001

**Mirabela Nickel Limited (Administrators Appointed) ACN 108 161 593
(‘the Company’)**

Formal Proof of Debt or Claim (General Form)

To: The Administrators of Mirabela Nickel Limited (Administrators Appointed)

1. This is to state that the Company was on 25 February 2014, and still is, justly and truly indebted:

To
(name of creditor)

Of
(address of creditor)

For
(amount owed to creditor)

And cents (GST inclusive) GST Amount.....

Particulars of the debt are:

Date	Consideration	Amount (\$)	Remarks
(insert date when debt arose)	(state how the debt arose and attach supporting invoices and statements of account)	(GST inclusive)	(include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: (insert particulars of all securities held. If the securities are on the property of the Company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount (\$ ¢)	Due date
------	--------	----------	---------------	----------

3. [*I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

4. *I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.]

Dated

Signature

Name

Address

Phone

[* delete if not applicable]

I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act at the following email address or fax number:

Email address:

Fax number:

Form 535

Corporations Act 2001

**Mirabela Investments Pty Limited (Administrators Appointed) ACN 124 449 716
(‘the Company’)**

Formal Proof of Debt or Claim (General Form)

To: The Administrators of Mirabela Investments Pty Ltd (Administrators Appointed)

This is to state that the Company was on 25 February 2014 and still is, justly and truly indebted:

To
(name of creditor)

Of
(address of creditor)

For
(amount owed to creditor)

And cents (GST inclusive) GST Amount.....

Particulars of the debt are:

Date	Consideration	Amount (\$)	Remarks
(insert date when debt arose)	(state how the debt arose and attach supporting invoices and statements of account)	(GST inclusive)	(include details of voucher substantiating payment)

1. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: (insert particulars of all securities held. If the securities are on the property of the Company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount (\$ ¢)	Due date
------	--------	----------	---------------	----------

2. [*I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.
3. *I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.]

Dated

Signature

Name

Address

Phone

[* delete if not applicable]

I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act at the following email address or fax number:

Email address:

Fax number:



KordaMentha
restructuring

Mirabela Nickel Limited

(Administrators Appointed)

ACN 108 161 593

Mirabela Investments Pty Limited

(Administrators Appointed)

ACN 104 449 716

Report to creditors pursuant to section 439A

2 May 2014

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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
Administrators	Martin Madden, Cliff Rocke and David Winterbottom in their capacity as joint and several voluntary administrators of Mirabela and Mirabela Investments
AMC	AMC Consultants Pty Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Atlas Copco	Atlas Copco Customer Finance AB
First Subscribing Parties	Certain Ad-Hoc Noteholders who have agreed to backstop the subscription of USD55.0 million of the convertible note issuance contemplated in the Proposed DOCA
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	The registered liquidators appointed by creditors to act as administrators of the Proposed DOCA
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EY	Ernst & Young
Federal Court	The Federal Court of Australia
FIRB	Foreign Investment Review Board
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

Abbreviation	Full text
Group	Collective reference to Mirabela, Mirabela Investments and Mirabela Brazil
Indenture	The 8.75% Senior Notes indenture dated 14 April 2011
ITH	International trading house (actual name commercial in confidential)
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 CEO and CFO of Mirabela
Mirabela	Mirabela Nickel Limited (Administrators Appointed)
Mirabela DOCA	The proposed DOCA for Mirabela enclosed at Appendix 8
Mirabela Brazil	Mirabela Mineração do Brasil Ltda
Mirabela Investments	Mirabela Investments Pty Limited (Administrators Appointed)
Mirabela Investments DOCA	The proposed DOCA for Mirabela Investments enclosed at Appendix 8
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 DOCAs	Together, the Mirabela DOCA and the Mirabela Investments DOCA
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
Supreme Court	The Supreme Court of New South Wales
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
VogBR	Vogbr Recursos Hídricos e Geotecnia Ltda
Votorantim	Votorantim Industrial S.A.
WACC	Weighted average cost of capital

1 Executive summary

1.1 Administration process

On 25 February 2014, we, Martin Madden, Cliff Rocke and David Winterbottom, were appointed as Administrators of the Companies pursuant to section 436A of the Act.

On 10 March 2013 the first meetings of creditors were held and a committee of creditors was formed for Mirabela consisting of Linda Tompkins and John Stamopoulos (both employee creditors) and Marcelo Messer and Alastair McKeever (representing certain Unsecured Noteholders).

On 21 March 2014 the Court made orders extending the convening period for the Companies from 25 March 2014 to 25 September 2014. The Court also made orders allowing the Administrators to call the second meetings of the Companies' creditors at any time within the extension period.

1.2 Second meetings of creditors

The Voluntary Administration regime under Part 5.3A of the Act, charges creditors with the task of deciding a company's future at the second meeting of creditors convened under section 439A of the Act. At the second meeting of creditors, creditors must resolve as to whether it would be in their interests for:

1. the company to execute a DOCA
2. the administration to end, or
3. the company to be wound up.

The second meetings of creditors are to be held on 13 May 2014, at the offices of KordaMentha, Level 10, 40 St Georges Terrace, Perth WA. Registration for all creditors will open at 10:00am with the meetings commencing at 10:30am.

1.3 Proposed DOCAs

We have received a proposed DOCA for each of Mirabela and Mirabela Investments from the Ad-Hoc Noteholders (the Mirabela DOCA and Mirabela Investments DOCA respectively and together, the Proposed DOCAs). Together, the Proposed DOCAs seek to implement a debt for equity swap, whereby the Unsecured Noteholders will release their claims against the Companies in return for an entitlement of 53.4% of the fully diluted equity in Mirabela and on the condition that claims of Shareholder Claimants be extinguished. If Unsecured Noteholders are not permitted at law to hold equity in Mirabela a mechanism is to be established for the shares which would have been transferred to them to be sold and for the proceeds of sale to be paid to them. In addition, the Unsecured Noteholders will also be able to subscribe for convertible notes with an initial face value of up to USD115.0 million (with the potential to raise US\$20 million more at a later time), of which USD60.0 million will be allocated to refinance the Secured Notes. The convertible notes will be converted into approximately 42.3% of the ordinary shares in Mirabela on a fully diluted basis.

The Mirabela DOCA seeks to implement a capital restructure of Mirabela to enable the Group to continue operating as a going concern.

The Mirabela DOCA will not impact employee or trade creditors, with the claims of these creditors remaining whole and payable in the ordinary course of business.

The Unsecured Noteholders' debts will be extinguished in return for an entitlement to equity in Mirabela. We estimate that the implied value of the equity attributed to Unsecured Noteholders under the Proposed DOCAs represents a materially better return than if the Companies were to be liquidated.

1.4 Recommendation

The Ad-Hoc Noteholders have proposed and agreed to support the Proposed DOCAs which will result in the Companies' continuing as a going concern and will not compromise the position of employees or trade creditors. No other proposal has been received by the Administrators. In the absence of a superior offer, we recommend that creditors resolve to approve the Proposed DOCAs.

If the Companies were to be liquidated, we estimate that:

- the Secured Noteholders would receive a nominal return
- employee creditors would be paid in full, and
- there would be no return to unsecured creditors.

2 Appointment of Administrators

We, Martin Madden, Cliff Rocke and David Winterbottom, were appointed as Administrators of the Companies on 25 February 2014 pursuant to section 436A of the Act.

On appointment we assumed control of the Companies' operations and assets, communicated with all key stakeholders including employees and key creditors, ASIC and ASX and implemented new control processes.

2.1 Object of Administration

Section 435A of the Act states that the objects of the administration provisions of the Act are to provide for the business, property and affairs of an insolvent company to be administered in a way that:

1. maximises the chance of the company, or as much as possible of its business, continuing in existence, or
2. if it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

This report has been prepared in accordance with section 439A(4) of the Act.

This report has been prepared from information obtained from the Companies' records, the directors and Management of the Companies and from our own enquiries.

We have no reason to doubt the information contained in this report. 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. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the date of the second meeting of creditors.

Neither KordaMentha nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.

2.2 Prior involvement with the Companies

We advise creditors that we have had no prior involvement with the Companies, its directors or any related party which would preclude us from accepting the appointment. Up to the date of our appointment, our involvement with the Companies commenced on 19 February 2014 and had been to prepare for the orderly conduct of the administration.

There has been no change to the position as stated in the Declaration of Independence, Relevant Relationships and Indemnities included with the first report to creditors.

Since our appointment, Mirabela has received additional funding from the Secured Noteholders under the SNSD. These funds have been used to fund the operations of Mirabela Brazil.

2.3 First meeting of creditors

Section 436E of the Act requires us to conduct a meeting of the creditors of each company in administration within eight business days of being appointed (the first meeting of creditors).

The first meetings of creditors of the Companies were held on 10 March 2014.

At the first meeting of creditors, creditors of Mirabela resolved to appoint a committee of creditors comprising the following members:

- Dr Linda Tompkins

- Mr John Stamopoulos
- Mr Marcelo Messer
- Mr Alastair McKeever

Messrs Messer and McKeever are authorised to represent certain Unsecured Noteholders.

No committee was formed for Mirabela Investments.

2.3.1 Meeting of the committee of creditors

A meeting of the committee of creditors was held on 22 April 2014 to provide an update on the administration. The committee also approved the Mirabela Administrators' remuneration and disbursements for the period 25 February 2014 to 13 April 2014 pursuant to section 449E(1)(a) of the Act.

2.4 Extension to the convening period

The Administrators filed an application with the Supreme Court on 21 March 2014, seeking a six month extension to the period in which the Administrators were required to convene the second meetings of the Companies' creditors. Absent an extension, the Administrators would have had to have posted a formal notice of the meetings together with a copy of this report by 24 March 2014. At that time, we had not received the Proposed DOCAs from the Ad-Hoc Noteholders, but were aware that its terms were being drafted.

The Supreme Court made orders pursuant to sections 439A(6) and 447A of the Act which extended the period in which the second meetings of creditors must be called from 25 March 2014 to 25 September 2014. A copy of the Supreme Court's orders was circulated to all creditors on 25 March 2014 and can be found in the Creditor Information section of KordaMentha's website, www.kordamentha.com.

2.5 Second meetings of creditors

We are required to convene a second meeting of creditors of each company in administration pursuant to Section 439A of the Act to consider the future of each company.

Before the second meeting of creditors, we must prepare a report on the relevant company's business, property, affairs and financial circumstances and provide opinions on certain matters, which is the purpose of this report. This allows creditors to be in a position to vote at the second meetings of creditors on the options available to them, as to whether it would be in the creditors' interests for:

- the company to execute a DOCA
- the administration to end, or
- the company to be wound up.

The Ad-Hoc Noteholders have submitted the Proposed DOCAs for consideration by the creditors of the Companies, which is discussed in detail in this report (refer to section 7).

We advise that the second meetings of creditors will be held at the offices of KordaMentha, Level 10, 40 St Georges Terrace, Perth WA, on 13 May 2014 at 10:30am. Formal notice of the meeting accompanies this report. Registration for the meeting will commence at 10:00am.

A Form 532 – Appointment of Proxy also accompanies this report. If you intend to appoint another person to act on your behalf at the meetings, or you are a corporate creditor, you are required to complete the Proxy Form appointing your representative. Proxy forms may be sent to KordaMentha Sydney, GPO Box 2523, Sydney NSW 2000 or by facsimile +61 2 8257 3099 no later than 4:00pm Australian western standard time, 12 May 2014.

If you are representing a company, please ensure that your proxy is executed pursuant to section 127 of the Act or your representative is appointed pursuant to section 250A of the Act, otherwise you will not be entitled

to vote at the meeting. Foreign domiciled creditors should have an appropriately authorised person execute the form.

Creditors are required to have lodged proofs of debt no later than 4:00pm Australian western standard time on 12 May 2014, failing which they may be excluded from voting at the meeting. A Form 535, Formal Proof of Debt or Claim, accompanies this Report. Proofs of Debt may be sent to KordaMentha Sydney, GPO Box 2523, Sydney NSW 2000 or by facsimile +61 2 8257 3099.

Fund managers representing multiple Noteholders are invited to contact Aaron Swaffield on +61 2 8257 3032 or by email to aswaffield@kordamentha.com for a more convenient form of proxy and proof of debt.

Arrangements have been made for creditors outside of Perth to attend the meeting via teleconference. Creditors intending to use the teleconference facility are required to notify us of their intention and collect teleconference details at least 24 hours prior to the meeting.

Those creditors who have already lodged a Proof of Debt are not required to lodge a further proof (unless they wish to amend their claim).

A copy of this report and the Proposed DOCAs, together with other information relating to the Companies, can be found on the KordaMentha web site at www.kordamentha.com in the Creditor Information section.

2.6 Conduct of administration

Since our appointment, we have undertaken the following key tasks:

- Assumed control of the Companies, including implementing new control procedures.
- Liaised with employees and key creditors in Brazil and Australia.
- Monitored the Group's cash flow position and forecast and provided funding to Mirabela Brazil to allow the continued operation of the Santa Rita nickel mine in Bahia State, Brazil.
- Prepared for and conducted the first meetings of creditors.
- Communicated with the Ad-Hoc Noteholders and their advisors regarding their proposal to restructure the Companies' capital structure.
- Liaised with key regulators including ASIC and ASX in relation to Mirabela's ongoing reporting requirement and the Ad-Hoc Noteholders' Proposed DOCAs.
- Applied to Court for an extension to the convening period.
- Prepared a draft independent expert report on the valuation of the Group.
- Prepared this report as required under section 439A of the Act.
- Attended to ongoing continuous disclosure obligations.
- Engaged and liaised with AMC, EY and other consultants in relation to the valuation of the Group.
- Attended to all necessary statutory requirements arising from our appointment.

2.6.1 Deferral of reporting obligations

Ordinarily, Mirabela would be required to lodge its annual report for the year ended 31 December 2013 with ASIC and the ASX on or before 31 March 2014. However, the Administrators have advised ASIC and the ASX that they intend to rely on ASIC Class Order 03/392 which provides deferral relief to companies subject to voluntary administration. Accordingly, Mirabela is required to lodge its annual report on or before 25 August 2014.

2.6.2 Continued trading during administration

Upon our appointment, we made a decision to continue to trade the Companies as we believe this to be in the best interest of creditors of each of the Companies. The decision to trade while in administration was based on the following:

- The value of the Companies is derived from their quotalholding in Mirabela Brazil, which owns and operates a large nickel sulphide mine in Bahia State, Brazil. Due to operational results, Mirabela Brazil is dependent upon Mirabela for funding support.
- Should Mirabela withdraw funding support from Mirabela Brazil, we consider it highly likely that Mirabela Brazil would become subject to Brazilian bankruptcy proceedings, which would result in significant value erosion (refer to liquidation scenario analysis set out in section 9.4).
- Continued funding support from certain of the Ad-Hoc Noteholders.

2.6.3 Exploration of alternate options

Given the limited funds held by the Group upon our appointment, any alternative option would require interim funding. We note that we have not received any alternate proposals for the Companies and the only source of funding has been from the Secured Noteholders.

As set out in section 6.2, prior to our appointment as Administrators, Mirabela undertook a sale and recapitalisation process which failed to yield any interest from potential purchasers or new capital parties. The list of interested parties was extensive and we believe that undertaking a sale process in administration would not have resulted in a better outcome than the estimated outcome under the Proposed DOCAs. Further, the funding support from certain Ad-Hoc Noteholders was conditional on progressing the Proposed DOCAs and without the funding support it is likely that Mirabela Brazil would have become subject to Brazilian bankruptcy proceedings.

2.6.4 Receipts and payments during the administration

Attached as Appendix 1 is a summary of the receipts and payments of Mirabela for the period from 25 February 2014 to 27 April 2014. Further detail in relation to the receipts and payments is available on request. Mirabela Investments does not have any bank accounts and there were no receipts and payments.

3 Background

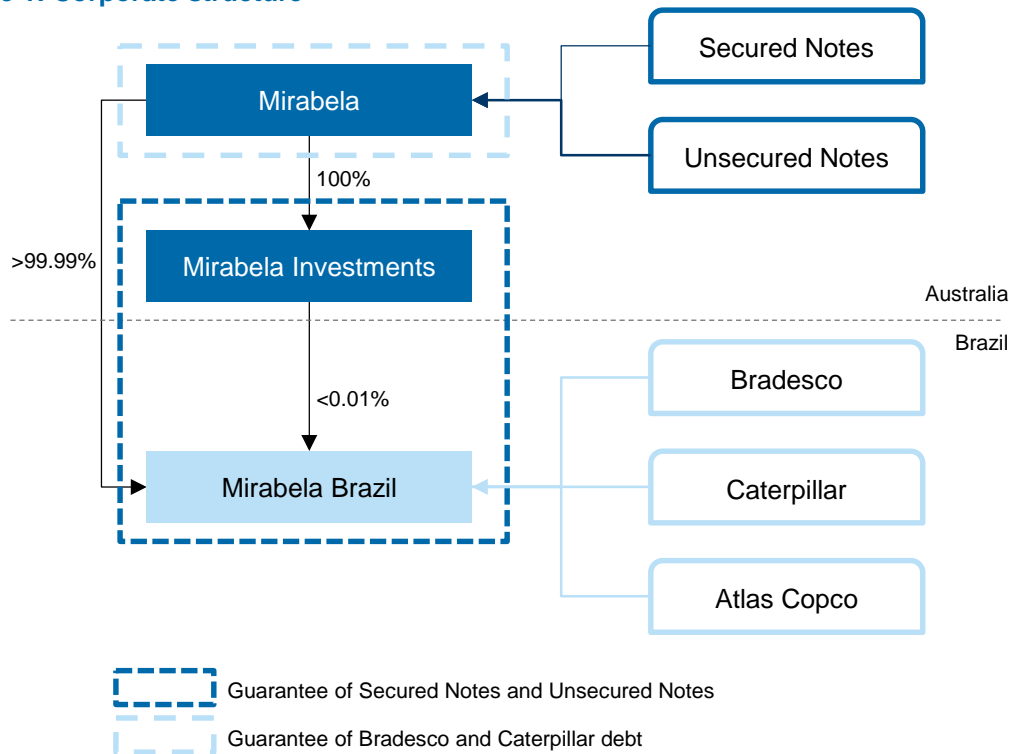
3.1 Corporate and management structure

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.

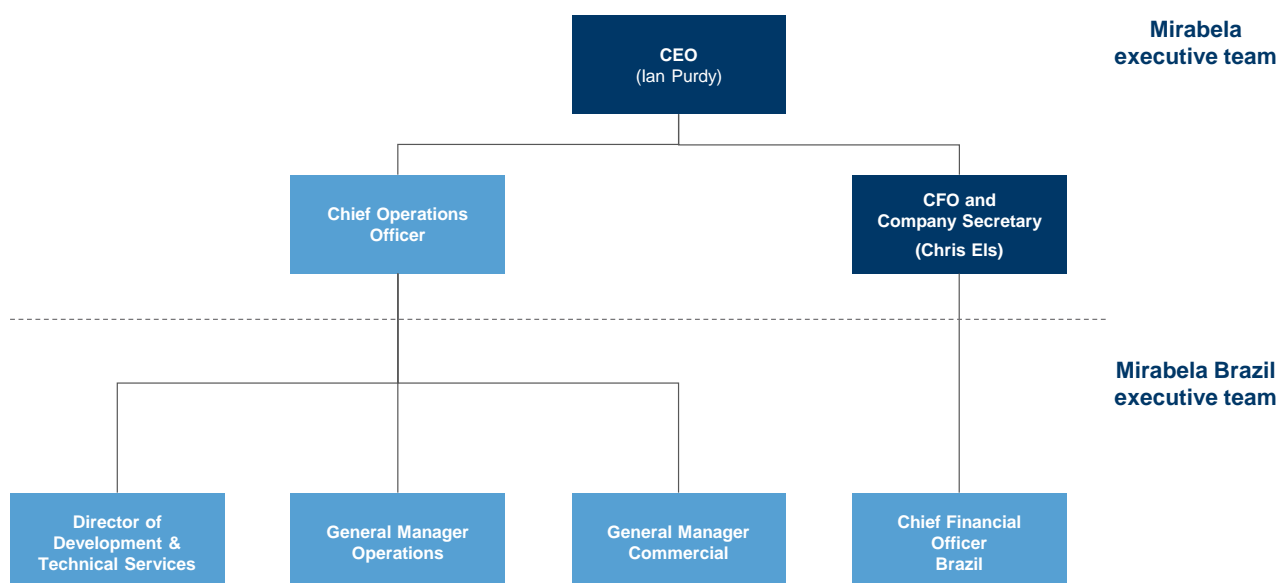
Brazilian corporate law requires that a Limitada entity must have a minimum of two quotaholders. To adhere to this rule, Mirabela Investments holds a nominal interest in the quotas of Mirabela Brazil. Mirabela Investments does not have any other assets, nor does it have any employees or trade creditors.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

Figure 1: Corporate structure



Source: company records

Figure 2: Executive structure



Mirabela has 15 employees, whilst Mirabela Brazil employs approximately 600 staff and engages 660 contractor staff.

3.1.1 Key financing structures

Unsecured Notes

In April 2011 Mirabela issued the Unsecured Notes with a face value of approximately USD395.0 million. Mirabela Investments and Mirabela Brazil have guaranteed the obligations of Mirabela under the Indenture.

As at 30 April 2014, the Unsecured Notes had a balance of approximately USD431.9 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, 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 30 April 2014, including a USD10.0 million draw down since commencement of the administration the Secured Notes had a balance of approximately USD60.0 million, including fees of USD14.6 million and accrued interest of USD0.4 million.

Bradesco facility

In January 2012, Mirabela Brazil obtained a USD50.0 million working capital facility from Bradesco, secured by receivables due from Votorantim. Bradesco has also recently been 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 30 April 2014 had a balance of approximately USD47.2 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 30 April 2014 the outstanding balance owing under the Caterpillar facility was approximately USD5.0 million.

In December 2011, Mirabela Brazil entered into a Supplier Credit Agreement with Atlas Copco to acquire drilling rigs. As at 30 April 2014 the outstanding balance owing under the Atlas Copco facility was approximately USD1.5 million.

3.2 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 administration

The Group suffered a number of financial setbacks leading up to the appointment of the Administrators 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 USD45.0 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 administrators and also outlined the terms of the PSA, a copy of which was included with the announcement.

A chronological history of Mirabela is included at Appendix 7.

3.4 Events leading up to administration

The directors of the Companies have advised us that the financial position can be attributed to:

- Challenging nickel market conditions in that the LME price of nickel has continued to trade below the cash flow break-even cost of production after overheads, financing and capital costs which has had 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 USD50.0 million Bradescos facility which had to be disclosed to both Bradescos and the ASX. As a result, the share price of Mirabela collapsed 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).
- 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.USD8.0/lb). At these lower nickel prices, the Group is unprofitable and over leveraged.
- 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 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 the share price and market capitalisation.

3.5 PSA and proposed recapitalisation

On 25 February 2014, Mirabela notified the ASX that the Ad-Hoc Noteholders had 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 a legally binding PSA which outlined the terms on which the Ad-Hoc Noteholders would continue to support the Group, including that DOCAs would be proposed to restructure the Companies in administration and that the terms of the DOCAs would broadly include:

1. The claims of trade creditors and employees will remain whole and unaffected.
2. The claims of the Unsecured Noteholders will be extinguished in consideration for an entitlement of approximately 98.2% of the existing shares in Mirabela. For clarity, the shares will be transferred from existing shareholders for nil consideration. Unsecured Noteholders will also receive a pro-rata share of a USD5.0 million subordinated unsecured note, which will have a term of 30 years and attract an interest rate of 1.0% p.a., payable in kind.
3. Mirabela will seek to initially raise USD115.0 million through a convertible note issuance, of which USD60.0 million would be raised through a placement to the Secured Noteholders for the full face value of the Secured Notes. Certain Ad-Hoc Noteholders (the First Subscribing Parties) also committed to subscribe for convertible notes with a face value of USD55.0 million subject to the pro rata subscriptions of other Unsecured Noteholders. The Secured Noteholders will receive consideration payable in new ordinary shares in Mirabela for agreeing to roll over their existing debt into the convertible note issuance. A fee, payable in new ordinary shares in Mirabela, will also be payable to the First Subscribing Parties.
4. The convertible notes will benefit from the existing security granted to the Secured Noteholders and will be convertible into new ordinary shares in Mirabela.
5. Existing shareholders will retain an interest in Mirabela of approximately 1.0% on a fully diluted basis.

The Ad-Hoc Noteholders have submitted the draft Proposed DOCAs. Further discussion on the Proposed DOCAs are contained in section 7.

3.5.1 Brazilian extrajudicial reorganisation

The recapitalisation of the Group will also involve the extrajudicial reorganisation (Recuperação Extrajudicial) of Mirabela Brazil. We understand that the reorganisation will involve the Unsecured Noteholders agreeing to

release their claims against Mirabela Brazil in consideration for Mirabela issuing subordinated loan notes with a combined face value of USD5.0 million on a pro-rata basis.

We understand that the reorganisation of Mirabela Brazil will not impact any creditors other than the Unsecured Noteholders.

3.6 Corporate details

Set out below is information regarding the Companies obtained from searches obtained from ASIC.

Table 1: Mirabela corporate details

Corporate details

Commencement date	5 March 2004
Registered office	Allendale Square Level 21,77 St Georges Terrace, Perth WA 6000

Company officers

Director name	Position	Appointment date	Cessation date
Ian Frank Purdy	Director	2 November 2009	-
Ian James McCubbing	Director	1 January 2011	7 April 2014
Stuart Nicholas Sheard	Director	20 March 2007	7 April 2014
Christiaan Philppus Els	Company Secretary	7 January 2010	-
Geoffrey Arthur Handley	Director	1 January 2011	11 January 2014
Peter Bruce Nicholas	Director	12 June 2012	11 January 2014
Colin Henri Steyn	Director	20 November 2009	11 January 2014

Major shareholders

Shareholder name	Number of shares held	Percentage of shares held
Merril Lynch (Australia) Nominees Pty Ltd	164,713,555	18.79%
J P Morgan Nominees Australia Limited	90,875,333	10.36%
HSBC Custody Nominees (Australia) Limited	60,131,574	6.86%
Glencore Finance (Bermuda) Ltd	43,218,512	4.93%
UBS Nominees Pty Limited	20,166,262	2.30%
Mr Soon Jeung Yuen	18,000,000	2.05%
Citicorp Nominees Pty Limited	16,395,289	1.87%
Canadian Control Account	15,971,791	1.82%
National Nominees Limited	11,044,647	1.26%
Mr Erle Edwinson	8,720,000	0.99%
Total	449,236,963	51.23%

Security interests

Security interest	Date created	PPSR registration number
AET Structured Finance Solutions Pty Limited	24 December 2013	201312240086006

AET Structured Finance Solutions Pty Limited is the security trustee for the Secured Notes. It holds on trust, the securities granted to the Secured Noteholders including the above registered security interest.

Table 2: Mirabela Investments corporate details

Corporate details

Commencement date	16 Mar 2007
Registered office	Allendale Square Level 21,77 St Georges Terrace, Perth WA 6000
Sole shareholder	Mirabela

Company officers

Director name	Position	Appointment date	Cessation date
Ian Frank Purdy	Director	24 June 2010	-
Christiaan Philppus Els	Company Secretary	14 January 2010	-
Geoffrey Arthur Handley	Director	1 January 2012	11 January 2014
Craig Ian Burton	Director	1 May 2008	1 January 2012
Stephan Hills	Company Secretary	16 March 2007	14 January 2010
Nicholas John Poll	Director	16 March 2007	25 June 2010

Security interests

Security interest	Date created	PPSR registration number
AET Structured Finance Solutions Pty Limited	24 December 2013	201312240086006

AET Structured Finance Solutions Pty Limited is the security trustee for the Secured Notes. It holds on trust, the securities granted to the Secured Noteholders including the above registered security interest.

4 Santa Rita nickel mine

The mine is one of the world's largest open pit nickel sulphide mines, which feeds a traditional nickel sulphide flotation concentration plant.

The mine is located approximately 206km southwest of Salvador, 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 7km². 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 3: 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 3: 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

Table 4: Santa Rita mineral resources table

Pit	Classification	Mt	Nickel Grade %	Copper Grade %
As at 30 September 2012				
Open pit ^(1,2)	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 ^(3,4)	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

¹ Based on a cut-off grade of 0.13% recoverable nickel.

² Remaining as at 30 September 2012.

³ Based on an average cut-off grade of 0.50% nickel.

⁴ As of February 2009, re-reported using revised base of pit in October 2012.

Pit	Classification	Mt	Nickel Grade %	Copper Grade %
As at 31 December 2013				
Open pit ^(5,6)	Measured	13.6	0.51	0.10
	Indicated	179.7	0.50	0.13
	Sub-total	193.3	0.50	
Open Pit ^(5,6)	Inferred	79.6	0.56	0.15
Underground ^(7,8)	Inferred	77.0	0.78	0.22

The current LOM model is supported by a LOM mine plan. The LOM plan assumes all reserves are mined over a 20 year period.

Competent person statement

The information above 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 a Competent Person as defined in the 2012 JORC Code and is a Qualified Person in accordance with NI 43-101.

The information 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 in the project since the public report titled "Significant Increase in Santa Rita Open-Pit Resources" was issued by Mirabela on 19 October 2012.

⁵ Based on a cut-off grade of 0.13% recoverable nickel.

⁶ Remaining as at 31 December, 2013.

⁷ Based on an average cut-off grade of 0.50% nickel.

⁸ As of February 2009, re-reported using revised base of pit in December 2013.

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 4: Production process map



4.3 Current mine plan

In order to cut costs and maximise near-term cash flows, Mirabela Brazil implemented a new optimised mine plan in December 2013. The current plan is based on total material movements (i.e. including waste) of 25 Mtpa for FY14 and FY15 (before ramping up to 50MT p.a. in FY16) and has focussed drilling and blasting activity on those areas of the mine that have lower strip ratios and higher ore content, thus minimising per pound production costs.

The current mine plan assumes a mine life of 20 years.

4.4 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 5: Tailings dam capital expenditure forecast 2014-2020⁹ (2014 real amounts)

Expenditure	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Real (million)	101.1	14.1	17.7	14.1	33.5	7.4	7.4
USD ¹ (million)	42.6	5.9	7.4	5.9	14.1	3.1	3.1

1. Converted at 0.42

We note that the Group is currently operating at a loss, and absent significant funding, would be unable to complete the required work to lift the height of the tailings dam. This would result in mining operations ceasing and the likely liquidation of the Group (refer to section 9.4 for the outcome under liquidation).

4.5 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 on March 2008.

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

4.6 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. We understand that the current licence has been automatically extended for such period of time as required to assess Mirabela Brazil's renewal application.

4.7 Additional tenements and exploration rights

Mirabela Brazil has two primary exploration projects nearby, being the Peri-Peri and Palestina intrusions, which are 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 zero to USD1.8 million.

Further, AMC has advised that it has valued underground inferred resource at Santa Rita between nil and USD24.0 million.

⁹ Calculated by VogBR, a geotechnical engineering and water resources expert.

5 Financial overview

5.1 Report as to Affairs

The directors of the Companies have provided us 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.

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

Table 6: 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 estimate that the intercompany loan due from Mirabela Brazil has a realisable value of AUD150.0 million. We note that the directors have not attributed any value to Mirabela's near 100% quotaholding in Mirabela Brazil. The directors believe that after repayment of the intercompany loan, the residual value of Mirabela Brazil will be nil.

2. Preferential 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. 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 7: Reconciliation of the Secured and Unsecured Notes

Balance 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 ¹⁰	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 8: Mirabela Investments RATA

Balance AUD (millions)	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.

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 going-concern basis, however, due to Mirabela's financial position in administration, the audit report has not been finalised. As the accounts are unaudited, they remain subject to review and the final report may vary significantly.

If creditors resolve that the Companies execute the Proposed DOCAs, the FY13 accounts will be finalised and published during the deed administration period.

¹⁰ Includes accrued interest of AUD12,862.

5.2.1 Statement of financial performance

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

Table 9: Group statement of financial performance

Statement of financial performance USD (millions)	FY10 Audited	FY11 Audited	FY12 Audited	FY13 Un-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)
<i>Gross margin %</i>	4.4%	(11.4%)	(2.5%)	(22.3%)
Impairment of property, plant and equipment	-	-	(380.0)	(192.9)
General and administration	(9.3)	(10.3)	(12.7)	(15.8)
Net finance expense	(21.1)	(35.7)	(36.9)	(38.0)
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)	(310.4)
Net profit/(loss) before income tax	(41.3)	(53.1)	(452.9)	(344.6)
EBITDA*	31.7	2.3	38.6	(45.0)
EBIT*	(5.5)	(50.5)	(26.1)	(65.3)

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

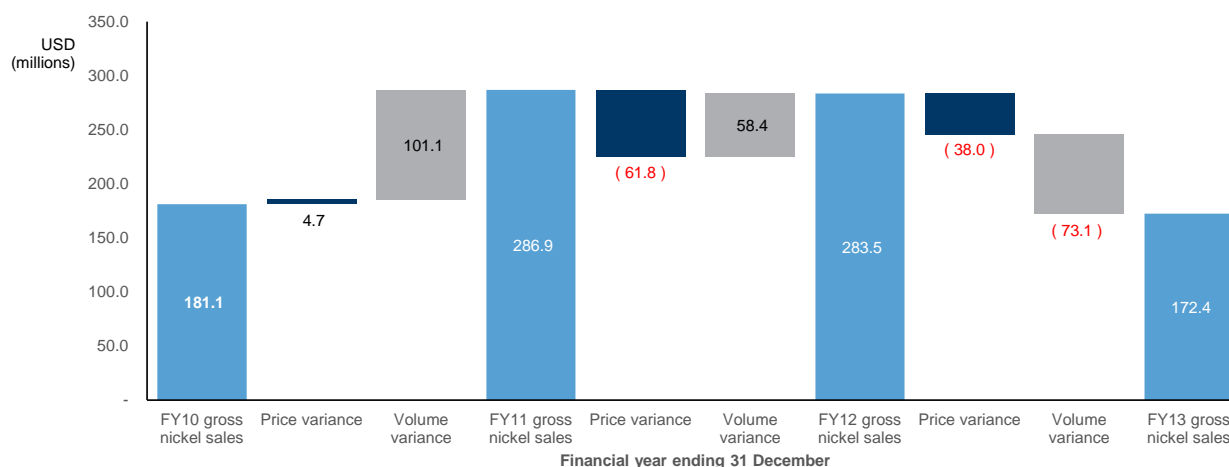
We make the following comments in relation to the Group's consolidated statement of financial performance for the period FY10 to FY13:

- Including FY13, the Group has incurred losses before tax of USD891.9 million since it began commercial production in FY10. Over the same period the Group recorded aggregate EBITDA of USD27.6 million, far exceeded by borrowing costs of USD131.7 million.
- The balance of carried forward losses as at 31 December 2013 is USD898.2 million (refer to Table 11).

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 5: 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 9.

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

Table 10: Group cash flow statement

Cash flow statement USD (millions)	FY10 Audited	FY11 Audited	FY12 Audited	FY13 Un-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				
Acquisition of property plant and equipment	(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 USD121.4 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.

Due to a collapse in global nickel prices, the Group has required significant liquidity support from both equity and debt holders throughout its limited operational history.

5.2.2 Statement of financial position

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

Table 11: 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 Un-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	138.3
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	172.9
Total assets	1,120.3	1,016.0	636.0	296.8
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	443.3
Derivative financial instruments	81.9	-	-	-
Provision for current taxes	6.6	4.6	-	-
Total current liabilities	141.3	85.9	84.2	511.1
Provisions	14.4	10.9	17.8	10.2
Borrowings	246.1	393.8	415.3	2.0
Derivative financial instruments	99.2			
Total non-current liabilities	359.7	404.6	433.1	12.2
Total liabilities	501.0	490.5	517.3	523.3
Net assets/(liabilities)	619.3	525.5	118.7	(226.5)
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)	(898.2)
Total equity	619.3	525.5	118.7	(226.5)

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 (USD19.5 million), processed nickel concentrates (USD15.5 million) and spares and consumables (USD33.0 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 9, 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 12: Current and non-current borrowings¹¹

USD (millions)	Unsecured Notes ¹²	Caterpillar	Atlas Copco	Bradesco	Total borrowings
Current borrowings	384.0	7.8	1.5	50.0	443.3
Non-current borrowings	-	1.2	0.7	-	2.0
Total	384.0	9.0	2.2	50.0	445.2

In addition to the above borrowings, Mirabela had drawn down USD45.0 million of the USD45.0 million available under the Secured Notes as at 30 April 2014¹³. Including issue fees and an upfront discount, the outstanding balance due on the Secured Notes as at 30 April 2014 is USD60.0 million.

Equity

The Group had negative equity at end of FY13 (unaudited) of USD226.5 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 USD55.0 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).
- Production of 7.1MT p.a. and the sale of 15,672 tonne of nickel concentrate to Norilsk and ITH.

Table 13: FY14 operational budget

Forecast production	Q1FY14	Q2FY14	Q3FY14	Q4FY14	FY14
Ore mined (dmt)	1,648,635	1,365,201	1,719,399	1,318,618	6,051,853
Nickel grade (%)	0.41%	0.41%	0.43%	0.50%	0.44%
Contained nickel (tonnes)	6,830	5,568	7,334	6,642	26,374
Milled ore (tonnes)	1,462,037	1,877,645	1,868,289	1,879,233	7,087,024
Concentrate produced (tonnes)	22,274	26,386	28,721	29,793	107,174
Concentrate grade – Ni	13.73%	13.00%	13.00%	13.00%	13.15%
Contained nickel (tonnes)	3,052	3,402	3,733	3,873	14,061
Nickel concentrate sales (tonnes)	4,269	3,881	3,680	3,842	15,672

¹¹ Table does not add due to rounding.

¹² Excludes borrowing costs of USD20.5 million.

¹³ USD10.0 million drawn down since appointment of the Administrators

Table 14: FY14 statement of financial performance

Forecast statement of financial performance					
USD (millions)	Q1FY14	Q2FY14	Q3FY14	Q4FY14	FY14
Sales revenue	55.3	54.5	51.5	53.1	214.4
Treatment, refining and transport charges	(13.1)	(13.1)	(13.2)	(13.0)	(52.6)
Net sales revenue	42.2	41.4	38.3	40.1	161.9
Direct costs	(42.1)	(44.3)	(38.7)	(38.2)	(163.2)
Royalties	(2.7)	(2.6)	(2.4)	(2.5)	(10.2)
Depreciation, amortisation and depletion	(2.2)	(2.9)	(2.6)	(2.5)	(10.2)
Cost of sales	(47.0)	(49.8)	(43.7)	(43.1)	(183.6)
Gross margin	(4.8)	(8.4)	(5.4)	(3.1)	(21.7)
<i>Gross margin %</i>	<i>(11.3%)</i>	<i>(20.3%)</i>	<i>(14.2%)</i>	<i>(7.7%)</i>	<i>(13.4%)</i>
General and administration	(7.7)	(12.5)	(1.6)	(1.5)	(23.3)
Net finance expense	(9.7)	(10.1)	(10.5)	(0.8)	(31.1)
Other expenses	(15.1)	(0.3)	(0.3)	(0.2)	(15.8)
Total expenses	(32.5)	(22.8)	(12.4)	(2.5)	(70.3)
Net profit/(loss) before income tax	(37.3)	(31.3)	(17.8)	(5.6)	(92.0)
EBITDA	(25.4)	(18.2)	(4.7)	(2.3)	(50.6)
EBIT	(35.1)	(28.4)	(15.2)	(3.1)	(81.8)

Table 15: FY14 cash flow forecast

Forecast cash flow USD (millions)	Q1FY14	Q2FY14	Q3FY14	Q4FY14	FY14
Cash receipts from customers	50.3	47.1	42.0	42.9	182.3
Cash paid to suppliers and employees	(68.1)	(59.0)	(47.2)	(45.8)	(220.2)
Interest received	0.7	0.5	0.6	0.6	2.3
Net cash from/(used in) operations	(17.2)	(11.5)	(4.6)	(2.4)	(35.7)
Cash flows from investing activities					
Acquisition of property plant and equipment	(3.2)	(16.8)	(18.9)	(21.8)	(60.7)
Exploration and evaluation expenditure	-	-	-	-	-
Net cash from/(used in) investing	(3.2)	(16.8)	(18.9)	(21.8)	(60.7)
Cash flow from financing activities					
Proceeds from borrowings	45.0	-	-	-	45.0
Repayment of borrowings and costs	(5.8)	(2.0)	(2.8)	(1.7)	(12.3)
Interest paid	(1.8)	(0.1)	(1.9)	(1.5)	(5.3)
Proceeds from the issue of convertible notes	-	55.0	-	-	55.0
Net cash from/(used in) financing	37.4	52.9	(4.6)	(3.2)	82.5
Net increase/(decrease) in cash	17.0	24.6	(28.2)	(27.4)	(14.0)
Cash at the beginning of the period	30.7	47.5	72.1	43.9	30.7
Effect of changes in foreign currency	(0.2)				(0.2)
Cash at the end of the period	47.5	72.1	43.9	16.5	16.5

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

- At a nickel price of USD6.61/lb, the Group is forecast to incur a loss of USD92.0 million before tax.
- Total operating and investing funding USD96.4 million is required to sustain operations and support ongoing capital expenditure requirements (primarily related to expansion of the tailings dam).

- Funding is assumed to come from the USD45.0 million Secured Notes (fully drawn as at 30 April 2014) and the issue of convertible notes with a face value of USD55.0 million as part of the Proposed DOCA.
- 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 be curtailed if not ceased.
- Q1FY14 actual results were below the FY14 budget due to ongoing operational issues.

5.4 Short-term cash flow forecast

- We have prepared a short-term, weekly cash flow forecast based on information provided by Management.
- The forecast shows operations are cash flow negative and significant capital expenditure is required to 18 July 2014.
- We estimate that the Group will require additional funding of USD10.0 million over the forecast period to enable Mirabela Brazil to continue operating. This is in addition to the USD10.0 million of funding provided by the Secured to Mirabela while in administration by the Secured Notes since appointment (received pre 1 May 2014).
- We understand that under Brazilian law, in the event of bankruptcy, employee entitlements and certain taxes may become a personal liability of company directors. Accordingly, the directors of Mirabela Brazil require a minimum cash balance of approximately USD10.0 million to be available at all times. Accordingly, of the closing cash balance, USD10.0 million is unavailable to meet trading expenses.

Table 16: Weekly cash flow forecast

USD ('000)	Week ending										
	02-May-14	09-May-14	16-May-14	23-May-14	30-May-14	06-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14	04-Jul-14	11-Jul-14
Receipts from customers	-	9,212	3,052	3,052	3,052	3,052	3,052	4,826	3,052	3,052	11,647
Payments to suppliers											
Trade creditors	(4,504)	(2,447)	(2,268)	(2,448)	(1,405)	(4,076)	(1,644)	(1,623)	(1,416)	(3,555)	(2,701)
Professional/advisor fees	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
VAT payments	-	-	-	(105)	-	-	-	(105)	-	-	-
Tax payments	(125)	(429)	(165)	(756)	(118)	(82)	(511)	(756)	(118)	-	(593)
Salaries/w ages	(1,820)	-	(333)	-	(371)	(523)	(333)	-	-	(371)	-
Customs/penalties	-	-	-	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-	-	-	-	-
Hedging	-	-	-	-	-	-	-	-	-	-	-
Rent/utilities	(87)	-	-	(760)	(124)	(87)	-	(760)	(124)	(87)	-
Fuel	(651)	(228)	(643)	(2)	(3)	-	-	(1,443)	-	-	-
Royalties and other expenses	(368)	-	-	-	(1,079)	-	-	-	-	(839)	-
Total payments to suppliers	(7,955)	(3,504)	(3,808)	(4,472)	(3,501)	(5,169)	(2,888)	(5,088)	(2,058)	(5,252)	(3,695)
Net cash flow from operations	(7,955)	5,708	(757)	(1,420)	(449)	(2,117)	164	(262)	994	(2,200)	7,953
Capital expenditure	(840)	(1,821)	(732)	(877)	(775)	(1,364)	(1,364)	(1,774)	(1,364)	(2,253)	(2,253)
Net cash flow before financing	(8,796)	3,887	(1,488)	(2,297)	(1,224)	(3,481)	(1,200)	(2,036)	(370)	(4,453)	5,700
Financing cash flow											
Proceeds from borrowings	8,353	-	-	-	-	5,000	-	-	-	5,000	-
Repayment of borrowings	-	-	-	-	-	-	-	-	-	(2,064)	-
Net cash flow from financing	8,353	-	-	-	-	5,000	-	-	-	2,936	-
Opening cash at bank	22,247	21,805	25,692	24,204	21,907	20,683	22,202	21,003	18,966	18,597	17,080
Net cash flows	(442)	3,887	(1,488)	(2,297)	(1,224)	1,519	(1,200)	(2,036)	(370)	(1,517)	5,700
Closing cash at bank	21,805	25,692	24,204	21,907	20,683	22,202	21,003	18,966	18,597	17,080	22,779

Mirabela has drawn the full USD45.0 million available under the Secured Notes. The availability of further funding (as shown in the weeks ending 6 June 2014 and 4 July 2014) has not yet been confirmed and is largely dependent upon the holders of the Secured Notes being assured that the Proposed DOCA will proceed, being comfortable with the FY14 budget and this short-term cash flow forecast.

6 Valuation

6.1 Valuation of the Group

The Proposed DOCAs for the Companies will, if implemented, compromise and extinguish the claims of the Unsecured Noteholders in exchange for existing ordinary shares in Mirabela. Existing shares can only be transferred from current shareholders if the Court grants leave pursuant to section 444GA of the Act, which states:

The administrator of a deed of company arrangement may transfer shares in a company if the administrator has obtained:

1. the written consent of the owner of the shares, or
2. the leave of the Court.

In considering whether to grant leave under section 444GA the Court must consider whether material prejudice to the shareholders will result upon such a transfer. We are not aware of any precedent where Courts have approved the transfer of shares in a listed company pursuant to section 444GA. However, the Courts have indicated that when considering whether material prejudice will result to shareholders they must be satisfied that there is sufficient evidence confirming that current shareholders have no ongoing economic interest in the company, i.e. the value of the company is less than its debt. The Courts have stated that should the shareholders no longer have an economic interest in the Company no material prejudice can exist.

Accordingly, we have undertaken a valuation of Mirabela to ascertain whether existing shareholders retain any economic interest in Mirabela and to determine the implied return to the Secured Noteholders and the Unsecured Noteholders if the Companies execute the Proposed DOCAs and obtain an interest in the ordinary shares of Mirabela.

6.1.1 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 return to stakeholders under a going concern non-distressed arm's length transaction. Further, it is assumed a third party would be willing to provide additional funding to support the operations whilst a further sale process was explored (refer to section 5.4 for the immediate funding requirements and section 6.2 for an overview of the 2013/14 sale and recapitalisation process).

In forming our view, we have performed a valuation of the latest iteration of the LOM model to determine a valuation range for the Group. The technical assumptions underpinning the LOM model have been reviewed and where appropriate, adjusted by AMC, an independent technical specialist. 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
- analysis of recent offers 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.

6.1.2 DCF available information

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

Table 17: LOM models¹⁴

Model name	Date finalised	Mine plan	Key assumptions
1. Base Case	28 April 2014	<ul style="list-style-type: none"> FY14F – FY15F: 25MT p.a. FY16F – FY30F: c.45MT p.a. FY31F – FY36F: 28MT p.a. decreasing over time (as reserves run-down) Total ore mined: c.150MT 	<ul style="list-style-type: none"> Background: the latest iteration of the LOM model used to assess business valuation and long-term cash flows. 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 USD8.0/lb¹⁵ for 1 April 2014 to 31 December 2014 and consensus analyst estimates as at 30 April 2014 for the remainder of the forecast period.¹⁶ C1 Cash Costs: c.USD6.0 – USD7.0/lb for nearly all forecast periods. Capex: based predominantly on estimates provided by third party independent mining experts reviewed by AMC. Refer to Appendix 6 for detailed overview of the Base Case LOM model.
2. Management's Impairment Model	01 May 2014	<ul style="list-style-type: none"> FY14F – FY15F: 25MT p.a. FY16F – FY29F: c.50MT p.a. FY30F – FY35F: 25MT p.a. decreasing over time (as reserves run-down) Total ore mined: c.150MT 	<ul style="list-style-type: none"> Background: Management's 31 December 2014 impairment model prepared for the FY14 accounts. Reserves: based on March 2011 NI 43-101 Technical Report as re-validated by NCL in October 2012. Mine plan: NCL Optimisation Mine Plan prepared in November 2013 and reconfirmed to the Administrators in March 2014. Customers: Norilsk (50%) and ITH (50%). Norilsk based on current terms for the LOM. ITH terms based on November 2013 spot sales (which were above current terms). Nickel recovery: adjustment to FY14 and FY15 to historic results (whilst processes put in place to improve recovery). 1 January 2016 onwards based on March 2011 NI 43-101 Technical Report (i.e. upside to current operating performance). Nickel prices: based on Management's consensus analyst estimates as at 31 December 2013 as required by Mirabela's auditors. C1 Cash Costs: c.USD6.0 – USD6.5/lb for nearly all forecast periods. Capex: based predominantly on estimates provided by third party independent mining experts. Other: includes a valuation adjustment for assumed conversion of additional resources to reserves (50%).

¹⁴ The LOM models were prepared by the Group with the assistance of Corality, a company that specialises in preparing complex long-term financial models. Further, the Administrators engaged Ernst & Young to review and report on the mathematical and logical integrity of the Base Case LOM model. On 30 April 2014, EY confirmed to the Administrators that all comments and queries raised as a part of the review had been addressed to EY's satisfaction.

¹⁵ This is above consensus analyst estimates for FY14 and is based on an average of recent nickel prices. Consensus analyst forecasts for FY14 were not used as forecasts are quoted on an annual basis.

¹⁶ We have only included nickel price forecasts that have been updated in March and April 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.

6.1.3 DCF valuation

We have performed a DCF valuation based on the Base Case LOM financial model set out in Table 17 and summarised the results in Appendix 5 and section 6.1.3. We have included an adjustment to enterprise value of nil to USD25.8 million for exploration tenements and the underground inferred resource (as valued by AMC).

In forming our view on which LOM model to use for our DCF valuation, we reviewed previous iterations of the LOM financial model prepared between October 2013 and December 2013, and concluded that each of them had shortcomings that could not be resolved by overlaying adjustments. The shortcomings were as a result of the previous iterations of the LOM financial model being prepared for a different purpose or including assumptions that have subsequently proven to be inaccurate.

The mining assumptions underpinning the Base Case have been independently reviewed and where appropriate, adjusted by AMC. AMC's adjustments included a reduced mining and processing rate, with a lower nickel recovery. We have relied upon AMC's findings in preparing our valuation.

Therefore, we believe the Base Case model referenced in Table 17 is the most appropriate model to use in forming our view on valuation.

Key valuation assumptions

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

1. Real WACC of 9.5% to 10.9% per annum (after tax) (refer to Appendix 4).
2. Corporate tax rate of 34%.¹⁷
3. Other assumptions as set out in Table 17 and Appendix 6.

Valuation range

Based on the information above, our DCF valuation range¹⁸ is c.USD153.7 million to USD232.7 million at the valuation date of 1 May 2014 (based on the Base Case model and including nil to USD25.8 million for valuation of the exploration tenements and the underground inferred resource, as valued by AMC).

For a breakdown of the valuation outcome refer to Appendix 5.

6.1.4 Management's impairment model

Accounting standards require that a company's assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the standards requires the company to recognise an impairment loss. Mirabela is required to assess the carrying value of its interest in Mirabela Brazil, as it is an identifiable cash generating unit.

The carrying value of Mirabela Brazil is its value in use being the present value of the cash flows expected to be derived from its operation. Management has historically used a discounted cash flow model to determine the value in use and carrying value of the assets of Mirabela Brazil.

Management's Impairment Model was prepared for the FY13 annual accounts. The FY13 annual accounts have not yet been finalised due to the appointment of the Administrators making it challenging for the auditors (KPMG) to sign-off the accounts.

Based on our discussions with Management, we understand KPMG has reviewed an earlier version of the FY13 impairment model and has no outstanding queries in relation to the approach adopted. Final review and sign-off will require an audit of market determined assumptions.

¹⁷ <http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx>

¹⁸ Pre transaction costs.

The key assumptions underpinning Management's Impairment Model are set out in Table 17 and include an adjustment for an assumed conversion of resources to reserves (assumed at 50%).

Management has assumed a real discount rate of 9.92% based on internal estimates as at 23 December 2013. Management cross-checked the discount rate to the real rate provided by the KPMG corporate finance team for the September 2013 impairment testing (9.8% to 11.2%).

Management's Impairment Model attributes a negative enterprise value to the Group at the valuation date of 1 January 2014 (based on consensus nickel price assumptions as at 31 December 2013).

6.2 2013/14 sale and recapitalisation process

6.2.1 Introduction

Following the collapse of nickel prices from a peak of c.USD13.0/lb in March 2011 to the trough in July 2013 of c.USD6.3/lb (current price c.USD8.0/lb), 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 reputable investment bank (as financial advisor to Mirabela).

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

6.2.2 Process

Timing

In August/September 2013, Management commenced preliminary discussions with Party A and Party B (see Table 19) to explore strategic initiatives to shore up Mirabela's financial position following the collapse of nickel prices.

In October 2013, Mirabela engaged Houlihan Lokey to assist in evaluating interest and proposals received from equity investors, strategic partners and lenders (current or future). 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

As advised by Houlihan Lokey, a summary of the contact with the list of potential interested parties is set out below.

Table 18: 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	A single potential interested party requested and received a CA (Party D). Note, this was post the appointment of the Administrators.
CAs signed	Exchange of comments on the CA continues. Latest round of comments received from Party D on 28 April 2014.

Stage of the process	Number of parties
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 its proposal will be to acquire a significant interest in the mine by participating in the Proposed Recapitalisation.
Declined ¹⁹	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.²⁰

Since the appointment of Administrators, only two potential interested parties have contacted the 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 19) and we believe, having reviewed the list of interested parties Houlihan Lokey contacted, it is unlikely there are any additional interested parties in the market.

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 19: Summary of interested parties

Name	Description	Proposed transaction	Implied EV	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.	USD320 to USD350 million (incl. c.USD115 million of new money). ²¹	<ul style="list-style-type: none"> • 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.	USD250 to USD262 million (incl. c.USD100 million of new money). ²²	<ul style="list-style-type: none"> • External advisors engaged. • CA signed. • Detailed DD complete. 	<p>Negotiations ceased due to disagreement around valuation and the level of debt forgiveness requested of the Unsecured Noteholders.</p> <p>Further, Party A has advised it would be challenging to provide the interim funding needed to support the operations within the required timeframe.</p>

¹⁹ 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 following appointment.

²⁰ A number of financial investors have fund rules prohibit investment in cash flow negative businesses.

²¹ Implied EV pre tax credit issue announced to the ASX on 16 April 2014.

²² Unclear if EV included tax credit issue announced to the ASX on 16 April 2014.

Name	Description	Proposed transaction	Implied EV	Level of contact	Status
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.	<ul style="list-style-type: none"> CA signed. Limited DD complete. 	<p>Negotiations not progressed as the funding arrangement did not solve the leverage and liquidity issues (exacerbated by issues with Votorantim in September 2013).</p> <p>Remains interested in an offtake arrangement should a restructure be completed (note, indicative pricing of the offtake contract was unfavourable versus current offtake arrangements).</p>
Party C	Global commodities trading company.	Preliminary discussions in relation to a potential funding arrangement coupled with a long-term offtake arrangement.	N/A.	<ul style="list-style-type: none"> CA signed. Limited activity in the data room. 	<p>Discussions were high level and at an early stage. Discussions ceased as Party C indicated it was no longer interested in providing funding.</p> <p>Remains 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).</p>
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 Administrators.	N/A.	<ul style="list-style-type: none"> Exchange of comments on CA continue. Latest round of comments received 28 April 2014. DD has not commenced. 	<p>Our understanding is the deal proposed will link into the Proposed Recapitalisation.</p>
Party E	Diversified mining and minerals company.	Contacted the Administrators to understand the current situation and potentially participate in any future sale process.	N/A.	<ul style="list-style-type: none"> Teleconference with the Administrators on 9 April 2014. No DD completed. 	<p>Did not wish to proceed with DD due to the funding and time constraints (indicative DD period of c. 14 weeks required).</p> <p>Unable to provide interim funding</p>

Outcome

All of the proposals set out above were highly conditional²³ 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 21).

Notwithstanding this, the Board, with the support of the Ad-Hoc Noteholders, continued to progress negotiations with Party A up to the appointment of 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 Proposed 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 Administrators were appointed on 25 February 2014.

²³ Conditionality of the Ad-hoc Noteholders and Party A's proposals were largely to do with structuring and regulatory relief.

The Administrators have not embarked on a further sale or recapitalisation process as:

- there is insufficient time for a process to be completed with an ongoing funding requirement of USD10.0 million over the next two months (over and above the USD10.0 million already funded by certain Ad-Hoc Noteholders).
- the list of potential interested parties contacted by Houlihan Lokey is comprehensive and consists of a significant number of credible strategic and financial buyers with capacity to transact. None of the potential interested parties have indicated they have any interest in pursuing a 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 20. 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.

6.3 Summary of valuations

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 Companies are currently in administration and obtaining full value in insolvency is challenging
- the funding requirement (whilst taken into account in the DCF valuation) is significant in the short to medium term
- market appetite appears extremely subdued it is unlikely to be very challenging to create sufficient competitive tension and any additional process to drive a valuation outcome anywhere near the upper end of our range.

Therefore, in our opinion, more weight should be applied to the offers received as part of the 2013/14 sale and recapitalisation process in assessing the market value of the Group.

Table 20: Enterprise value range

Valuation ²⁴	Enterprise value		Reference
	Low	High	
DCF valuation			
Base Case ²⁵	USD153.7 million	USD232.7 million	Section 6.1.3
2013/14 sale and recapitalisation process			
Range of offers ²⁶	USD150.0 million	USD235.0 million	Section 6.2

²⁴ Pre transaction costs.

²⁵ Includes nil to USD25.8 million for the underground inferred resource and exploration tenements (as advised by AMC).

²⁶ Excludes new money provided as part of the proposed transactions.

6.4 Mirabela net interest bearing liabilities

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

Table 21: Mirabela interest bearing liabilities

Facility (USD millions)	30 April 2014
Bradesco – secured	47.2
SNSD – secured	60.0 ²⁷
Caterpillar – secured	5.0
Atlas – secured	1.5
Unsecured Notes	431.9 ²⁸
Less cash	(18.8) ²⁹
Total	526.8

Source: Company records

6.5 Implied returns to stakeholders³⁰

The implied return to stakeholders under a going concern non-distressed arm's length transaction and assuming immediate ongoing funding was available to continue to operate the mine whilst a transaction was executed (refer to section 5.4), are as follows:

Table 22: Implied return to stakeholders³¹

Facility	Low return (cents on the dollar)	High return (cents on the dollar)
Bradesco - secured	100 cents	100 cents
SNSD – secured	100 cents	100 cents
Caterpillar – secured	100 cents	100 cents
Atlas – secured	100 cents	100 cents
Unsecured Notes	13 cents	32 cents
Shareholders	Nil	Nil

6.6 Conclusion

The Group's net interest bearing liabilities of USD526.8 million (as set out in Table 21) are greater than both the DCF valuation range and the offers received during the 2013/14 sale and recapitalisation process (as summarised in section 6.2). Accordingly, the estimated implied return to Unsecured Noteholders is between 13 and 32 USD cents in the dollar, with no implied value for existing shareholders.

Further, for there to be any return to shareholders nickel prices would need to increase c.12% to 17% above current consensus estimates across all forecast years (based on our WACC range), and the Group would need a third party to provide liquidity to fund the operations, as the current liquidity is only available if the Proposed DOCA's are pursued.

²⁷ Includes fees of c.USD15.0 million.

²⁸ Includes accrued interest.

²⁹ Net of assumed transaction costs of c.USD10.0 million.

³⁰ Based on a valuation range of USD150.0 to USD235.0 million.

³¹ Based on the balance of net interest bearing liabilities as at 30 April 2014.

7 Proposed DOCAs

The Proposed DOCAs are interdependent, that is, both need to be executed for either to take effect. The Mirabela DOCA is the substantive of the two instruments, whereas the Mirabela Investments DOCA is a simple document which only seeks to extinguish the claims of Unsecured Noteholders and the Shareholder Claimants for no consideration. The below discussion relates primarily to the Mirabela DOCA, but given their interdependent, we have considered their combined impact.

7.1 Key features of the Proposed DOCAs for the Companies

The key terms of the Proposed DOCAs for the Companies are set out below and a copy of the draft Proposed DOCAs are enclosed at Appendix 8 and Appendix 9.

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

1. The Unsecured Noteholders releasing their claim against the Companies in return for an entitlement to approximately 98.2% of the existing ordinary equity in Mirabela. If Unsecured Noteholders are not permitted at law to hold equity in Mirabela a mechanism is to be established for the shares which would have been transferred to them to be sold and for the proceeds of sale to be paid to them. 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 filing, which will have a term of 30 years and attract an interest rate of 1.0% p.a., payable in kind.
2. The Deed Administrators of Mirabela offering convertible notes with an initial face value of USD115.0 million to the Unsecured Noteholders.
3. The issuance of new shares in Mirabela to the First Subscribing Parties as consideration for the First Subscriber Parties having agreed to subscribe for convertible notes not subscribed for by other Unsecured Noteholders with a face value of USD55.0 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 a transfer of 98.2% of the existing shares held by current shareholders to the Unsecured Noteholders on a pro-rata basis. In order to effect this transfer, the Mirabela Deed Administrators are required to apply to Court for approval under section 444GA of the Act to transfer the existing shares to the Unsecured Noteholders. 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 USD115.0 million. There is a potential to raise an additional USD20.0 million more at a later time under this arrangement. Under the terms of the PSA the Secured Noteholders have agreed to rollover their Secured Notes of circa USD60.0 million into the 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 USD55.0 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 convert their existing debt into the new convertible notes, payable in new ordinary shares in Mirabela. The First Subscribing Parties will also receive consideration for agreeing to agreeing to subscribe for convertible notes not subscribed for by other

Unsecured Noteholders of USD55.0 million of the convertible notes, also payable in new ordinary shares in Mirabela which are intended to be offered through the prospectus.

Step 3. Redemption 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 Proposed DOCA. 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.

Table 23: Equity structure after implementation of the Proposed DOCAs

Shareholding (millions)	Existing shareholders	Unsecured Noteholders	Rollover fee	Backstop fee	Convertible Noteholders	Total shares outstanding
Shares outstanding as at appointment	876.8 100.0%	-	-	-	-	876.8 100.0%
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
<i>Voting interest</i>	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
<i>Voting interest</i>	1.7%	92.6%	2.0%	3.7%	0.0%	100.0%
Step 3 - redemption of convertible notes						
New equity issuance					681.8	
Shareholding after step 3	16.1	860.7	18.4	34.5	681.5	1,611.2
<i>Voting interest</i>	1.0%	53.4%	1.1%	2.1%	42.3%	100.0%

7.2 Impact of the Proposed DOCAs on stakeholders

Impact on employees

- The Proposed DOCAs are not intended to have any impact on Excluded Creditors (as defined in the Proposed DOCA). 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

Impact on trade creditors

- Trade creditors, including statutory creditors will be unaffected by the Proposed DOCA. That is, all creditor claims existing as at 25 February 2014 will remain a liability of Mirabela upon effectuation of the Proposed DOCA.
- 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 Proposed DOCAs are effectuated.

Impact on lessors

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

Impact on Secured Noteholders

- The Proposed DOCAs do not of themselves release the Companies of any claim arising from the Secured Notes. However, a condition precedent to the Proposed DOCAs being effectuated is that Mirabela issues the convertible notes and a settlement deed is entered into releasing the Companies from any claim arising from or in connection with the SNSD.

Impact on Unsecured Noteholders

- If implemented, the Proposed DOCAs will release the Companies from all claims relating to the Unsecured Notes.
- As consideration for releasing all claims against the Companies, Unsecured Noteholders will receive 53.4% of the ordinary shares in Mirabela on a fully diluted basis.
- Each 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 is set out in Table 24 below.

Table 24: Value of shareholdings post recapitalisation

Implied equity value USD (millions)	% interest	Assumed value
Administrators' estimate of enterprise value		235.0
Less net debt:		
Bradesco		(42.7)
Atlas Copco		(1.5)
Caterpillar		(5.0)
Add back: forecast cash on hand		14.1
		(35.1)
Estimated equity value		199.9
Value of fully diluted equity		
Convertible Noteholders	42.30%	84.6
Unsecured Noteholders	53.42%	106.8
Rollover participants	1.14%	2.3
Backstop providers	2.14%	4.3
Existing shareholders	1.00%	2.0
Total	100.00%	199.9

Impact on shareholders

- If the Court makes orders pursuant to section 444GA of the Act, then the Deed Administrators will transfer 98.2% of the existing shares to the Unsecured Noteholders. Existing Mirabela shareholders will not be compensated for their shares.
- The existing shareholders will retain a 1.0% interest in the fully diluted equity of Mirabela.
- 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 Proposed DOCAs will extinguish any claims of Shareholder Claimants against the Companies. The Proposed DOCAs do not seek to limit Shareholder Claimants' claims against third parties.

7.3 Regulatory relief requirements

If creditors resolve that the Companies are to execute the Proposed DOCA, the recapitalisation outline above will require certain regulatory relief.

7.3.1 ASIC relief

- ASIC will need to grant relief from section 606 to allow the transfer of the existing shares to the Unsecured Noteholders and the issuance of other securities in connection with the recapitalisation. This relief is required because certain Unsecured Noteholders will obtain, by virtue of the recapitalisation, voting rights in Mirabela otherwise than as permitted by Chapter 6 of the Act.
- An application was lodged with ASIC on 1 May 2014 seeking relief to enable Mirabela to prepare a transaction-specific prospectus in relation to the issue of convertible notes and ordinary shares to creditors (notwithstanding Mirabela's reliance on certain class order relief allowing extensions of time in respect of reporting obligations). The securities may be issued under a transaction specific prospectus to ensure the securities are freely tradeable subject to their terms (including, in the case of the convertible notes, of shares issued on conversion). If the relief is not granted, Mirabela still proposes to issue the convertible notes and ordinary shares, however Mirabela will be required to prepare and lodge a more fulsome, rather than a transaction-specific, prospectus.

7.3.2 ASX listing rule waiver

- The ASX will need to grant a waiver of Listing Rule 7.1 to permit the issue of the convertible notes and the issue of new shares on conversion of the convertible notes, without shareholder approval.
- The ASX will also need to grant a waiver of Listing Rule 10.1 to permit the holders of the convertible notes to obtain the benefit of the security granted in connection with the convertible notes.

7.4 Conditions precedent to effectuation of the Proposed DOCA

If executed, the Proposed DOCAs will become fully effectuated and control revert to the directors upon the following occurring:

- The Bradesco facility is amended/extended to the satisfaction of the Deed Administrators.
- 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 received funds from the issuance of the convertible notes and the convertible notes become a finance document under the SNSD.

The Proposed DOCAs are interdependent, that is both are reliant upon the other being executed.

If creditors resolve to execute the Proposed DOCAs, we estimate that the above steps will be completed before 30 June 2014. An indicative timeline is set out below.

Table 25: Indicative deed administration timetable

Key step	Estimated completion date
Second meetings of creditors held	13 May 2014
Proposed DOCAs executed	13 May 2014
Section 444GA application filed with Court	15 May 2014
Explanatory statement and independent expert report filed with ASIC	15 May 2014
Prospectus filed with ASIC	26 May 2014
Explanatory statement sent to shareholders	28 May 2014

Prospectus sent to Unsecured Noteholders	6 June 2014
Court hearing	11 June 2014
Court decision	16 June 2014
Application funds due for convertible notes	18 June 2014
Transfer of shares (if Court makes orders under 444GA), issuance of convertible notes and effectuation of the Proposed DOCA	20 June 2014

7.5 Further information for shareholders

As noted above, the terms of the Mirabela DOCA require the Deed Administrators to obtain relief from ASIC from section 606 of the Act. ASIC also has standing to appear before the Court in relation to the section 444GA application.

ASIC has advised the Administrators that it would be prepared to grant the necessary relief from section 606 of the Act subject to certain conditions, including the following:

- An independent expert report on the enterprise value of Mirabela being prepared and provided to shareholders. It is proposed that the Administrators will prepare the independent expert report which will conclude on the current enterprise value of the Group relative to its debt. Further, the Administrators, in their capacity as the independent expert, will commission a technical specialist report from an expert agreeable to ASIC to confirm the operational inputs of the current financial model. ASIC has agreed with the use of AMC for this purpose.
- The Deed Administrators are to provide an appropriate explanatory document to Mirabela's shareholders outlining the impact of the recapitalisation on them and rights available if they wish to oppose the section 444GA application. The independent expert report and technical specialist report will need to be made available to all shareholders free of charge.

If creditors resolve that the Companies execute the Proposed DOCA, it is intended that the explanatory memorandum together with the independent expert report and technical specialist report will be lodged with the ASX. A short form notice of the proposed recapitalisation will be posted to all existing shareholders, advising them where they can obtain a copy of the explanatory materials. A hard-copy of the explanatory materials including the independent expert report and technical specialist report will also be made available free of charge to any shareholder who requests one.

7.5.1 Shareholder Claimant claims

The Administrators are aware that a group of Mirabela's shareholders have indicated they may have a claim against the Companies arising from their shareholding.

The Proposed DOCAs expressly seek to release the Companies from all Shareholder Claimant claims. Further, under section 600H of the Act, Shareholder Claimants are not entitled to vote at a meeting of creditors unless the Court so orders.

The Proposed DOCAs do not purport to release any other party from claims by shareholders of Mirabela.

Mirabela's insurance brokers have confirmed to the Deed Administrators that to the best of their knowledge Mirabela has no insurance policies in place that would respond to claims from Shareholder Claimants against Mirabela.

8 Investigations

8.1 Administrators' investigations

Under the Act, we are required to investigate the Companies' business, property, affairs and financial circumstances.

Pursuant to Regulation 5.3A.02 of the Act, we are also required to investigate and report to creditors on any possible recovery actions that would be available to a liquidator, if creditors resolve to place either of the Companies into liquidation.

If the Companies are placed in liquidation, the Act provides that there are actions available to a liquidator in respect of certain transactions that occurred prior to the appointment. These transactions include:

- unfair preferences
- uncommercial transactions
- unfair loans.

With the exception of unfair loans, the foundation on which these recoveries can be pursued is if the Companies were insolvent at the time the transactions being investigated were made.

The Act states a company is considered to be solvent if, and only if, the company is able to pay its debts as and when they become due and payable. A company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather, a cash flow test.

We note that Mirabela Investments has no assets other than its nominal interest in Mirabela Brazil and its only creditors are the Secured and Unsecured Noteholders as a result of a guarantee provided to those parties. Accordingly, the solvency of Mirabela Investments can be determined by reference to the solvency of Mirabela at any point in time.

8.2 Overview of the Administrators' investigations

Our investigations to date have focused on the following matters:

- Breaches of duty and other offences under the Act by the Directors.
- Potential actions by a liquidator (if appointed).

8.3 Approach to investigations

During our investigation, we:

- Held discussions with the directors of the Companies.
- Held discussions with key employees, including the CFO and the financial controller.
- Identified, reviewed, and analysed the Companies' financial information.
- Reviewed the Companies' payments register.
- Reviewed Australian Taxation Office records.
- Reviewed the books and records listing.
- Reviewed the Companies' Board minutes.
- Reviewed advice from the Companies' advisors.
- Held discussions with the Companies' legal advisers.
- Obtained a forensic image of the Companies' electronic information.

8.4 Offences under the Act by the directors

Section 438D of the Act requires an Administrator to lodge a report with ASIC if it appears that:

- a past or present officer, or member, of a company may have been guilty of an offence in relation to the Companies, or
- a person who has taken part in the formation promotion, administration, management or winding up of a company may have misapplied money or property of the Companies or may have been guilty of negligence, default, breach of duty or trust in relation to the Companies.

We set out a table below summarising the relevant offence provisions under the Act

Table 26: List of potential offences

Section	Details	Report section reference
180	Failure to exercise reasonable degree of care and diligence	8.4.2
181	Failure to act in good faith	8.4.2
182	Making improper use of position to gain an advantage	8.4.2
183	Making improper use of information to gain an advantage	8.4.2
184	Reckless or intentional dishonesty in failing to exercise duties in good faith	8.4.2
286	Failure to keep proper accounting records	8.4.1
588FE	Voidable transactions (i.e. uncommercial transactions)	8.6
588G-H	Being a director at the time when an insolvent company incurs a debt and there are reasonable grounds for suspecting the company to be insolvent	8.5
1307	Concealing, destroying, mutilating or falsifying any books and records	8.4.1

8.4.1 Books and records

Failure to maintain adequate books and records may be relied upon by a liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Division 2 of Part 5.7B of the Act.

At the date of our appointment financial records were up to date and information was able to be provided in a timely manner. Management had been in discussions with the Group's auditor to finalise the 2013 consolidated accounts and financial report.

We have reviewed a listing of books and records held in storage and it appears that all historical records required to be kept by a company have been retained.

From our investigations to date, we consider that the Companies have maintained books and records in accordance with the requirements of the Act.

8.4.2 Care and diligence and duty to act in good faith

The duty to act in good faith includes the following:

- to act honestly
- to exercise powers in the interests of the Companies
- to avoid conflicts of interest
- to use their position properly
- to use information only for its proper purpose.

From our investigations to date, we have not found any evidence that the directors have breached their duty to act with due care and diligence and to act in good faith, nor have they used their position or information improperly.

8.5 Insolvent trading

Under the Act, a director may be personally liable to a company if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent, or becomes insolvent by incurring the debt, and there existed reasonable grounds to suspect that the company was or would become insolvent. This claim must be proven by the liquidator against each individual director. Creditors should be aware that a successful claim for insolvent trading requires extensive analysis and generally requires legal action. Further, we would point out to creditors that such proceedings may often be drawn out and involve significant cost. Creditors should also be aware that any successful claim may be set-off by the directors against amounts due to that individual by way of unsecured advances or loan account. In this regard, we note that the Companies' directors have not lodged proofs of debt in the administration for loans made to the Companies.

The Act provides a number of possible defences to directors to a claim for insolvent trading. These defences are:

- at the time the debt was incurred the directors had reasonable grounds to expect and did expect that the company was solvent and would remain solvent if it incurred that debt and any other debts that it had incurred at that time
- at the time the debt was incurred the directors had reasonable grounds to believe and did believe that a competent and reliable person was responsible for providing information about the company's solvency and that person was fulfilling that responsibility
- the directors through illness or some other good reason were not taking part in the management of the company at the time the debt was incurred
- the directors took all reasonable steps to prevent the company from incurring the debt.

It is crucial to note that, with the exception of unfair loans, in order for a liquidator to be able to set aside a transaction or obtain compensation from a director for insolvent trading, the liquidator must first be able to show that at a relevant point in time the company was insolvent.

The Act states the company is considered to be solvent if, and only if, the company is able to pay its debts as and when they become due and payable. The Courts have tended to use a cash flow test rather than a balance sheet test for determining insolvency. However, the determination of solvency involves a consideration of the company's financial position in its entirety and in the context of commercial reality. A temporary lack of liquidity will not necessarily mean that a company is insolvent. Such a situation is to be contrasted with an endemic shortage of working capital. A company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather a cash flow test.

8.5.1 Solvency considerations

Financial interdependency of the Group

In assessing the solvency of the Companies, we are required to consider the financial position of the Group as a whole and not just the financial position of the Companies on a standalone basis. This is because the financial position of the Companies and Mirabela Brazil are interdependent due to the existence of debt cross-guarantees, including:

- The Unsecured Notes and Secured Notes which are guaranteed by Mirabela Brazil
- The Bradesco and Caterpillar facilities which are guaranteed by Mirabela, and
- An event of default under the Bradesco facility would potentially constitute an event of default of the Unsecured Notes and Secured Notes.

For these reasons, our investigations have focussed on the ability of the Group as a whole to pay its debts as and when they fell due.

Access to capital

An important consideration in assessing a company's solvency is its ability to source new capital to fund its operations and to enable debts to be paid as and when due.

The nature of start-up mining operations are such that they require significant capital to explore and develop the resource base and even more capital to construct and commission mining operations. We note that the mine was commissioned in December 2009 and as at 31 December 2009, the Mirabela had an issued equity balance of USD477.0 million.

Whilst the Group incurred significant cash losses since commercial operations commenced in January 2010, it was able to raise additional equity and debt funding to support its ongoing operations.

During FY11 and FY12, Mirabela obtained additional equity funding of USD320.1 million to support the ramp-up of operations, including the expansion of the processing plant from a capacity of 4.6 Mtpa to 7.2 Mtpa.

Mirabela completed its last equity raising in June 2012 for AUD120.0 million

It is apparent that up until the end of FY12, the equity market remained supportive of Mirabela and it was able to raise new equity as required to fund its ongoing operations. Accordingly, our investigations have focussed on the Companies' solvency throughout FY13 and importantly, the series of events that led to the appointment of administrators.

The graph below shows the significant decline in the share price of Mirabela relative to the Standard & Poors ASX 200 index over the same period. The collapse in the share price would have made any attempt to raise new equity extremely difficult, i.e. any substantial raising would have been highly dilutive.

Figure 6: Share price movement

ASX:MBN

Closing share price v S&P ASX 200 rebased to 100 as at 3 January 2012



8.5.2 Key events preceding administration

July 2012 to August 2013

Between July 2012 and August 2013 the Group operated as normal although it continued to face a number of challenges, namely the decline in the nickel price and production being at the lower end of expectations.

In January 2012 Mirabela Brazil entered into a USD50.0 million, 35 month working capital facility with Bradesco. The loan was initially repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. Due to the continued weak nickel market conditions, the scheduled repayment of USD25.0 million due in January 2013 would have put considerable pressure on the Group's liquidity. In February 2013 the Group formalised revised repayment terms which deferred the first principal repayment by 12 months and amended the repayments to be three equal instalments, with the first due in January 2014.

August 2013 to February 2014

The tightening nickel price in mid-2013 and the subsequent notification from Votorantim in September 2013 that it was closing its smelter operations gave rise to concerns that Mirabela may face severe liquidity issues.

During the period 13 August 2013 to 25 February 2014 the Board of Mirabela met on many occasions to discuss the issues affecting the Group. We have reviewed the minutes of these meetings and have summarised key events in the table below.

Table 27: Key events preceding administration

Date	Event	Impact on solvency	Board response/outcome
26 September 2013	Votorantim advised Mirabela Brazil that it planned to shut down its smelter in November 2013 at which time it would cease to purchase nickel concentrate under its offtake agreement.	The potential termination of the offtake agreement may have constituted a default under the financing agreement with Bradesco. Bradesco could have potentially called a default and accelerated repayment of the balance of its loan of c. USD50.0 million. The potential loss of a key offtake party would also have a significant cash flow impact.	Around this time Mirabela engaged the insolvency firm Ferrier Hodgson to undertake a review of the Group's financial and operational position, including a review of its cash flow and solvency. Bradesco did not accelerate repayment of its debt and at that time, the Group had sufficient cash to meet its commitments. The Board recognised the increased risk on the Group's cash flow and agreed to increase the frequency of meetings to monitor the Group's cash flows and solvency.
15 Oct 2013	Mirabela failed to pay the semi-annual interest due on the Unsecured Notes of USD17.3 million.	The non-payment of interest, unless cured within 30 days, was an event of default under the Indenture. If Mirabela was in default, the full face value of the Unsecured Notes could become immediately due and payable.	At a Board meeting on 6 November 2013, it was noted that a standstill arrangement with the Unsecured Noteholders was required by 14 November 2014 to ensure the Companies remained solvent. By 13 November 2013 the Group had agreed standstill arrangements with the Unsecured Noteholders, CAT and Bradesco. Further, the Board had received advice from Ferrier Hodgson and Hardy Bowen that information provided indicated Mirabela remained solvent.
4 Dec 2013	Updated cash flow forecasts indicated the Group would run out of cash by 31 December 2013 (excluding interest payments).	Absent of further funding and a continuation of standstill arrangements, the Companies would likely become insolvent.	At a Board meeting on 4 December 2013, it was noted that the Group required interim funding to ensure its ongoing solvency whilst a more comprehensive restructure was pursued.
11 Dec 2013	A group of the Unsecured Noteholders agreed to provide interim funding to Mirabela, conditional upon Bradesco agreeing to a standstill on its next principal repayment due in January 2014.	The funding required would meet the forecast liquidity gap identified by the Board.	The funding advanced under the Secured Notes provided the Group with sufficient liquidity to continue operating while a more comprehensive solution to its financial position was investigated in conjunction with its financiers
18 Dec 2013	Bradesco froze USD5.4 million of cash from Norilsk sales as a prepayment of interest and principal which had been intended to pay creditors in Brazil and had been factored into the short term cash flow.	The cash swept by Bradesco placed additional cash flow pressure on Mirabela Brazil.	On 19 December 2013 the Board agreed that Mirabela was still solvent. However it was considered that if the Ad-Hoc Noteholders did not agree to funding milestones set by Mirabela that it would be necessary to appoint administrators. A report commissioned by Houlihan Lokey and Ferrier Hodgson indicated that proceeding with the interim funding and restructure arrangements provided a better return to Mirabela's creditors than administration. The report noted that the provision of interim funding was an indication of the Ad-Hoc Noteholders' intention to restructure Mirabela, and that on this basis Mirabela would be solvent after entering the interim funding arrangement.
24 Dec 2013	Mirabela entered into the SNSD.	Mirabela formally secured a USD45.0 million facility to provide interim liquidity support.	By 5 February 2014, USD33.7 million had been drawn. Restructuring options were discussed with the Ad-Hoc Noteholders who had committed to provide a restructuring proposal. Restructuring options were discussed throughout February 2014 and the directors believed there was a reasonable expectation that Mirabela was solvent based on the matters and circumstances known to the Board relating to the proposed restructuring.

Date	Event	Impact on solvency	Board response/outcome
24 Feb 2014	The Ad-Hoc Noteholders entered into the PSA, formalising their commitment to implement a capital restructure.	The PSA proposed to implement a restructure through a DOCA.	The Board appointed us as administrators of the Companies.

At each meeting held between 13 August 2013 and 25 February 2014, the Board reviewed the solvency of the Companies and took advice from the Companies' legal and financial advisors in this regard.

We have reviewed the Board minutes and accompanying Board papers and have formed an initial conclusion that between 13 August 2014 to 25 February 2014, the directors had no reasonable basis not to conclude that the Companies would be able to meet their debts as and when due. Further, we note that the Companies likely remained solvent as a result of the support of the Group's financiers, including:

- Bradesco not responding adversely to the notification that Votorantim proposed to terminate its offtake agreement
- The Ad-Hoc Noteholders entering into a standstill arrangement following the non-payment of the semi-annual interest payment due on 15 October 2013, thus preventing an event of default
- The Ad-Hoc Noteholders committing to provide interim funding and subsequently subscribing for the Secured Notes, and
- The Ad-Hoc Noteholders providing sufficient comfort to the directors that they would present a plan recapitalise Mirabela.

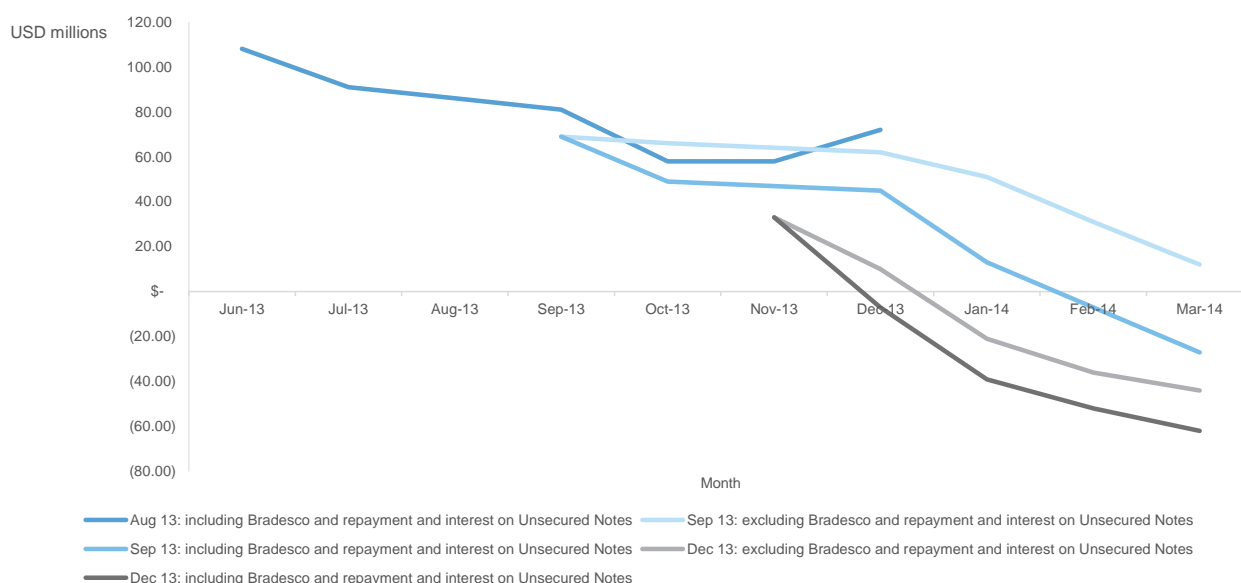
The failure to pay interest in October 2013 was not indicative of immediate insolvency. Mirabella had sufficient cash to pay the interest but took advantage of the 30 day cure period to enter into a standstill agreement before the notes were able to be called in full. The board was taking professional advice and our preliminary review indicates the directors did not breach any duties.

8.5.3 Cash flow review

Cash flow forecasts were prepared on a regular basis and cash balances reviewed daily. Cash flow forecasts were regularly tabled and discussed at Board meetings.

The graph below compares the Group's cash flow forecast as at 13 August 2013, 16 September 2013 and 3 December 2013.

Figure 7: Group cash flow forecasts preceding administration



- Cash flow was severely impacted by the decision of Votorantim to close its nickel smelter and cease purchasing nickel concentrate.
- In November 2013 it became apparent that the Group required funding to cover a forecast cash flow shortfall (as indicated by the cash flow forecasts prepared in December 2013) which was forecast to eventuate even if payment of interest on the Unsecured Notes was deferred and the January 2014 principal repayment to Bradesco was rescheduled.
- The 3 December 2013 forecast indicated that without standstill agreements and additional funding, the Group would become insolvent in that month.

8.5.4 Balance sheet review

As detailed above, the solvency of a company is very much reliant on its ability to generate or source cash to meet its debts as and when due. However, reviewing a company's financial position can assist in identifying prior period trends, and in particular a company's working capital account balances over time.

The table below sets out the Group's consolidated working capital balances between June 2012 and January 2014.

Table 28: Abridged statement of financial position

USD (millions)	Jun-12	Dec-12	Jun-13	Dec-13	Jan-14
Cash and cash equivalents	166.4	143.0	108.1	30.7	36.0
Receivables	31.1	63.0	48.1	25.2	23.3
Inventories	66.1	56.9	50.7	68.0	62.4
Total current assets	263.5	262.9	206.9	123.9	121.6
Trade and other payables	39.4	46.0	42.7	64.5	51.3
Provisions	6.0	3.3	3.8	3.4	3.2
Borrowings	34.9	34.9	26.0	443.3	484.4
Total current liabilities	80.2	84.2	72.5	511.1	539.0
Net current assets	183.3	178.7	134.4	(387.2)	(417.3)

The table above shows a deterioration in the net current asset position between 30 June 2012 and 31 January 2014. As at December 2013 all external borrowings were reclassified as current due to the short-term nature of the standstill agreement agreed with the Ad-Hoc Noteholders.

8.5.5 Conclusion

Based on our review of the facts and circumstances, we have concluded that it was likely that the Companies were not insolvent up until our appointment on 25 February 2014. We have reached this conclusion for the following reasons:

- Mirabela's shareholders remained supportive of the company up until, at the earliest, June 2012, being the date that Mirabela completed its last equity raising of circa AUD120.0 million. Accordingly, our investigations into the Companies' solvency has focused on the period July 2012 to 25 February 2014.
- Between July 2012 and August 2013 the Group forecast sufficient cash to operate as a going concern. A renegotiation of the terms of the Bradesco loan was entered into in February 2013 as a tightening of cash was forecast at the end of 2013 due to the declining nickel price. Further, Management started discussing funding arrangements with potential cornerstone investors to provide funding through the down cycle of the nickel market.
- The key event that caused the directors to be initially concerned as to the solvency of the Companies was the receipt of the termination notice from Votorantim. At a Board meeting on 20 September 2013 the directors acknowledged the potential solvency implications of Votorantim's notice and shortly thereafter, Mirabela commenced discussions with its financiers to obtain interim debt relief while it pursued a longer-term recapitalisation.
- The Board of Mirabela met a total of 14 times between 20 September 2013 and 23 December 2013 and on each occasion the Board considered ongoing solvency. We have formed the view that based on information available to the Directors throughout this period, there was no reasonable basis to not conclude that Companies were solvent given there appears to have been a reasonable prospect that the Ad-Hoc Noteholders would propose and support a restructuring of the Companies' capital structure. The fact that the certain members of the Ad-Hoc Noteholders provided funding supports the notion that the directors had a reasonable basis on which to assume that Mirabela's financiers would provide adequate support to ensure continued solvency.
- Our appointment as administrators immediately followed a notice to the Companies from the Ad-Hoc Noteholders on 24 February 2014 advising the Companies that their ongoing financial support was conditional on, amongst other things, the Companies being placed into administration.

8.6 Potential recovery actions available to a liquidator

8.6.1 Voidable transactions

Unfair preferences

If a company is placed into liquidation, various provisions of the Act enable the liquidator to recover certain payments that were made by the company to a creditor prior to the company being placed into voluntary administration, referred to as unfair preferences. These are transactions where the payment results in a creditor receiving more than it would have received in the winding up of the company. A liquidator is able to look back at the preceding six months to determine whether or not any such transactions occurred i.e. a liquidator is able to review transactions between the period 26 August 2013 to 25 February 2014.

In order to prove a creditor received an unfair preference payment, the Liquidator must first show that the company was insolvent at the time of the payment. As set out in section 8.5.5, we do not believe that the Companies traded whilst insolvent, however, if the Companies were placed into liquidation, further detailed analysis would be undertaken.

The creditor has a defence to an unfair preference claim by a liquidator if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given, nor would a reasonable person in the creditor's position have suspected that the company was insolvent or would become insolvent.

A review of the Companies' records indicates that no preferential payments have been made to creditors under the provisions of section 588FA of the Act. There are no records that indicate any payments were made as a result of action taken by creditors against the Companies.

Further we note that all trade creditors' accounts were within terms as at the date of our appointment. No unscheduled payments were made in respect to the Unsecured Notes in the six months prior to our appointment.

Uncommercial transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a liquidator:

- The transaction was entered into or given effect to within two years of the date of appointment of the administrator.
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction.
- A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits and detriments to the company in entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

We are unaware of any uncommercial transactions entered into by the Companies.

Unfair loans

An unfair loan is a loan agreement where the interest or charges are considered to be extortionate. Unfair loans made to the company any time prior to the appointment of the administrators may potentially be overturned by a subsequently appointed liquidator, whether or not the company was insolvent at any time after the loan was entered into.

The Ad-Hoc Noteholders entered into the SNSD in December 2014 to provided interim funding of USD45.0 million to Mirabela. The key terms of the funding were as follows:

Table 29: Terms of Secured Notes

Key term	Details
Facility size	USD45.0 million
Upfront issue discount	16.25%
Upfront fee	16.25%
Interest structure	Payment in kind (i.e. capitalised)
Interest rate	3.5%
Maturity	The earlier of 14 March 2014 or the consummation of a recapitalisation and restructuring of Mirabela's indebtedness.
Collateral	A registered security interest in all existing and after acquired property of the Companies and appropriate security over the unencumbered assets of Mirabela Brazil.

The directors sought advice on the interest and fees associated with the interim funding and while it was considered costly, the directors were advised that the costs were comparable to interim funding provided to other companies in similar circumstances. We have reviewed the advice and do not believe the interest and fees to be extortionate given the financial position of the Companies.

8.7 Other matters

8.7.1 ASIC searches

A search of ASIC's database for the directors who were appointed as at the date of our appointment indicates that they hold other current board positions as detailed below.

Table 30: Director board positions

Director	Other board appointments
Ian Frank Purdy	Aqueous Metallurgy Pty Ltd East Kimberley Pty Ltd Fodina Minerals Pty Ltd Ordover Pty Ltd WMT Consulting Pty Ltd
Ian James McCubbing	B.I.M.H Pty Ltd Hosston Holdings Pty Ltd Kasbah Resources Limited Monrovia Investments Pty Ltd Swick Mining Services Ltd Territory Chromite Pty Ltd Territory Gold Pty Ltd
Stuart Nicholas Sheard	Carpentaria Exploration Limited

8.7.2 Personal guarantee claims

Our investigations have not revealed the existence of any personal guarantee claims. The directors have advised that they are unaware of any personal guarantee claims.

8.7.3 Disclosure obligations

We are aware that a number of shareholders have raised concerns that Mirabela did not keep the market fully apprised of its financial position. As Administrators we are not required to investigate and are not in a position to comment on the validity or otherwise of such claims, however, we note that any claims of Shareholder Claimants are subordinated to unsecured creditors pursuant to section 563A of the Act. The existence of potential Shareholder Claimant claims has not impacted our recommendations set out in this report because:

1. If the Companies were to be liquidated, we estimate that unsecured creditors will not receive a return, Shareholder Claimant claims would therefore would also not receive a return.
2. Given 1 above, Shareholder Claimants interests will not be prejudiced by the Companies executing the Proposed DOCAs.

8.8 Limitation of investigations

The opinion outlined above is based on investigations undertaken by our office into the Companies' affairs, business and financial position. Our investigations have been based on the following information:

- Representations of directors of the Companies.
- The details of the Companies' assets and liabilities as established by our office.
- The books and records of the Companies, which have been written up to record transactions of the Companies to 31 January 2014 that have been made available to us.

8.9 Offences in relation to the Companies - section 438D

We are not aware of any offences in relation to the Companies that may have been committed by the directors of the Companies. We are not aware of any persons, who have taken part in the formation or management of the Companies, misapplying or retaining money or property of the Companies. We are not aware of any persons who have been guilty of negligence, breach of duty or trust of the Companies. Accordingly, we have not reported to the ASIC under section 438D of the Act.

9 Alternatives available to creditors

It is our obligation to make a recommendation on which alternative is in the best interests of creditors. Our recommendation is based on what is in the best interests of creditors with regard to repaying their existing debts and must also ensure that those creditors who have an ongoing relationship with the Companies are comfortable in their dealings with the Companies.

We make the following general comments in respect to each option:

9.1 Proposed DOCAs

The Proposed DOCAs provides for the continuation of the Companies' business. As detailed in section 7, the Mirabela DOCA provides for continuation of employment for all employees, the preservation of all trade creditor claims and the ongoing rental of property and equipment.

The only creditors impacted by the Proposed DOCAs are the Unsecured Noteholders and the Shareholder Claimants. All other creditors will remain whole and their debts paid in full in the ordinary course of business.

As Deed Administrators, we would continue to supervise the affairs of the Companies after execution of the Proposed DOCAs until fully effectuated. As detailed in section 7, should creditors resolve that the Companies should execute the Proposed DOCA, the Companies would likely only remain subject to deed administration for a period of six to eight weeks whilst the conditions precedent to effectuation are addressed. Upon effectuation, control of the Companies would be returned to the directors.

9.2 Bringing the administrations to an end

It is possible that creditors may consider ending the administrations and returning the Companies to the existing director. This is not a commercial proposition at this stage given the financial position of the Companies and will likely lead to the Companies being wound up.

9.3 Winding up the Companies

At the second meetings of creditors, creditors may resolve that either of the Companies be wound up. Should they do so, that company will be placed into liquidation and the company is taken to have nominated the Administrators to be the liquidators, if the creditors do not nominate a person to be the liquidator. The liquidators are required to realise and distribute the assets in accordance with section 556 of the Act (subject to section 545 of the Act) and will also be required to complete a thorough investigation into the Companies' past dealings and affairs, and the past actions of the directors.

The effects of the liquidation of the Companies include:

1. the moratorium available under the voluntary administration process will cease
2. the liquidators will be empowered to recover potential voidable transactions, however, as outlined in section 8 of this report, our initial investigations have not identified any voidable transactions
3. the liquidators will be required to conduct an investigation into the affairs of the Companies pursuant to section 533 of the Act and lodge a report with the ASIC in respect of the same.

The terms of the proposed DOCA's do not permit one to be entered into, accordingly, if either DOCA is not entered into, both Companies would be placed into liquidation.

9.3.1 Consequences of the Companies being placed into liquidation

If the Companies are placed in liquidation, without an obvious alternate source of funding, Mirabela Brazil would have insufficient funds to continue its mining operations, leaving it with two options, namely:

- File for bankruptcy, which would likely result in the liquidation of its assets, or

- Look to put the mine into care and maintenance to preserve value whilst a sale or a restructure of Mirabela Brazil was completed.

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.

Commentary on the potential outcomes should Mirabela Brail file for bankruptcy is set out in section **Error! Reference source not found.**

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 to 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 USD37.7 and USD45.6 million if Mirabela Brazil was placed into bankruptcy and USD178.6 million in the ordinary course of business, with significant ongoing costs likely. Whilst these are estimates only and 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, it was advised there was significant risk of having the lease with CPB and operating licences cancelled under a care and maintenance scenario.

9.4 Financial analysis of alternatives

A summary of the analysis of the alternatives is provided below.

Table 31: Summary of estimated outcomes to creditors

Creditor class	Estimated debt AUD (millions)	Estimated return under Proposed DOCAs cents/\$	Estimated return under liquidation cents/\$
Secured Noteholders	60.0 ³²	73.5 ³³	7.1
Employees	1.8	100.0	100.0
Unsecured Noteholders	473.1	24.7 ³⁴	-
Trade creditors	0.5	100.0	-
Table reference		Table 24	Table 32

³² The Secured Notes continue to accrue interest. We have assumed that the Secured Noteholders could prove for the entire balance of their claim and assumed no realisations from the security granted by Mirabela Brazil.

³³ Assumes the Secured Notes are converted into convertible notes and will obtain a portion of the 42.3% of the implied equity value attributable to convertible Noteholders ((USD60.0 million / USD115.0 million) x USD 84.6 million). This does not include consideration fees payable in new ordinary shares in Mirabela.

³⁴ Assumes the Unsecured Noteholders obtain a 53.4% interest in the fully diluted equity of Mirabela with an implied equity value of USD106.8 against the current accrued indebtedness of c. USD431.9 million.

9.5 Estimated outcome in liquidation

We have estimated the possible return to creditors should the Companies be placed into liquidation. As set out below, we estimate that employees would be paid in full, the Secured Noteholders would receive a nominal return, whilst unsecured creditors would receive no return.

Table 32: Estimated return to creditors in liquidation

AUD ('000)	Note	Book value	Liquidation
Assets subject to non-circulating security interest			
Plant and equipment	1	245.2	35.2
Intercompany loan to Mirabela Brazil	2	508,583.9	-
Shares in Mirabela Brazil	3	-	-
		508,829.1	35.2
Less: outstanding Secured Notes		(66,560.5)	(66,560.5)
Surplus/(deficit) on assets subject to non-circulating security interest		442,268.6	(66,525.3)
Assets subject to circulating security interests			
Cash at bank	4	10,489.6	10,489.6
Debtors		-	-
		10,489.6	10,489.6
Liabilities related to assets subject to circulating security interests			
Administration costs including, wages and advisor fees	5		(2,249.4)
Administrators' remuneration and disbursements	6		(305.4)
Liquidation costs including legal fees	7		(953.6)
Liquidators' remuneration and disbursements	7		(475.0)
Surplus/(deficit) available for priority creditors		452,758.2	6,506.3
Priority creditor claims			
Wages and superannuation		-	-
Leave	8	421.9	393.1
Retrenchment payments	8	1,435.3	1,435.3
Sub-total		1,857.2	1,828.4
Surplus/(deficit) available for Secured Noteholders		450,901.0	4,677.9
Balance of Secured Notes claim		-	(66,525.3)
Surplus/(deficit) available for priority creditors		450,901.0	(61,847.4)
Distribution to secured creditor (cents in \$)			7.08
Voidable transaction recoveries		-	-
Unsecured creditors			
Unsecured Notes		473,121.4	473,121.4
Trade creditors			550.0
		473,121.4	473,671.4
Total surplus/(deficit)		(22,220.4)	(468,993.5)
Distribution to unsecured creditors (cents in \$)			nil

Comments and assumptions

In a liquidation, the only assets likely to be available include:

- Cash at bank
- Proceeds from the sale of office equipment and furniture
- Potential recoveries from the intercompany loan to Mirabela Brazil.

1. *Plant and equipment*

We have assumed net recoveries of 25% and 50% of the book value of computer and general office equipment respectively. We have not attributed any recoverable value to software or capitalised office fit out costs.

2. *Intercompany loan to Mirabela Brazil*

We have not attributed any value to the intercompany loan receivable from Mirabela Brazil. Our reasons for this approach is set out in section 9.5.1 below.

3. *Quotaholding in Mirabela Brazil*

We have not attributed any value to Mirabela's quotaholding in Mirabela Brazil. For there to be any value in the quotas, Mirabela Brazil's assets would have to exceed its debts, which is not the case.

4. *Cash at bank*

Mirabela currently has cash at bank of approximately AUD11.0 million (including the funds from the recent USD10.0 million draw-down notification under the SNSD).

Of the current cash held, AUD0.5 million secures a bank guarantee provided to Mirabela's landlord. In the event that the Companies were placed in liquidation the bank guarantee would likely be called and the cash swept by the issuing bank.

5. *Administration costs*

This estimate includes employee wages and on-costs for May 2014 (due 15 May 2014), rent payable for the Perth office and estimated fees and costs payable to the Administrators' legal and technical advisors.

6. *Administrators' remuneration*

As set out in the remuneration report, we have incurred fees for the period 14 April 2014 to 27 April 2014 in the amount of \$77,172.00 excluding GST and disbursements. We estimate our fees from 28 April 2014 to the second meetings of creditors will be \$215,358 excluding GST and disbursements.

7. *Liquidation costs and remuneration*

We have provided a high level estimate of the estimated liquidation costs our liquidators' remuneration if the Companies were to be placed into liquidation. We note that the level of work the liquidator would need to undertake is uncertain.

8. *Employee entitlements*

We have assumed that all staff would be terminated at the end of May 2014, at which time employees would become entitled to receive outstanding annual leave, pay in lieu of notice and redundancy pay. Employees would not be entitled to receive any amounts due under their short-term incentive plans.

9.5.1 Potential outcomes of bankruptcy of Mirabela Brazil

If the Companies were to be liquidated, Mirabela would cease funding the operations of Mirabela Brazil and as a result, it is highly likely that Mirabela Brazil would file for bankruptcy under the laws of Brazil and its secured creditors would likely seek to enforce their securities granted by Mirabela Brazil.

We understand that Brazilian bankruptcy law provides that creditors are repaid in the following order of priority:

1. Bankruptcy costs, including any debtor in possession funding.
2. Labour related claims, to a statutory maximum of 150 minimum wages per creditor³⁵.
3. Secured claims to the value of the encumbered security.
4. Tax claims.
5. Certain privileged claims including claims secured by lien.
6. Unsecured creditor claims, and
7. Subordinated creditor claims

We understand that Mirabela would rank as an unsecured creditor (for the intercompany loan) and we have undertaken our analysis on that basis.

If Mirabela Brazil filed for bankruptcy, it would put at risk its mining tenement lease over the Santa Rita mine with CPBM and its operating licences granted by the relevant state authorities. If the lease and/or licenses were revoked, the mine operation would have no access to the mineral reserves nor would it hold the permits required to continue operating.

The bankruptcy of Mirabela Brazil would likely result in:

- Bradesco enforcing its security and recovering any monies due under its secured receivables
- Caterpillar and Atlas Copco enforcing their securities and repossessing all encumbered mining fleet
- The Secured Noteholders enforcing their security and recovering all proceeds from the sale of inventories (including nickel concentrate, consumables and other goods in store), the unencumbered mining fleet and mortgaged land
- The termination of the offtake agreements.

Value of intercompany loan to Mirabela Brazil

Our analysis indicates that the only assets of Mirabela Brazil likely to be available to meet unsecured creditor claims (i.e. those assets not otherwise encumbered) would be the buildings and fixed plant and equipment fixed. Assuming a buyer could be found for the Santa Rita mine, the realisable value of the plant and equipment would likely be minimal without all infrastructure and licenses required to operate the mine.

An extract from Mirabela Brazil's statement of financial position as at 28 February 2014 is shown below with comments on the potential value of the assets in a scenario where the assets were to be liquidated.

Any assets realised by the bankruptcy trustee would be used to meet priority creditor claims, including those of employees, taxation authorities and certain privileged claims including claims secured by liens. Accordingly, any proceeds from asset realisations would be diminished and potentially exhausted by prior ranking creditor claims and bankruptcy costs.

³⁵ This is Brazilian terminology, but we understand that it refers to 10 weeks of the Brazilian minimum wage.

Table 33: Extract of Mirabela Brazil's statement of financial position as at 28 February 2014

Asset	Note	Book value R\$ (millions)	Book value USD (millions) (converted at 2.5)
Current assets			
Cash	1	28.84	11.54
Receivables - Trade & Sundry	2	38.82	15.53
Inventories - Ore Broken	3	38.93	15.57
Inventories - Concentrate	3	19.14	7.66
Stores, Spares & Consumables	4	76.91	30.76
Prepayments	5	21.89	8.76
Total current assets		224.53	89.81
Non-current assets			
Recoverable tax - non current	6	76.45	30.58
Property, plant and equipment	7	173.33	69.33
Mine Properties	8	77.29	30.92
Exploration and Evaluation Assets	8	5.26	2.10
Other assets - non current	8	2.52	1.01
Total non-current assets		334.85	133.94

1. Cash

We understand that cash held by Mirabela Brazil would be used to pay bankruptcy costs and would be available to meet priority employee and tax claims.

2. Receivables

Mirabela Brazil has granted Bradesco security over its receivables. In the event of bankruptcy, we have assumed that all receivable balances would be collected by Bradesco.

3. Inventories

Mirabela Brazil has granted the Secured Noteholders security over its inventory. The value of crushed ore is likely to be nil unless funding was available to operate the concentration circuit. Any recoveries from the sale of nickel concentrate would be available to the Secured Noteholders.

4. Stores, spares and consumables

Mirabela Brazil has granted security over these assets to the Secured Noteholders.

5. Prepayments

Recovering prepayments in an insolvency context is difficult, if not impossible and we have assumed these assets to be of nil value.

6. Recoverable tax

This balance represents the tax credits available from the payment of certain Brazilian state and federal taxes which are unlikely to be recoverable in bankruptcy.

7. Property, plant and equipment

This represents the written-down, impaired value of the mining assets, including the crushing and concentration circuits as well as company owned mining fleet. We have obtained a copy of a valuation of the mining fleet which indicates that the value of the unencumbered vehicles is approximately USD12.0 million, the proceeds of which would be available to the Secured Noteholders.

Unless a sale of the mine as a whole could be achieved, the value of the fixed mine assets would be minimal. If the mining operations were to be discontinued, the costs to any incoming party to restart operations would be significant. Accordingly, the value of the fixed assets to any future operator of the mine would be significantly less than current book values. Further, the value of the mine and its assets would likely be determined by reference to its value in use, less costs to recommission the mine. Our valuation indicates that the non-distressed, arm's length value of the Group is between USD150.0 million and USD235.0 million. Accordingly, the value of the mine in a distressed, non-operating state would be minimal, if not nil and likewise for the fixed assets.

8. Mine properties, exploration rights and other assets

The value of the Mirabela Brazil's mining tenements, explorations licences and applications in bankruptcy is difficult to ascertain as the lease over the mineral tenements from CPBM could be prejudiced. If the lease was to be cancelled, the mine properties would be of limited value (if any).

9.6 Estimated outcome of the Proposed DOCA

As detailed in section 7, the Proposed DOCAs will only impact the Secured and Unsecured Noteholders and the Shareholder Claimants. Employees and trade creditors will remain whole and debts paid in the ordinary course of business.

Mirabela's landlord and equipment lessor will be unaffected by the Proposed DOCAs. We note that both the landlord and lessor have been paid up to date and the Proposed DOCAs do not seek to alter the current lease arrangements.

Our estimate of the return to Unsecured Noteholders, being the value of their share of the equity in the restructured Mirabela is set in Table 24.

9.7 Recommendation

It is our opinion it would be in creditors interests for the Companies to execute the Proposed DOCA. It is not in creditors interests to wind up the Companies or to bring the administrations to an end. The reasons for our recommendation are as follows:

1. The Proposed DOCAs will result in the continuation of the Group's business.
2. All employees will be retained by Mirabela and their entitlements preserved as a liability of Mirabela
3. Trade creditors and employees will be remain whole and their debts paid in full in the ordinary course of business.
4. The Unsecured Noteholders will obtain a significant equity stake in Mirabela the implied value of which, far exceeds any possible recovery should the Companies be placed into liquidation.

As detailed in the financial analysis of the alternatives (refer to section 9.4), the Proposed DOCAs will result in continued employment for all existing staff, the payment of all trade creditor claims in the ordinary course of business and a better outcome for the Secured Noteholders and Unsecured Noteholders than if the Companies were liquidated.

10 Estimated return to creditors

10.1 Amount

If the Proposed DOCAs are approved and the Proposed Recapitalisation implemented, the Unsecured Noteholders will hold 53.4% of the ordinary, fully diluted equity in Mirabela. Based on our valuation analysis, the implied equity value attributable to the Unsecured Noteholders is c. USD 106.8 million.

The Secured Noteholders will be issued convertible notes with a face value equal to their current debt. Based on our valuation analysis, the implied equity value attributable to the Secured Noteholders upon redemption of the convertible notes is c. USD44.1 million.

We note that employee and trade creditors will not be affected by the Proposed DOCAs and all claims will remain a liability of Mirabela.

10.2 Timing

As detailed in section 7.4, if the Proposed DOCAs are approved by creditors, we estimate it will take approximately six weeks to complete the steps required to effectuate the Proposed DOCAs as detailed in Table 25.

11 Remuneration of administrators

In accordance with section 449E of the Act, the Administrators' remuneration report is attached as Appendix 2. We are seeking approval of our remuneration on a time basis in accordance with the KordaMentha National FY14 Schedules of Hourly Rates, which are included in the remuneration report. Also included in the remuneration report are details in relation to disbursements.

12 Further information

Creditors requiring further information regarding the administrations can contact Nick Short on +61 2 8257 3032 or by email to nshort@kordamentha.com.

Dated: 2 May 2014



Martin Madden
Administrator

Level 5 Chifley Tower
2 Chifley Square
Sydney NSW 2000

Appendix 1 – Summary of Mirabela receipts and payments

Receipts and payments (inclusive of GST)	AUD (inclusive of GST)
Cash at bank as at 25 February 2014	15,846,669
Receipts	
Bank interest	4,569
Note holder funding	1,974,146
Pre-appointment retainers / prepayments	1,259,257
Workers compensation insurance adjustment	2,104
Total receipts	3,240,076
Payments	
Administrators' disbursements	575,319
Administrators' fees	7,579
Advisor fees	161,674
Agent fees	10,419
Bank charges	190
Business travel expenses	4,000
Consulting fees	23,334
Employee expenses	4,693
Hire and leasing	3,223
Insurance	45,455
Intercompany loan	9,857,169
Legal fees	876,739
Other expenses	4,758
PAYG withheld	(264,481)
Preferred creditors settlement	151,266
Recruitment fees	49,691
Rent	98,161
Superannuation paid	48,154
Travelling expenses	19,908
Wages and salaries	535,481
Total payments	12,212,733
Net receipts/(payments)	6,874,011

Appendix 2 - Remuneration report



KordaMentha
restructuring

Mirabela Nickel Limited

(Administrators Appointed)

ACN 108 161 593

Remuneration Report by Administrators

2 May 2014

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1 Remuneration

We refer to the appointment of Martin Madden, Cliff Rocke and David Winterbottom as administrators of Mirabela on 25 February 2014 pursuant to section 436A of the Act

In accordance with Section 449E of the Corporations Act 2001 and the Australian Restructuring Insolvency and Turnaround Association's Code of Professional Practice, we provide the following information in respect of the Administrators' remuneration for the period from 14 April 2013 to 27 April 2014 and for future remuneration from this date.

The following information is provided to assist creditors consider the appropriateness of the remuneration claims that are being made. Your approval of this remuneration will be sought at the second meeting of creditors to be held on 13 May 2014.

The definitions used in this report are as defined in the report to creditors dated 2 May 2014.

Declaration

We, Martin Madden, Cliff Rocke and David Winterbottom of KordaMentha, have undertaken a proper assessment of this remuneration and disbursements claim for our appointment as Voluntary Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration. We are satisfied that the disbursements claimed are necessary and proper.

1.1 Remuneration of Administrators

Period of remuneration	Amount (ex GST)	Appendix reference
Remuneration previously approved:		
25 February 2014 to 13 April 2014	\$523,017.50	6
Remuneration to be approved at the meeting on 13 May 2014		
Voluntary Administration		
Resolution 1: 14 April 2014 to 27 April 2014	\$77,032.00	3
Resolution 2: 28 April to 13 May 2014	\$215,358.00	4
Total remuneration – Voluntary Administration	\$292,390.00	
Deed of Company Arrangement		
Resolution 3: Execution of the Mirabela DOCA to the effectuation or termination of the Mirabela DOCA	\$672,375.00	5

Approval for future remuneration sought for the period of the Mirabela DOCA is based on an estimate of the tasks necessary to be completed. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Attached as appendices for each resolution period are schedules of tasks undertaken or to be undertaken and a calculation of remuneration by person for the period of actual remuneration. Information on the main activities in those relevant task areas is summarised in the schedules to enable creditors to understand the type and purpose of work being undertaken.

Resolutions to be proposed to creditors in respect of remuneration are detailed in Appendix 7.

1.2 Other relevant information regarding remuneration

We advise that we have not received any indemnity, guarantee or contribution from a member, director or any other party related to the Company for our fees and expenses. We advise that we have not received funding from any other source.

Our remuneration will be drawn from company funds, which includes proceeds from the remaining USD10.0 million made available by the Secured Noteholders under the SNSD.

ASIC has produced an Information Sheet entitled 'Approving fees: a guide for creditors' that may be found on our website at [Creditor Information – Australia](#), the ASIC website at [Approving fees – a guide for creditors](#) or alternatively, a copy can be obtained from KordaMentha on request.

2 Disbursements

Disbursements incurred for the period 14 April 2014 to 27 April 2014 are detailed in Appendix 8. Where amounts have been paid to KordaMentha from funds in the administration of the Company for externally provided goods or services, these are reimbursements to KordaMentha for amounts paid by KordaMentha either because KordaMentha was invoiced directly or because funds were not available at the time in the administration.

Disbursements have been categorised as follows:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional disbursements – these are recovered at cost. Examples of externally provided professional service disbursements are travel, accommodation, search fees and lodgement fees.
- Internal disbursements – these are recovered on a reasonable commercial basis. These disbursements are generally charged a cost, though some may be charged at a rate which recoups both variable and fixed costs. Examples of internal disbursements include printing and postage costs, travel allowance and data room hosting.

Details of our disbursement policy are included with the attached KordaMentha Rates National FY 2014.

3 Other information

This remuneration report should be read in conjunction with the Report to Creditors dated 2 May 2014. A summary of the Administrators' receipts and payments from the commencement of the voluntary administration to 27 April 2014 can be found in the Report to Creditors dated 2 May 2014.

If you have any queries in relation to the information provided for remuneration or a particular disbursement incurred, please contact Aaron Swaffield on (02) 8257 3000 or by email at aswaffield@kordamentha.com.

Dated: 2 May 2014



Martin Madden
Administrator

Appendix 1 – Schedule of KordaMentha rates

KordaMentha rates national FY2014 and a guide to staff experience.

KordaMentha rates

National

Applicable from 1 July 2013

FY2014

Classification	\$ per hour
Principal Appointee/Partner/Executive Director	625
Director	575
Associate Director 1	525
Associate Director 2	475
Manager	450
Senior Executive Analyst	375
Executive Analyst	350
Senior Business Analyst	300
Business Analyst	275
Administration	130

**Exclusive of GST*

KordaMentha disbursement policy

Disbursements incurred from third party suppliers are charged at the cost invoiced. KordaMentha does not add any margin to disbursements incurred through third parties.

There are no charges for internal KordaMentha disbursements, such as internal photocopy use, telephone calls or facsimiles, except for bulk printing and postage that is performed internally, which are calculated on a variable cost recovery basis.

In relation to any employee allowances, being kilometre allowance and reasonable travel allowance, the rate of the allowance set by KordaMentha is at or below the rate set by the Australian Taxation Office.

If a KordaMentha data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room.

Certain services provided by Forensic Technology may require the processing of electronically stored information into specialist review platforms. Where these specific Forensic Technology resources are utilised, the fee will be based on units (e.g. number of laptops), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting).

GST is applied to disbursements as required by law.

KordaMentha disbursement internal rates and allowances

Description	Charge*
Photocopying, printing (general)	\$0.02 per page
Envelopes and postage (varies due to size and weight)	\$0.76 to \$1.86 per envelope
Travel Reimbursement	\$0.60 per kilometre
Meal per diem, etc.	Up to \$91.05 per day per staff member (unless other arrangements made)
Dataroom fee (varies based on MB size)	\$1,000 to \$5,000 per month

*Exclusive of GST

KordaMentha classifications

Classification	Guide to level of experience
Principal Appointee/Partner/Executive Director	Registered/Official Liquidator/Trustee, his or her Partners. Specialist skills brought to the administration. Generally in excess of 10 years' experience.
Director	More than eight years' experience and more than three years as a Manager. Answerable to the appointee, but otherwise responsible for all aspects of an administration. Controls staffing and their training.
Associate Director 1	Six to eight years' experience with well-developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Associate Director 2	Five to seven years' experience with well-developed technical and commercial skills. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists with the planning and control of medium to large administrations.
Manager	Four to six years' experience. Will have had conduct of minor administrations and experience in control of one to three staff. Assists with the planning control of medium to large administrations.
Senior Executive Analyst	Three to four years' experience. Assists planning and control of small to medium administrations as well as performing some of the more difficult tasks on larger administrations.
Executive Analyst	Two to three years' experience. Required to control the tasks on small administrations and is responsible for assisting tasks on medium to large administrations.
Senior Business Analyst	Graduate with one to two years' experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Business Analyst	Undergraduate or graduate with up to one year experience. Required to assist in day-to-day tasks under supervision of more senior staff.
Administration	Appropriate skills, including books and records management and accounts processing particular to the administration.

Appendix 2 – Summary of work completed

Detailed below is a summary of work completed by task area for the period from 14 April 2014 to 27 April 2014.

Task area	General description	Details of tasks
Assets 15.6 Hours \$9,110.00	Intercompany loan asset	<ul style="list-style-type: none"> Attendance to matters concerning Mirabela Brazil including correspondence and teleconference attendance with its directors, management and advisors. Review of budgets, plans, and communications to Brazilian staff and authorities regarding forced-leave and progress of administration
	Cash on hand	<ul style="list-style-type: none"> Correspondence with various pre-appointment banks regarding funds on hand
Creditors 23.1 Hours \$11,322.50	Creditor enquiries	<ul style="list-style-type: none"> Receive and follow up creditor enquiries Correspondence with committee of creditors
	Secured creditor	<ul style="list-style-type: none"> Correspondence with secured creditor and attendance to documentation Numerous meetings with the Ad-Hoc Noteholders and their advisors and solicitors regarding the administration and proposed recapitalisation of Mirabela Meetings with legal advisors regarding proposed recapitalisation and terms and implementation of the Proposed Deed of Company Arrangement
	Shareholders	<ul style="list-style-type: none"> Attend to shareholder queries
Employees 0.9 Hours \$315.00	Payroll	<ul style="list-style-type: none"> Payment of wages and superannuation
	ATO and other statutory reporting	<ul style="list-style-type: none"> Prepare and lodge business activity statements Compliance with ongoing market disclosure obligations, including drafting announcements and liaising with management and legal advisors regarding same Compliance with Canadian securities law and disclosure obligations
Statutory compliance 35.2 Hours \$15,585.00	Deed of Company Arrangement	<ul style="list-style-type: none"> Detailed review of Proposed DOCAs Meetings with legal counsel to review Proposed DOCAs and consider issues arising from their terms, namely the various implementation steps, timing and risks associated with the issuance of securities whilst subject to deed administration
	Reports to creditors	<ul style="list-style-type: none"> Preparation of report to creditors, including s439A report in preparation for second meeting of creditors Meetings with legal counsel regarding s439A report Finalise investigations into the Companies financial affairs
	Meeting of creditors	<ul style="list-style-type: none"> Preparation of meeting documents Preparation and lodgement of minutes of meeting with ASIC for committee of creditors meeting
	Trade on management	<ul style="list-style-type: none"> Liaising with suppliers, management and employees as required Attendance at Mirabela's Perth office Preparation and authorisations of receipt and payment forms Preparation of cash flow forecasts and communication with Secured Noteholders regarding funding requirement Meetings and teleconferences regarding operational matters and concerns regarding operations of Mirabela Brazil Meetings and correspondence regarding liquidity of Mirabela Brazil Monitoring administration creditors and Administrators' liability
Trading 43.2 Hours \$22,640.00	Budgeting and financial reporting	<ul style="list-style-type: none"> Review of company's budgets, management reports and financial statements Ongoing monitoring of Mirabela Brazil and issues impacting production.

Task area	General description	Details of tasks
	Planning/review	<ul style="list-style-type: none"> Discussions regarding the status of the administration, strategy and outstanding issues
Administration and risk mitigation 32.7 Hours \$18,059.50	Document maintenance, file review, checklist	<ul style="list-style-type: none"> Review of administration Filing of documents Update of work programs File review
	Insurance	<ul style="list-style-type: none"> Identification of potential issues requiring attention of insurance specialists Review of insurance policies
	Process of receipts and payments	<ul style="list-style-type: none"> Process of receipts, payments and journal entries into accounting system
	General administration	<ul style="list-style-type: none"> Processing in relation to client accounting Word processing
	Remuneration	<ul style="list-style-type: none"> Recording of time, including details Preparation of remuneration schedules
	Media	<ul style="list-style-type: none"> Respond to media requests

Appendix 3 - Calculation of actual fees

Name	Title	Standard rate	ADMINISTRATION & RISK MITIGATION		STATUTORY COMPLIANCE		ASSETS		TRADING		CREDITORS		EMPLOYEES		TOTAL	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
CLIFF ROCKE	Partner	625.00	5.9	3,687.50	-	-	0.4	250.00	-	-	-	-	-	-	6.3	3,937.50
MARTIN MADDEN	Partner	625.00	16.5	10,312.50	-	-	-	-	-	-	-	-	-	-	16.5	10,312.50
RICHARD TUCKER	Director	575.00	1.0	575.00	-	-	15.2	8,740.00	24.4	14,030.00	7.0	4,025.00	-	-	47.6	27,370.00
BRONWYN KETTLE	Director	575.00	-	-	-	-	-	-	9.0	5,175.00	-	-	-	-	9.0	5,175.00
AARON SWAFFIELD	Associate Director	475.00	5.6	2,660.00	29.0	13,775.00	-	-	2.5	1,187.50	12.6	5,985.00	-	-	49.7	23,607.50
DANIELLE COHEN	Senior Executive Analyst	375.00	0.5	187.50	-	-	-	-	-	-	3.5	1,312.50	-	-	4.0	1,500.00
HARRY FISHER	Executive Analyst	350.00	-	-	-	-	-	-	1.3	455.00	-	-	0.9	315.00	2.6	770.00
NICK SHORT	Senior Business Analyst	300.00	1.3	390.00	4.2	1,260.00	-	120.00	5.7	1,710.00	-	-	-	-	11.6	3,480.00
ANNA MAI	Business Analyst	275.00	-	-	-	-	-	-	0.3	82.50	-	-	-	-	0.3	82.50
VARIOUS	Client Accounting Administraton	275.00	-	-	2.0	550.00	-	-	-	-	-	-	-	-	2.0	550.00
VARIOUS	Administraton	130.00	1.9	247.00	-	-	-	-	-	-	-	-	-	-	1.9	247.00
Total remuneration			32.70	18,059.50	35.20	15,585.00	15.60	9,110.00	43.20	22,640.00	23.10	11,322.50	0.90	315.00	151.50	77,032.00

Appendix 4 – Summary of tasks to be undertaken to the Second Creditors Meeting

Set out below is a summary of work expected to be undertaken by task area for the period from 28 April 2014 to 13 May 2014.

Task area	General description	Details of tasks
Assets 5 hours \$1,650.00	Other Assets	<ul style="list-style-type: none"> • Liaising with lessors regarding impact of proposed DOCA • Correspondence with banks
Creditors 30 hours \$12,775.00	Creditor enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone following issuance of s439A report • Correspondence to creditors via mail, email and facsimile
	Secured creditor	<ul style="list-style-type: none"> • Correspondence with secured creditor, including notification of appointment and update reports
	Shareholders	<ul style="list-style-type: none"> • Correspondence and discussions with shareholders • Responding to any legal claims
	Reports to creditors	<ul style="list-style-type: none"> • Preparation and review of s439A report, including extensive correspondence with legal counsel, management and technical experts
Employees 4 hours \$1,350.00	Employee enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries arising from s439A report • Assist employees with proof of debt forms
	Entitlements	<ul style="list-style-type: none"> • Correspondence with employees re entitlements and any queries
	Other employee issues	<ul style="list-style-type: none"> • Correspondence with superannuation funds, ATO and state revenue offices
Statutory compliance 290 hours \$138,300.00	ASIC	<ul style="list-style-type: none"> • Notifications to ASIC, including review of applications in respect to form of convertible note prospectus • Correspondence with ASIC
	ATO and other statutory reporting	<ul style="list-style-type: none"> • Correspondence • Meetings with Mirabela's auditor to discuss steps and timing to finalise the financial report for the year ended 31 December 2014 • Attend to ongoing continuous disclosure obligations
	Meeting of creditors	<ul style="list-style-type: none"> • Preparation of meeting notices, proxies and advertisements • Correspondence to creditors, including mail distribution • Preparation of meeting documents, including agenda, attendance register, list of creditors etc. • Hold second meetings of creditors • Preparation and lodgement of minutes of meeting with ASIC
	Deed of company arrangement	<ul style="list-style-type: none"> • Attend to ongoing matters relating to the Proposed DOCAs and conditions precedent to effectuation (if approved by creditors), including preparation of explanatory materials to shareholders, matters concerning convertible note prospectus
Trading 86.2 hours \$40,190.00	Trade on management	<ul style="list-style-type: none"> • Liaising with suppliers, management and employees • Attendance on site • Implementation of controls • Authorisation of purchase orders • Maintenance of purchase order register • Preparation and authorisations of receipt and payment forms • Payroll issues

Task area	General description	Details of tasks
		<ul style="list-style-type: none"> • Liaising with other parties, such as superannuation funds, ATO, state revenue offices, insurance brokers etc. • Meetings and teleconferences regarding operational matters and concerns regarding Mirabela Brazil
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Review of budgets, management reports and financial statements • Review of trading strategy
Administration and risk mitigation 39.6 hours \$21,093.00	Planning/review	<ul style="list-style-type: none"> • Engagement planning • Discussions regarding status of administration, strategy and outstanding issues
	Document maintenance, file review, checklist	<ul style="list-style-type: none"> • Filing of documents • Update of work programs • File review
	Insurance	<ul style="list-style-type: none"> • Identification of potential issues requiring attention of insurance specialists • Correspondence with insurance brokers re ongoing insurance requirements • Meetings with insurance brokers
	Bank account administration	<ul style="list-style-type: none"> • Preparation of transactions • Bank account reconciliations • Correspondence with bank re specific transactions • Banking of deposits
	Process of receipts and payments	<ul style="list-style-type: none"> • Process of receipts, payments and journal entries into accounting system
	ASIC reporting	<ul style="list-style-type: none"> • Correspondence with ASIC regarding statutory forms
	General administration	<ul style="list-style-type: none"> • Processing in relation to client accounting • Word processing
	Remuneration	<ul style="list-style-type: none"> • Recording of time, including details • Preparation of remuneration schedules • Invoice preparation
	Media	<ul style="list-style-type: none"> • Preparation of media releases • Respond to media requests

Appendix 5 – Summary of tasks to be undertaken to effectuation of the Proposed DOCAs

Detailed below is a summary of work expected to be undertaken by task area for the period from 14 May 2014 to the effectuation of the Proposed DOCAs.

Task area	General description	Details of tasks
Assets 44.6 hours \$22,852.50	Leased assets	<ul style="list-style-type: none"> Attend to any documentation with lessors regarding continuation of existing agreements
Creditors 58.2 hours \$26,837.50	Creditor enquiries	<ul style="list-style-type: none"> Receive and follow up creditor enquiries via telephone Correspondence to creditors via mail, email and facsimile Correspondence with committee of creditors
	Secured creditor	<ul style="list-style-type: none"> Correspondence with secured creditor, including matters connected with the effectuation of the Proposed DOCAs
	Shareholders	<ul style="list-style-type: none"> Correspondence and discussions with shareholders following issuance of explanatory materials regarding the section 444GA application Response to any legal claims
Employees 49.2 hours \$22,675.00	Employee enquiries	<ul style="list-style-type: none"> Attend to calculation of any employee entitlements Attend to employee enquiries generally
	Other employee issues	<ul style="list-style-type: none"> Correspondence with superannuation funds, ATO and state revenue offices Completion of PAYG Summaries
Statutory compliance 694.8 hours \$330,055.00	Books and records	<ul style="list-style-type: none"> Receipt of books and records Administration in relation to storage
	ASIC	<ul style="list-style-type: none"> Attend to application for relief required to implement the DOCA Meetings and correspondence with ASIC Provision of further information to ASIC as required to fully assess the relief application
	ATO and other statutory reporting	<ul style="list-style-type: none"> Correspondence
	Regulatory	<ul style="list-style-type: none"> Review of the AMC mining technical report and findings Finalisation of the independent expert report for ASIC and the Court process Assisting in preparation of the explanatory statement to be lodged with the Court for the s444GA application Providing evidence, including cross-examination if required, for the s444GA application Preparation of the prospectus including a highly detailed and granular due diligence review process with management and legal counsel Detailed review of the FY13 annual report to allow sign-off by the auditors Attendance to representation letters to auditor and other requirements as necessary Filing of annual accounts with ASIC and the ASX
	Directors	<ul style="list-style-type: none"> Correspondence and meetings with director
	Committee of inspection	<ul style="list-style-type: none"> Preparation for committee meetings Preparation and lodgement of minutes of meeting with ASIC
	Litigation/recoveries	<ul style="list-style-type: none"> Review of potential recoveries Preparation of brief for solicitor Liaising with solicitor re recovery actions

Task area	General description	Details of tasks
		<ul style="list-style-type: none"> Attendance to negotiations Attendance to settlement matters
	Ceasing to act	<ul style="list-style-type: none"> Notification to ASIC
Trading 446.5 hours \$202,712.50	Trade on management	<ul style="list-style-type: none"> Management of ongoing trading issues in Brazil 2H14 offtake agreement tender process Liaising with suppliers, management and employees Attendance on site Implementation of controls Authorisation of purchase orders Maintenance of purchase order register Preparation and authorisations of receipt and payment forms Payroll issues Liaising with other parties, such as superannuation funds, ATO, state revenue offices, insurance brokers etc.
	Budgeting and financial reporting	<ul style="list-style-type: none"> Review of company's budgets, management reports and financial statements Planning of trading strategy Preparation of budgets Preparation of weekly financial reports Review of trading strategy
Administration and risk mitigation 136.1 hours \$67,242.50	Planning/review	<ul style="list-style-type: none"> Engagement planning Discussions re status of administration, strategy and outstanding issues
	Document maintenance, file review, checklist	<ul style="list-style-type: none"> Review of administration – during first month, then 6 monthly Filing of documents Update of work programs File review
	Insurance	<ul style="list-style-type: none"> Identification of potential issues requiring attention of insurance specialists Correspondence with insurance brokers ongoing insurance requirements Review of insurance policies Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> Opening and closing accounts Preparation of transactions Bank account reconciliations Correspondence with bank re specific transactions Banking of deposits
	Process of receipts and payments	<ul style="list-style-type: none"> Process of receipts, payments and journal entries into accounting system
	ASIC reporting	<ul style="list-style-type: none"> Preparation and lodgement of ASIC forms, including 6 monthly accounts Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> Preparation of BAS
	General administration	<ul style="list-style-type: none"> Risk assessment Set up of client Processing in relation to client accounting Word processing
	Remuneration	<ul style="list-style-type: none"> Recording of time, including details Preparation of remuneration schedules

Task area	General description	Details of tasks
		<ul style="list-style-type: none">• Invoice preparation
	Media	<ul style="list-style-type: none">• Preparation of media releases• Respond to media requests
	Litigation	<ul style="list-style-type: none">• General correspondence in relation to litigation
	Finalisation	<ul style="list-style-type: none">• Notification to creditors and statutory authorities of finalisation• Cancellation of registrations, such as ABN• Completion of checklists

Appendix 6 - Remuneration approved and drawn to date

At a meeting of the Committee of Creditors of the Company held on 22 April 2014, the Committee resolved pursuant to Section 449E(1)(a) of the Act to approve the Administrators' remuneration for the 25 February 2014 to 13 April 2014 for of \$523,017.50, excluding GST. This amount was drawn and paid in the week ending 27 April 2014.

The remuneration detailed in the table below has previously been approved by the Committee of Inspection and has been drawn.

Remuneration previously approved	Amount (ex GST)
25 February 2014 to 13 April 2014	\$523,017.50
Total remuneration	\$523,017.50

Appendix 7 - Remuneration resolutions

At the Second Meetings of Creditors to be held on 13 May 2014, creditors of the Mirabela will be asked to consider the following resolutions:

In respect of the period 14 April 2014 to 27 April 2014:

“That the remuneration of the Administrators for the period 14 April 2014 to 27 April 2014 in the amount of \$77,032.00, excluding GST, calculated on the basis of time at the rates as set out in the schedule titled KordaMentha Rates National FY14, is approved for payment.”

In respect of the period 28 April 2014 to 13 May 2014:

“That the estimated remuneration of the Administrators for the 28 April 2014 to 13 May 2014 is determined and approved for payment on a monthly basis in arrears or as required, up to a maximum of \$215,358 excluding GST, calculated on the basis of time at the rates as set out in the schedule titled KordaMentha Rates National FY14.”

In respect of the period 14 May 2014 to the termination of the DOCA:

“That the estimated remuneration of the Administrators for the period 14 May 2014 to the effectuation or termination of the DOCA is determined and approved for payment on a monthly basis in arrears or as required, up to a maximum of \$672,375, excluding GST, calculated on the basis of time at the rates as set out in the schedule titled KordaMentha Rates National FY2014. However, if the value of the work performed exceeds the capped amount, then seek further approval of fees may be sought from creditors.”

Appendix 8 - Disbursements

Disbursements paid or incurred during the period 14 April 2014 to 27 April 2014	Basis	\$
Externally provided non-professional disbursements		
Accommodation	At cost	3,686.82
Airfare	At cost	4,136.59
Searches	At cost	21.86
Total Externally provided non-professional disbursements		7,845.27
Internal disbursements		
Nil	At cost	-
Total Internal disbursements		-
Total disbursements		7,845.27

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-gearred) the discount rate should reflect the sources of finance (debt and equity) generating those cash flows³⁶ and if cash flows are expressed in nominal terms the discount rate should also be expressed in nominal terms.

³⁶ The WACC is generally used where cash flows available to all providers of capital are being discounted.

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. Management in conjunction with industry experts have developed a LOM model
3. 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)
4. 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 the Company is in administration
- 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 the Mirabela's advisor, has completed an accelerated yet comprehensive sale and recapitalisation process – refer to section 5.2.

To date there has been limited interest and no binding bids have been 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 (primary valuation methodology).

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 business' 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

$$R_e = R_f + \text{Beta} \times [E(R_m) + C_r - R_f]$$

Where:

R_e = Expected equity investment return or cost of equity in nominal terms

R_f = Risk free rate of return

C_r = Country risk premium

$E(R_m)$ = Expected market return

$E(R_m) - R_f$ = Market risk premium

Beta = Equity Beta

As the Group's revenue is USD linked and the LOM model is 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 3.0%³⁷ per annum is a reasonable proxy for the risk free rate in the US at this time.

³⁷ <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%),³⁸ 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 34 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.³⁹

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. 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.

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:

³⁸ <https://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/valuation-practices-survey/Documents/valuation-practices-survey-2013-v3.pdf>

³⁹ Source: Santander January 2013 country risk report. Note, estimates provided by the Companies' auditors indicated a country risk factor of 2.5%.

Table 34: Equity beta factors for selected listed comparable companies

Comparable	Main operations	5 year beta
Independence Group NL (ASX: IGO)	Australia	1.47x
Mincor Resources NL (ASX: MCR)	Australia	1.33x
Oz Minerals Limited (ASX: OZL)	Australia	1.22x
PanAust Limited (ASX: PNA)	Laos	1.26x
Panoraminc Resources (ASX: PAN)	Australia	1.85x
Western Areas Limited (ASX: WSA)	Australia	1.34x
Xinjiang Mining Industry Co. Ltd (SEHK: 3833)	China	1.32x

Source: Capital IQ as at 22 April 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 1.35x for our WACC. This is based on the average of the equity betas in Table 34 after delevering each for their five year average gearing (refer to Table 36).

Our relevered beta range, based on an assumed gearing of 5% to 15%, is 1.4x and 1.51x.

Cost of equity

Having regard to the above we have assessed the nominal cost of equity for Mirabela to be 13.1% to 15.2%.

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 35: 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 36: Historic gearing levels of selected listed comparable companies⁴⁰

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%
Panoraminc Resources (ASX: PAN)	Nil
Western Areas Limited (ASX: WSA)	18.4%
Xinjiang Mining Industry Co. Ltd (SEHK: 3833)	11.6%
Median	4.7%
Minimum	Nil
Maximum	18.4%

⁴⁰ Source Capital IQ.

Finding a directly comparable company for the Group is challenging; therefore, taking into consideration the risk profile of the Group and the fact it is expected to continue to be cash flow negative for a number of years, we have adopted net debt to capital employed ratio ranging from 5% to 15%.⁴¹

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 2014⁴² (note, Mirabela's USD395 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 model.

Calculation of WACC

Based on the assumptions above, a real discount rate range of 9.5% to 10.9% (11.7% to 13.1% nominal) has been applied when valuing the Group.⁴³

⁴¹ This is broadly in line with the assumed gearing calculated by KPMG corporate finance for Management's Impairment Model testing.

⁴² http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/wacc.htm

⁴³ Assuming an inflation rate of 2.0% based on the Fed's target inflation (http://www.federalreserve.gov/faqs/economy_14400.htm).

Appendix 5 - Enterprise value range

Table 37: EV valuation range – NPV (USD millions)⁴⁴

Model name	DCF	Underground resource	Tenements	Other unmined resources	Total EV
Base Case	153.7 to 206.9	Nil to 24.0	Nil to 1.8	Nil	153.7 to 232.7

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 will be provided in AMC's independent mining technical report to be released to the market as an appendix to the independent expert report.

⁴⁴ Low to high range represents the enterprise valuation based on the assumed WACC range set out in Appendix 4 and the valuation range for unmined resources and mining tenements...

Appendix 6 – Base Case assumptions

Overview

The Base Case model was finalised on 28 April 2014 following feedback from EY Brazil that certain tax credits would not be available going forward.

AMC has reviewed and adjusted (where appropriate) the mining parameters, capital expenditure and mining cost assumptions/inputs of the Base Case model.

Ernst & Young's Valuation & Business Modelling team has independently reviewed the integrity of the model.

Adjustments

We have made the following adjustments to the Base Case model in determining the DCF valuation:

- **FY14:** cash flows revised to align to Management's FY14 Budget, however adjusted for an assumed nickel price of USD8/lb,⁴⁵ and excluding restructuring costs.
- **Nickel prices:** based on consensus nickel price forecasts from 1 January 2015 onwards.⁴⁶
- **Fx:** updated Fx assumptions for Brazilian Real in line with consensus estimates.³⁹

Assumptions

Set out below is a summary of the key assumptions from 1 July 2015 to 31 December 2030.

Table 38: Base Case assumptions

Key assumptions																	
Assumption	Units	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Nickel Price	US\$/lb	7.91	8.34	8.84	9.15	9.29	9.30	9.30	9.29	9.30	9.52	9.75	9.98	10.23	10.48	10.74	11.02
Copper Price	US\$/lb	3.07	3.03	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96
Cobalt Price	US\$/lb	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15
BRL:USD	Rate	2.52	2.51	2.48	2.46	2.46	2.47	2.48	2.48	2.49	2.49	2.50	2.50	2.51	2.51	2.52	2.53
USD:AUD	Rate	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Mining																	
Total Material Mined	kt	25,000	46,838	46,838	46,838	46,838	46,838	46,838	46,838	46,838	46,838	46,838	46,838	46,838	46,838	42,310	40,800
Ore Mined	kt	5,725	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Mined Grade – Ni	%	0.45%	0.48%	0.46%	0.46%	0.48%	0.45%	0.45%	0.48%	0.49%	0.49%	0.50%	0.50%	0.51%	0.55%	0.52%	0.50%
Strip Ratio	w:o	3.37x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.89x	5.22x	5.00x
Processing																	
Total Ore Processed	kt	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800
Feed Grade – Ni	%	0.43%	0.48%	0.46%	0.46%	0.48%	0.45%	0.45%	0.48%	0.49%	0.49%	0.50%	0.50%	0.51%	0.55%	0.52%	0.50%
Nickel Recovery	%	48.91%	57.95%	58.52%	58.78%	58.60%	56.45%	57.03%	60.55%	61.67%	60.95%	60.59%	57.45%	54.83%	59.58%	59.25%	62.93%
Concentrate Grade - Ni	%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
Contained Nickel Produced	kt	14,263	18,877	18,380	18,386	18,958	17,304	17,324	19,791	20,737	20,307	20,547	19,479	18,848	22,267	20,788	21,517
Sales																	
Nickel Metal Sold	kt	14,494	18,877	18,380	18,386	18,958	17,304	17,324	19,791	20,737	20,307	20,547	19,479	18,848	22,267	20,788	21,517
Copper Metal Sold	kt	5,316	5,281	5,380	5,115	4,462	5,091	5,735	5,904	4,247	3,793	5,338	6,177	6,107	6,165	6,923	7,409
Cobalt Metal Sold	kt	304	293	290	278	264	283	292	292	228	259	338	327	319	317	310	305
Unit Cash Costs																	
C1 Unit Cash Cost	US\$/lb	5.96	6.24	6.76	6.95	7.04	7.35	7.27	6.56	6.63	6.83	6.53	6.91	7.36	6.55	6.96	7.47
CAPEX (cash effect)																	
Rebuild & Replacement	US\$'000	1,586	17,376	4,928	4,804	4,544	971	0	8,018	13,111	0	2,081	3,357	0	7,910	12,933	0
Capitalised Deferred Stripping	US\$'000	0	20,913	21,151	21,821	22,180	21,700	22,074	22,148	22,896	22,840	22,800	24,102	25,636	25,687	6,449	0
Process Plant & Infrastructure	US\$'000	8,227	11,781	8,002	8,438	7,971	8,338	8,726	9,137	9,556	12,807	13,271	13,763	11,474	12,012	12,564	13,149
Tailings	US\$'000	4,858	6,415	5,146	11,596	2,567	2,454	2,352	2,246	2,108	2,031	1,925	1,819	1,712	1,575	1,468	1,363
Exploration	US\$'000	1,066	1,057	919	956	1,560	801	820	818	816	814	813	811	809	807	805	803
Total	US\$'000	15,736	57,543	40,145	47,615	38,822	34,264	33,972	42,366	48,487	38,492	40,890	43,852	39,631	47,991	34,219	15,315

Conclusion

The Base Case model is the latest iteration of the LOM model and addresses the majority of the limitations of previous iterations of the LOM model. Further, the key mining assumptions have been reviewed and adjusted (where appropriate) by AMC, an independent mining technical expert. Therefore, the Base Case model is the most appropriate model to be used for completing a DCF valuation.

⁴⁵ Average of recent nickel prices.

⁴⁶ Updated as at 30 April 2014. We have only included nickel price forecasts that have been updated in March and April 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.

Appendix 7 - History of Mirabela

Date	Event/announcement
February 2004	Mirabela incorporated as a company.
July 2004	Mirabela completes its initial public offering, raising AUD30.0 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 CAD182.9 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 USD80.0 million bridge facility and underwrite a USD280.0 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 USD50.0 million prepayment facility.
September 2008	Mirabela enters into offtake agreement with Norilsk Nickel Harjavalta Oy. to purchase 50% of nickel concentrate production until the end of 2014. Norilsk provides Mirabela with a USD50.0 million subordinated debt facility.
October 2008	USD50.0 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 USD190.0 million term loan commitment from a syndicate of six lenders, lower than the USD280.0 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 USD375.0 million through US placement of notes.
April 2011	Mirabela announced it has priced an upsized USD395.0 million not offering (the Unsecured Notes).
January 2012	Mirabela entered into a credit agreement with Bradesco for USD50.0 million
January 2013	First amendment to Bradesco credit agreement signed amending repayment dates
February 2013	Mirabela announces an impairment charge of USD380.0 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 Noteholders 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 USD17.3 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. Bradesco super waiver signed.
December 2013	Mirabela secures the USD45.0 Bridge Loan from a subset of the Ad-Hoc Noteholders. Bradesco waiver extension signed.

Date	Event/announcement
January 2014	Third Amendment to credit agreement signed with Bradesco amending repayment dates
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 Administrators and that the Ad-Hoc Noteholders had agreed the terms of the PSA.

Appendix 8 - Mirabela DOCA

DRAFT

2 May 2014



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

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Date:

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 [*] 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.

Commencement of this Deed

This Deed shall commence on the Commencement Date.

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 Committee

There will be no committee of inspection for the purpose of advising and assisting the Deed Administrators.

10.6 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 appellate jurisdiction there from.

22 Waiver

The waiver 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

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

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

Name of witness (print)

DRAFT

Signed sealed and delivered by Clifford Stuart
Rocke in the presence of:

Signature of witness

Signature of Clifford Stuart Rocke

Name of witness (print)

Signed sealed and delivered by David John
Winterbottom in the presence of:

Signature of witness

Signature of David John Winterbottom

Name of witness (print)

Appendix 9 - Mirabela Investments DOCA

DRAFT

2 May 2014



LAWYERS

Deed of Company Arrangement

Mirabela Investments Pty Limited (administrators appointed) ACN 124 449 716
Martin Madden, Clifford Stuart Rocke and David John Winterbottom

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Date:

Parties

- 1 **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**)
 - 2 **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 Investments pursuant to Part 5.3A of the Act on 25 February 2014 which appointment continues today.
- B On [*] 2014, pursuant to section 439A of the Act, a second meeting of Mirabela Investments' creditors was held. At that meeting, the creditors resolved that Mirabela Investments 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 Investments, 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).

Appointment Date means 25 February 2014.

Business Day means any day other than a Saturday, Sunday or public holiday in Perth, Western Australia.

Claim means a debt payable by, and any claim and all claims against, Mirabela Investments (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 Investments in accordance with Division 6 of Part 5.6 of the Act, if Mirabela Investments 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.

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 Period means the period commencing on the Commencement Date and ending on the Termination Date.

Directors means the directors of Mirabela Investments 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 Investments who are not Noteholders and not Shareholder Claimants.

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.

Mirabela means Mirabela Nickel Limited (administrators appointed) ACN 108 161 593 c/- KordaMentha Level 10, 40 St Georges Terrace Perth WA 6000

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 DOCA means the deed of company arrangement (as amended from time to time) entered into by Mirabela and the Deed Administrators on or about the date of this Deed.

Mirabela Parties means each of Mirabela, Mirabela Investments and Mirabela Brazil.

Noteholder means the holder of one or more Notes.

Notes means the Notes as defined in the Indenture.

Regulations means the Corporations Regulations 2001 (Cth).

Remuneration means the costs, fees, and expenses of the Deed Administrators under this Deed.

Resolution mean the resolution of the creditors of Mirabela Investments referred to in recital B of this Deed.

Shareholder Claimants means persons who would have a subordinate claim under section 563A of the Act in a winding up of Mirabela Investments had it been wound up on the Appointment Date.

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

Termination Date means the date upon which this Deed is terminated in accordance with clause 16.

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;
- (m) a reference to "\$" or "dollar" is to Australian currency.

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 DOCA, so that this arrangement is conditional on execution of the Mirabela DOCA by Mirabela and the proposed deed administrators in accordance with section 444B(6) of the Act.

3 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.

4 Commencement of this Deed

This Deed shall commence on the Commencement Date.

5 Claims

5.1 Release and extinguishment of Claims and Shareholder Claims

Immediately upon and after this Deed becoming effectuated:

- (a) the Claims of Shareholders Claimants in their capacity as holders of Shares will be fully satisfied and completely discharged; and
- (b) the Claims of Noteholders in their capacity as holder of Notes will be fully satisfied and completely discharged.

5.2 Survival

This clause 5 shall survive termination of this Deed.

6 Acknowledgement – Excluded Creditors

Mirabela Investments 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.

7 Scope of Arrangement and Moratorium

7.1 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 Investments, its officers and members and the Deed Administrators.

7.2 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 Investments;
- (b) institute, revive or continue any action, suit, arbitration, mediation or proceeding against Mirabela Investments or in relation to the property of Mirabela Investments;
- (c) institute, revive or continue with any Enforcement Process against the property of Mirabela Investments;
- (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 Investments been wound up;

- (f) commence or take any further step in any arbitration against Mirabela Investments or to which Mirabela Investments 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.

7.3 Property available to Noteholders

The only property available to the Noteholders is the entitlement to Shares which are to be administered in accordance with the Mirabela DOCA.

7.4 Property available to Shareholder Claimants

There is no property available to the Shareholder Claimants.

7.5 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 the company 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 the company 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 7.5(b) the Superannuation Debt is to be treated as extinguished as against Mirabela.

8 The Officers and Members

8.1 Effect of this Deed on Mirabela Investments' officers

- (a) During the Deed Period, unless authorised in writing by the Deed Administrators, the Directors and Mirabela Investments' 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 Investments as they think fit; and
 - (ii) the Deed Administrators' power to remove and appoint directors to Mirabela Investments is to the exclusion of any shareholder power to remove and appoint directors to Mirabela Investments.

9 Deed Administrators' Appointment

9.1 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.

9.2 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 Investments.

9.3 Management

- (a) The Deed Administrators shall retain day to day management and control of Mirabela Investments 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.

9.4 Joint and several

The rights, powers and privileges of the Deed Administrators may be exercised by them jointly and severally.

9.5 No Committee

There will be no committee of inspection for the purpose of advising and assisting the Deed Administrators.

9.6 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.
-

10 Powers of the Deed Administrators

10.1 General Powers

Subject to clauses 10.3, the Deed Administrators are entitled to exercise all the rights, powers, privileges, authorities and discretions which are conferred by Mirabela Investments' 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.

10.2 Additional Powers

Without limiting the powers in clause 10.1 above and subject to the Act and clause 10.3, 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 Investments, whether to fill a casual vacancy or not;
- (c) to enter upon or take possession of the property of Mirabela Investments;
- (d) to lease or let on hire property of Mirabela Investments;
- (e) to insure property of Mirabela Investments;
- (f) to insure the Deed Administrators for actions taken during the Deed Period;
- (g) to repair or renew property of Mirabela Investments;
- (h) to call in, collect or convert into money the property of Mirabela Investments;
- (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 Investments or in the name of the Deed Administrators any actions, suits or proceedings;
- (l) to refer to arbitration any question affecting Mirabela Investments;
- (m) to resolve any dispute of any nature commercially;
- (n) to make payments to any secured creditor of Mirabela Investments and any person who is an owner or lessor;
- (o) to convene and hold meetings of the members or creditors of Mirabela Investments 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 Investments;
- (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 Investments;
- (t) to do all acts and execute in the name and on behalf of Mirabela Investments all deeds, receipts and other documents, using Mirabela Investments' 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 Investments 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 Investments 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 Investments;
- (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 Investments;
- (y) to bring or defend an application for the winding up of Mirabela Investments;
- (z) to control Mirabela Investments' business, property and affairs;
- (aa) to carry on the business of Mirabela Investments 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 Investments or any of its officers could perform or exercise if Mirabela Investments was not subject to this Deed;
- (cc) to compromise any Claims brought by or against Mirabela Investments 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 Investments; and
- (dd) to do anything that is incidental to exercising a power set out in this clause; and
- (ee) to do anything else that is necessary or convenient for the purpose of administering this Deed.

10.3 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 Investments to breach this Deed.

10.4 Solicitors and Consultants

- (a) The Deed Administrators shall have power to engage solicitors and consultants, the costs of which shall be part of the Costs.
- (b) The Deed Administrators may delegate their powers under this clause 10 including by way of appointing agents to act on behalf of the Deed Administrators.

10.5 No Personal Liability

During the Deed Period, the Deed Administrators are acting as the agent of Mirabela Investments 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 Investments.

11 Deed Administrators' right to Mirabela Investments' books

A person is not entitled as against the Deed Administrators:

- (a) to obtain possession of the books of Mirabela Investments; or
- (b) to claim or enforce a lien on such books, but such a lien is not otherwise prejudiced.

12 Deed Administrators may investigate affairs

The Deed Administrators may investigate Mirabela Investments' business, property, affairs and financial circumstances and may report the results of their investigations to ASIC and creditors.

13 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.

14 Administrators' Remuneration and Indemnity

14.1 Remuneration

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 Investments

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.

14.2 Funding of the Deed Administrators' Remuneration

The Remuneration and Costs are to be paid from, and are limited to, the assets of Mirabela Investments.

14.3 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 Investments 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 Investments,

except in the case of fraud or breach of duty by the Deed Administrators.

14.4 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.

14.5 Indemnity not to be affected or prejudiced

The indemnity under clauses 14.3 and 14.4 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 Investments 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.

14.6 Administrators' lien

The Deed Administrators are entitled to exercise a lien over the Mirabela Investments' assets for all amounts in respect of which they are entitled to an indemnity from Mirabela Investments.

14.7 Priority of indemnity and lien rights

The rights of the Deed Administrators to an indemnity and lien conferred by this clause 14 shall have the same priority as that conferred by section 443E of the Act in respect of rights conferred by section 443D (modified as applicable).

15 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.

16 Effectuation and Termination of Deed

16.1 Effectuation

- (a) This Deed will become fully effectuated after notification from the Deed Administrators of the Mirabela DOCA that the Mirabela DOCA has become fully effectuated in accordance with its terms.
- (b) This Deed 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 16.1:
 - (i) the day to day management and control of Mirabela Investments will revert to the Directors; and
 - (ii) the Deed Administrators will thereupon retire and, except in respect of any provision which survives termination, Mirabela Investments will cease to be subject to this Deed.

16.2 Termination on non-compliance

If this Deed is not fully effectuated in accordance with clause 16.1 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 Investments' creditors to consider terminating this Deed and winding up Mirabela Investments.

16.3 No Limitation

Nothing in this Deed shall limit the operation of s445D of the Act or the rights of the creditors under s445E or s445F of the Act.

16.4 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.

17 Liquidation

17.1 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 Investments be wound up, the creditors may resolve at the meeting that Mirabela Investments be wound up.

17.2 Commencement of Winding Up

For the avoidance of doubt, if the creditors resolve to wind up Mirabela Investments, the winding up will be deemed to have begun or commenced on the Appointment Date.

18 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.

19 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.

20 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.

21 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.

22 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.

23 Notices

23.1 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.

23.2 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.

23.3 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.

23.4 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
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

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

Name of witness (print)

Signed sealed and delivered by Clifford Stuart
Rocke in the presence of:

Signature of witness

Signature of Clifford Stuart Rocke

Name of witness (print)

DRAFT

Signed sealed and delivered by David John Winterbottom in the presence of:

Signature of witness

Signature of David John Winterbottom

Name of witness (print)