MIRABELA NICKEL LTD

Subject to Deed of Company Arrangement

ABN 23 108 161 593

Annual Report

31 December 2013

CORPORATE DIRECTORY

Messrs Martin Madden, Clifford Rocke and David Winterbottom from KordaMentha were appointed as voluntary administrators of Mirabela Nickel Ltd (subject to deed of company arrangement) and Mirabela Investments Pty Ltd (subject to deed of company arrangement) on 25 February 2014 pursuant to section 436A of the Corporations Act 2001 (*Cth*).

On 13 May 2014, the creditors of Mirabela Nickel Limited (subject to deed of company arrangement) resolved to enter into a deed of company arrangement to give effect to a proposed restructure and recapitalisation. Martin Madden, Clifford Rocke and David Winterbottom were appointed joint and several deed administrators.

DEED ADMINISTRATORS

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BOARD OF DIRECTORS
as at 31 December 2013:

Geoffrey Handley
Non-executive Director and Chairman
(resigned 11 January 2014)

Ian Purdy
Chief Executive Officer & Managing Director
(resigned as Director 5 May 2014)

Ian McCubbing
Non-executive Director
(resigned 7 April 2014)

Nicholas Sheard
Non-executive Director
(resigned 7 April 2014)

Peter Nicholson
Non-executive Director
(resigned 11 January 2014)

Colin Steyn
Non-executive Director
(resigned 11 January 2014)

COMPANY SECRETARY

Christiaan Els
(resigned as Company Secretary 19 May 2014)

BRAZIL OFFICE

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STOCK EXCHANGE LISTING

Australian Securities Exchange
(ASX code: MBN)

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DEED ADMINISTRATORS' REPORT

The Deed Administrators of Mirabela Nickel Limited (subject to deed of company arrangement) (the ***Company***) present their report together with the financial report of the Company and of the ***Group*** (being the Company and its subsidiaries) for the financial year ended 31 December 2013 and the auditor's report. The use of the words Company and Group are interchangeable for the purposes of this report and the financial report.

Messrs Martin Madden, Clifford Rocke and David Winterbottom from KordaMentha were appointed as voluntary administrators of Mirabela Nickel Ltd (subject to deed of company arrangement) and Mirabela Investments Pty Ltd (subject to deed of company arrangement) on 25 February 2014 pursuant to section 436A of the Corporations Act 2001 (*Cth*).

On 13 May 2014, the creditors of Mirabela Nickel Limited (subject to deed of company arrangement) resolved to enter into a deed of company arrangement to give effect to a proposed restructure and recapitalisation. Martin Madden, Clifford Rocke and David Winterbottom were appointed joint and several deed administrators.

1 DIRECTORS AND COMPANY SECRETARY

The directors and the Company Secretary of the Company at any time during or since the end of the financial year were as follows:

1.1 Directors

Information on Directors	
Mr Geoffrey Handley	Non-executive Director (appointed 1 January 2011; resigned effective 11 January 2014) Non-executive Chairman (appointed 1 January 2012; resigned effective 11 January 2014)
Qualifications	Acc.Dir BSc (Hons, Geology and Chemistry), MAusIMM, MAICD
Experience	Mr Handley is a Geologist with more than 32 years of experience in the mining industry. Mr Handley worked as a geologist for BHP Exploration Limited, as a chemist and geologist for Placer Exploration Limited, and as an analyst for the AMP Society. In 1981, he joined Placer Pacific Limited as a senior geologist and was responsible for the exploration and feasibility work at the Porgera, Granny Smith, Osborne and Big Bell mines. Subsequently, Mr Handley was Executive Vice President, Strategic Development with Placer Dome where he was responsible for global exploration, acquisitions, research and development, and strategic planning.
Special responsibilities	Chairman of the Board and Remuneration & Nomination Committee
Directorships held in other listed entities during the last three years	Eldorado Gold Corporation (Non-executive Director - August 2006 to present) Endeavour Silver Corp. (Non-executive Director - June 2006 to present) PanAust Limited (Non-executive Director - September 2006 to present)

Mr Ian Purdy	Executive Director (appointed 2 November 2009; resigned as director effective 5 May 2014; resigned as Chief Executive Officer effective 31 May 2014)
Qualifications	B.Com, FCA, FAICD
Experience	Mr Purdy has held a number of senior positions in the Australian mining industry, including Managing Director of Norilsk Nickel Australia and Director of Finance and Strategy of LionOre Australia, where he led the management of sulphide and laterite nickel operations. He has a strong track record in operations management, sales and logistics, and financial control. Mr Purdy previously worked for WMC Limited and North Limited in senior financial and commercial roles.
Special responsibilities	Chief Executive Officer & Managing Director
Directorships held in other listed entities during the last three years	N/A

Mr Ian McCubbing	Non-executive Director (appointed 1 January 2011; resigned effective 7 April 2014) Non-executive Chairman (appointed 11 January 2014; resigned effective 7 April 2014)
Qualifications	B.Com (Hons), MBA (Ex), CA, GAICD
Experience	Mr McCubbing is a Chartered Accountant with more than 26 years corporate experience, principally in the areas of accounting, corporate finance and mergers and acquisitions. He has spent more than 15 years working with ASX-200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies.
Special responsibilities	Chairman of Audit Committee and Member of Remuneration & Nomination Committee to 11 January 2014. Chairman of the Board effective 11 January 2014.
Directorships held in other listed entities during the last three years	Alcyone Resources Limited (Non-executive Director – February 2012 to present) Eureka Energy Limited (Non-executive Director – July 2010 to June 2012) Kasbah Resources Limited (Non-executive Director – March 2011 to present) Minemakers Limited (Non-executive Director – December 2012 to present) Swick Mining Services Ltd. (Non-executive Director – August 2010 to present) Territory Resources Ltd. (Non-executive Director – May 2007 to July 2011)

Mr Peter Nicholson	Non-executive Director (appointed 12 June 2012; resigned effective 11 January 2014)
Qualifications	B.Eng (Mining), F.Fin, GAICD, MAusIMM
Experience	Mr Nicholson has a strong commercial and technical background, developed over the last ten years with Resource Capital Funds (RCF), and prior to that, in senior technical roles within the nickel mining industry. He is an employee of RCF, a mining focused private equity fund which acquired a substantial holding in Mirabela Nickel Limited through Resource Capital Fund V L.P.
Special responsibilities	Member of Remuneration & Nomination Committee
Directorships held in other listed entities during the last three years	Cape Alumina Limited (Non-executive Director – March 2007 to present) Metallica Minerals Limited (Non-executive Director – May 2006 to November 2010)

Mr Nicholas Sheard	Non-executive Director (appointed 20 March 2007; resigned effective 7 April 2014)
Qualifications	ASEG, Fellow AIG, RP.Geo
Experience	Mr Sheard has a long history of involvement in nickel sulphide exploration and development. Up until 2007 Mr Sheard was the Vice President of Exploration of Inco, based in Toronto. Mr Sheard managed an exploration team of 250 people with nine offices and 11 mines worldwide. Under Mr Sheard's leadership, the Inco team discovered the Reid Brook nickel sulphide deposit in Labrador, Canada. Prior to joining Inco, Mr Sheard held various senior management positions with MIM Exploration Pty Ltd in Australia from 1990 to 2003; including General Manager of Worldwide Exploration and Chief Geophysicist.
Special responsibilities	Member of Audit Committee to 11 January 2014. Chairman of Audit Committee and Remuneration & Nomination Committee effective 11 January 2014.
Directorships held in other listed entities during the last three years	Carpentaria Exploration Limited (Executive Chairman – November 2007 to present)

Mr Colin Steyn	Non-executive Director (appointed 29 October 2009; resigned effective 11 January 2014)
Qualifications	B.Com, MBA
Experience	Mr Steyn has over 32 years experience in the resources sector with particular expertise in the development of integrated nickel mining operations. Mr Steyn was previously President and Chief Executive Officer of LionOre Mining International from 1999 to 2007, when it was acquired by Norilsk Nickel. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international nickel producer. From 1996 to 2000, Mr Steyn was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto, where he started his career in 1979.
Special responsibilities	Member of Audit Committee
Directorships held in other listed entities during the last three years	Coalspur Mines Limited (Chairman of the Board – October 2010 to present) Asanko Gold Incorporated (Non-executive Director – October 2012 to present) Mantra Resources Ltd. (Non-executive Director – March 2008 to June 2011)

1.2 Company Secretary

Mr Christiaan Els	Company Secretary (appointed 7 January 2010; resigned as Company Secretary effective 19 May 2014)
Qualifications	B.Com (Hons), CA
Experience	Mr Els is a finance executive with over 22 years' experience in mining, manufacturing, agribusiness, business services and fast moving consumer goods sectors in Australia and in South Africa. Previously, he was Chief Financial Officer of Norilsk Nickel Australia, where he managed finance, accounting and IT services. Most importantly, Mr Els brings a wealth of operating experience in nickel sulphide projects and in the reporting requirements for the Toronto and Australian stock exchanges. Mr Els is also an associate member of the Chartered Institute of Management Accountants and a member of the Certified Practising Accountants of Australia and the Chartered Global Management Accountants.
Special responsibilities	Chief Financial Officer & Company Secretary
Directorships held in other listed entities during the last three years	N/A

1.3 Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Present	Held	Present	Held	Present	Held
Geoffrey Handley(1)	18	18	-	-	2	2
Ian Purdy(2)	18	18	-	-	-	-
Ian McCubbing(3)	18	18	4	4	2	2
Peter Nicholson(4)	15	18	-	-	2	2
Nicholas Sheard(5)	18	18	4	4	-	-
Colin Steyn(6)	17	18	4	4	-	-

(1) Mr Handley resigned from the Board effective 11 January 2014.
(2) Mr Purdy resigned from the Board effective 5 May 2014, and resigned as Chief Executive Officer of the Group effective 31 May 2014.
(3) Mr McCubbing resigned from the Board effective 7 April 2014.
(4) Mr Nicholson resigned from the Board effective 11 January 2014.
(5) Mr Sheard resigned from the Board effective 7 April 2014.
(6) Mr Steyn resigned from the Board effective 11 January 2014.

1.4 Corporate Governance

On 25 February 2014 Martin Madden, David Winterbottom and Clifford Rocke were appointed as voluntary administrators as the directors formed the view that the Company could not meet its obligations as they fell due.

On 13 May 2014, the creditors of Mirabela Nickel Limited (subject to deed of company arrangement) resolved to enter into a deed of company arrangement to give effect to a proposed restructure and recapitalisation.

Martin Madden, Clifford Rocke and David Winterbottom were appointed joint and several deed administrators.

The Company currently has no directors. Accordingly, the Company's previous Board was not able to perform a formal review of its process and procedures for 2013 and it is not possible for the Company to produce a Corporate Governance Statement relating to that period.

2 OPERATING AND FINANCIAL REVIEW

2.1 Operating Review

The Group is a single asset, Brazilian nickel producer engaged in the mining, production and sale of nickel concentrate and as a result is heavily geared to the nickel price. The Group was materially operating cash flow negative throughout the year, with the LME nickel prices continuing to trade below the Company's cash flow break-even position after overheads, financing and capital costs. In addition to the continued low nickel price the Group experienced various production challenges during the year, which exacerbated the negative cash flow position.

The Group's operations were further disrupted during the fourth quarter of 2013 due to the destabilising effect of the announcement by one of Mirabela's two offtake customers, Votorantim Metais Niquel S.A. (***Votorantim***), relating to the closure of its smelting facilities (refer to Note 2 of the consolidated financial statements for further details).

In December 2013 the Company implemented a reduced 25Mt per annum mining rate operational plan for 2014 and 2015, after which the mining rate is forecast to return to 50Mt per annum (based on the Company's current mine plan). This is further discussed at section 2.1.5.2 of this Deed Administrators' Report.

2.1.1 Safety

The Group's twelve month moving average Lost Time Injury Frequency Rate closed the year at 0.57.

2.1.2 Mining

Total material movement for the year was 38.01 million tonnes of material moved for 6.34 million tonnes of ore. Material movement was below expectations for most of the year and was adversely affected by amongst other things poor mobile equipment availability, including excavators and loaders of both the Company and U&M, the Company's mining service provider.

Mine grades of 0.46% were lower than the previous year.

2.1.3 Processing

During the year 6.53 million tonnes of ore was milled, at an average head grade of 0.45% nickel achieving an average recovery of 53%. Recoveries were adversely affected during the fourth quarter by low water availability due to less reclaimed water from the tailings dam. As a result of the reduced water availability it was necessary to cease desliming and instead utilise a dispersant reagent, thus reducing the efficiency of the process. The tailings dam is near its current capacity and material capital works are underway to lift the height of the dam wall to accommodate additional solids and waste water from the processing plant. These works are critical to the operations and will result in material cash outflows going forward. Should these works not be completed in the near term, it is highly likely the operations will cease.

2.1.4 Sale of concentrate

During the year the Group produced 15,626 tonnes of contained nickel in concentrate, 4,402 tonnes of contained copper in concentrate, and 277 tonnes of contained cobalt in concentrate. 9,431 tonnes of nickel in concentrate was sold to Votorantim (prior to Votorantim's closure of the Fortaleza smelter), 2,776 tonnes of nickel in concentrate was sold to Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**) (Norilsk Nickel shipments were temporarily curtailed whilst the Company was resolving the requirements surrounding bagging of the concentrate), and 1,395 tonnes of nickel in concentrate was sold in-country to International Trading House.

2.1.5 Outlook

2.1.5.1 Proposed Recapitalisation

The Company is currently subject to a deed of company arrangement and the consolidated financial report has been prepared on a non-going concern basis. There remains multiple material uncertainties to achieve the proposed recapitalisation, including the successful effectuation of the DOCA, and the regulatory approvals as outlined in Note 2 of the consolidated financial statements, and hence significant concerns over the ability of the Company to continue to operate into the foreseeable future.

Refer to section 14 of this Deed Administrators' Report and Notes 2 and 3(e) of the consolidated financial statements for further detail.

2.1.5.2 25Mt Mine Plan

The Group has prepared and implemented a revised mine plan whereby a reduced mining volume of approximately 25Mt per annum is scheduled for 2014 and 2015.

2.1.6 Q1 2014 Unaudited Results

The Company continues to be materially loss making (with a US$29.655 million unaudited loss in Q1 of 2014) and cash flow negative from operations (with a US$35.498 million unaudited outflow in Q1 of 2014). There is no guarantee that even if the proposed recapitalisation (refer to Note 2 of the consolidated financial statements) is implemented that the Company will be profitable or cash flow break-even going forward.

2.1.7 Exploration

The primary exploration strategy currently consists of maintaining certain existing tenements in good standing and compliance by spending the minimum amounts on capital expenditure, and the release of tenement areas that management believe have a low prospectivity.

2.2 Ore Reserves and Mineral Resources

The Company'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.

Ore Reserves

The total Ore Reserve for the Santa Rita project is summarised in the below table:

Santa Rita Proven and Probable Ore Reserves – Open Pit (as at 31 December 2010)

Category	Mt	Ni (%)	Cu (%)	Co (%)	Pt(ppb)
Proven	16.7	0.57%	0.14%	0.016%	101
Probable	142.6	0.52%	0.13%	0.015%	85
Total Ore Reserves	**159.3**	**0.52%**	**0.13%**	**0.015%**	**86**

(Contained Ni – 829,800t; Ni price - US$8.00/lb; Strip ratio – 5.0 to 1; Weighted average recovery – 68.7%Ni)

Santa Rita Proven and Probable Ore Reserves – Open Pit (Comparison)

Category	Mt	Ni (%)	Cu (%)	Co (%)	Pt(ppb)
Total Ore Reserves mined up to 31 December 2012	12.8	0.49%	0.13%	0.015%	186[1]
Total Ore Reserves (as at 31 December 2012)	146.5	0.52%	0.13%	0.015%	86
Total Ore Reserves mined in 2013	6.3	0.46%	0.10%	0.015%	234[1]
Total Ore Reserves (as at 31 December 2013)	140.2	0.52%	0.13%	0.015%	86

(1) Based on simple average of the quantity sold to Norilsk Nickel Harjavalta and Votorantim Metals Niquel S.A during the relevant period.

Between 1 January 2013 and 31 December 2013 a total of 6.3 Mt of ore was mined from the Ore Reserves at an average nickel grade of 0.46%. As at 31 December 2013, a total of 19.1 Mt of ore has been mined from the Ore Reserves at an average nickel grade of 0.48%.

Mineral Resources

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

Santa Rita Mineral Resources Table – Comparison

Pit	Classification	Tonnes (million)	Nickel grade (%)	Copper grade (%)
Mineral Resource as at 30 September 2012				
Open Pit[1,2] as at 30 September 2012	Measured	16.0	0.50	0.10
	Indicated	188.0	0.49	0.13
	Meas. & Ind.	**204.0**	**0.49**	**0.12**
	Inferred	79.6	0.56	0.15
Underground[3,4] as at 30 September 2012	Inferred	77.0	0.78	0.22
Mineral Resource remaining As at 31 December 2013				
Open Pit[5,6] as at 31 December 2013	Measured	13.6	0.51	0.10
	Indicated	179.7	0.50	0.13
	Meas. & Ind.	**193.3**	**0.50**	**0.13**
	Inferred	79.6	0.56	0.15
Underground[7,8] as at 31 December 2013	Inferred	77.0	0.78	0.22
Mineral Resource mined between 1 October 2012 and 31 December 2013				
Open Pit	Measured	2.4	0.46	0.10
	Indicated	8.3	0.45	0.10
	Meas. & Ind.	**10.7**	**0.45**	**0.10**
	Inferred	Nil	-	-
Underground	Inferred	Nil	-	-

(1) Based on a cut-off grade of 0.13% recoverable nickel.
(2) Remaining as of end of September 2012.
(3) Based on an average cut-off grade of 0.50% nickel.
(4) As of February 2009, re-reported using base of pit from end of September 2012.
(5) Based on a cut-off grade of 0.13% recoverable nickel.
(6) Remaining as of end of December 2013.
(7) Based on an average cut-off grade of 0.50% nickel.
(8) As of February 2009, re-reported using base of pit from end of December 2013.

Governance Arrangements and Internal Controls with respect to Mineral Resources and Reserves

The Company has a number of governance arrangements and internal controls in place with respect to its estimates and estimation process of its Mineral Resources and Ore Reserves. As set out in the Competent Persons Statement below, the Company contracts third party independent consultants to review and revise its Ore Reserves and Mineral Resources on an annual basis. Each Competent Person is independent of the Company within the meaning of NI 43-101.

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

Competent Person Statement

The information in this report that relates to Santa Rita pre-mining Ore Reserves, Mining Production and Cost Estimation for the Santa Rita Nickel Deposit is in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code), and is based on information compiled by Mr Carlos Guzmán who is a Member of the Australasian Institute of Mining and Metallurgy and Registered Member of the Chilean Mining Commission. Mr Guzmán is a Mining Engineer, Principal and Project Director with NCL Brasil Ltda and is a consultant to the Company. Mr Guzman qualifies as a Competent Person as defined in the 2012 JORC Code and is a Qualified Person in accordance with NI 43-101. Mr Guzmán approves and consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the updated October 2012 Mineral Resources for the Santa Rita Nickel Deposit was estimated in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). There have been no material changes to the Mineral Resources, apart from mining depletion, since the public report titled "**Significant Increase in Santa Rita Open-Pit Resources"** was issued by the Company on 19 October 2012. The estimate was based on information compiled by Mr. Lauritz Barnes and reviewed by Mr. Doug Corley. Mr Barnes is a Member of the Australian Institute of Geoscientists, and is a Consultant to Mirabela Nickel Ltd (subject to deed of company arrangement). Mr Corley is a Member of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist in the field of Mining (Registration Number 10109), and is a Principal Resource Geologist at GHD Pty Ltd. Messrs Barnes and Corley qualify as both a Competent Person as defined in the 2012 JORC Code and as a Qualified Person in accordance with NI 43-101. Messrs Barnes and Corley have verified the data underlying the disclosures in this report relating to Mineral Resources. Messrs Barnes and Corley approve and consent to the inclusion in the presentation of the matters and defined Mineral Resources information in the form and context in which it appears.

2.3 Executive and Board Changes

2.3.1 Board changes

Mr Ian McCubbing was appointed Non-executive Chairman of the Board effective 11 January 2014, replacing Mr Geoff Handley. Mr McCubbing resigned from the Board effective 7 April 2014.

Mr Geoff Handley resigned as Non-executive Chairman and from the Board effective 11 January 2014.

Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

Mr Peter Nicholson resigned from the Board effective 11 January 2014.

Mr Colin Steyn resigned from the Board effective 11 January 2014.

Mr Nicholas Sheard resigned from the Board effective 7 April 2014.

2.3.2 Executive changes

Mr Christiaan Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

Mr William Bent (VP - Business Development) resigned from the Company effective 31 January 2013.

2.4 Financial Review

2.4.1 Statement of comprehensive income

The Group recorded a net loss for the year ended 31 December 2013 of US$493.861 million, representing (US$0.56) per share, in comparison to a net loss for the year ended 31 December 2012 of US$452.875 million representing a loss of (US$0.62) per share.

The net loss for the year of US$493.861 million was mainly due to gross losses (US$34.114 million), an impairment charge (US$331.182) as noted in section 2.4.3 below, net financing costs (US$49.028 million), general administration expenses (US$15.821 million), other net expenses (US$15.398 million), and foreign exchange movements (US$48.318 million). Net financing costs mainly comprise of net interest expense relating to the current debts. Foreign exchange losses comprise of realised and unrealised movements on the conversion of non-USD cash held and borrowings.

2.4.2 Statement of financial position

Total assets decreased by US$477.467 million to US$158.542 million from 31 December 2012. The decrease in total assets was mainly due to (a) decrease in property plant & equipment (US$358.613 million) as a result of the impairment charge (US$331.182 million) as noted in section 2.4.3 below, unrealised foreign exchange movements (US$35.575 million) and depreciation charges (US$15.112 million) offset by capital expenditure (US$36.609 million) including planned machinery rebuilds, deferred waste removal costs and ongoing work on the lifting of the tailings dam wall; (b) decrease in cash and cash equivalents (US$112.272 million); and (c) decrease in trade and other receivables (US$16.833 million) due to lower sales.

Total liabilities were US$534.360 million, an increase of US$17.040 million from 31 December 2012. The movement in total liabilities was mainly as a result of an increase in trade and other payables (US$18.477 million) and the unwinding of the unamortised borrowing costs (US$11.017 million); partly offset by decrease in the provision for rehabilitation (US$7.684 million) and decrease in borrowings mainly due to principal repayments on the Caterpillar and Atlas Copco finance lease facilities (US$9.631 million). The increase in trade and other payables was mainly due to non-payment of interest on the Senior Unsecured Notes in October 2013 (i.e. accrued), timing of payments to suppliers and the weakening Real/USD exchange rate.

Total negative equity of US$375.818 million at 31 December 2013 decreased by US$494.507 million from 31 December 2012 primarily as a result of an increase in accumulated losses (US$491.645 million) and a decrease in reserves (US$2.269 million). The decrease in reserves was mainly attributable to a decrease in the foreign currency translation reserve (US$10.336 million) and decrease in share based payment reserve (US$1.596

million); partly offset by an increase in hedging reserves (US$9.663 million). The decrease in contributed equity (US$0.593 million) represents costs relating to the prior period equity raisings.

2.4.3 Impairment

The Company identified impairment indicators such as the challenging nickel market conditions with LME nickel prices continuing to trade below the Company's cash flow break-even position after overheads, financing and capital costs, the business cessation of one of the Company's two offtake customers (as outlined in Note 2 of the consolidated financial statements) and the Company's market capitalisation being lower than the value of the long term assets. In the third quarter of 2013, due to market consensus on long-term nickel prices and projected net operating losses the Company recognised an impairment charge of US$192.894 million on its production assets for the period ended 30 September 2013. At year end the Company recognised a further impairment charge of US$138.288 million due to the continued low nickel price[1] and the non-recoverability of Brazilian indirect state taxes pursuant to the shift from domestic to export sales in December 2013. As a result of the December impairment charge, the Company's assets have been fully written down.

2.4.4 Statement of cash flows

During the year, cash and cash equivalents decreased by US$112.272 million. Included in the cash movement from 31 December 2012 is a negative currency adjustment of US$10.974 million.

Cash outflows from operating activities for the period were US$33.034 million. Cash receipts of US$212.452 million reflected the sale of 13,602 tonnes of nickel in concentrate, and associated by-products, to Votorantim, Norilsk Nickel and to International Trading House (**ITH**), offset by cash outflows of US$250.556 million, driven primarily by operational costs.

Net cash outflows from investing activities for the period were US$36.609 million. The cash outflow included budgeted capital expenditure, including planned machinery rebuilds, deferred waste removal costs, as well as the ongoing lifting of the tailings dam wall.

The net cash outflow from financing activities of US$31.655 million mainly reflects interest paid on the Senior Unsecured Notes, Caterpillar and Atlas Copco finance lease facilities and Banco Bradesco S.A working capital facility (US$21.431 million), and principal repayments on the Caterpillar and Atlas Copco finance lease facilities (US$9.631 million). The net cash outflow from financing activities excludes the interest payment on the Senior Unsecured Notes that was due on 15 October 2013 as this amount was not paid and a standstill agreement was entered into with the Ad-hoc Group of Noteholders (refer to Note 2 of the consolidated financial statements for further details) on 12 November 2013. Furthermore, there have been no further interest payments to the Senior Unsecured Notes in 2014.

2.4.5 Financing

On 30 December 2013, the Company secured a US$45.000 million interim financing facility (**SNSD**) from a consortium of its Noteholders – currently representing more than 65% of the Senior Unsecured Notes outstanding (**Ad-hoc Group**). The intention of the facility was to provide the Company with sufficient liquidity to operate its business whilst completing the process of a comprehensive restructuring package. Interest on this facility is payable at the end of each calendar quarter at a rate of 3.5% per annum. This facility is also subject to an upfront fee and original issue discount of 32.5% (combined) of US$45.000 million, payable on the

[1] *Auditing standards require that nickel and other commodity price estimates used in assessing impairment be based off analyst forecasts at or around 31 December 2013.*

first utilisation of the facility. The interest, upfront fee and original issue discount are payable in kind (i.e. the total amount outstanding on maturity is approximately US$60.000 million). The current maturity date of this facility is 30 June 2014. The facility is guaranteed by the Company's subsidiaries and is secured by an Australian law general security agreement and share pledge over the quota of the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda (**Mirabela Brazil**), plus a suite of Brazilian security documents, including fiduciary assignments over Mirabela Brazil's mineral rights contract, moveable assets, inventories, unencumbered receivables and intercompany loans and a mortgage over Mirabela Brazil's real property. No funds were drawn down under this facility by the Company as at 31 December 2013.

As at the date of this report, the Company has drawn down US$45.000 million under this facility (i.e. fully drawn) and utilised the funds to fund operating losses and capital expenditure since 31 December 2013.

3 REMUNERATION REPORT - AUDITED

This remuneration report for the year ended 31 December 2013 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (*Cth*) (**Act**) and its regulations.

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

The report contains the following sections:

3.1 Key Management Personnel covered by this Remuneration Report

3.2 Remuneration Governance

3.3 Use of Remuneration Consultants

3.4 Principles of Remuneration

3.5 Executive Remuneration Framework

3.6 Performance Pay Outcomes

3.7 Key Management Personnel Service Contracts

3.8 Summary of Remuneration

The Group notes that the 2012 Remuneration Report was adopted by Shareholders at the Annual General Meeting held on 30 May 2013.

On 18 March 2013, the previous Remuneration and Nomination Committee (previous **Committee**) suspended and subsequently cancelled the remaining performance rights of its previous performance rights plan (being the "*Mirabela Nickel Limited Performance Rights Plan*" originally approved at a Shareholders meeting held on 13 September 2010). The performance rights pertaining to the plan that were in a holding lock were to be allowed to vest at the completion of the vesting period, however, on 10 January 2014 the previous Committee suspended these performance rights.

On 10 January 2014 the previous Committee also suspended the "*2013 Mirabela Nickel Limited Long Term Incentive Plan" (**LTI**)* – which was originally approved at a Shareholders meeting held on 30 May 2013.

3.1 Key Management Personnel covered by this Remuneration Report

The following were KMPs of the Group at any time during the financial year and unless otherwise indicated KMPs for the entire period:

[Table 1: Key Management Personnel]

Non-executive Directors	Executive Directors	Executives
Mr Geoffrey Handley[(1)]	Mr Ian Purdy[(2)]	Mr Christiaan Els - Chief Financial Officer & Company Secretary[(8)]
Mr Ian McCubbing[(3)]		Mr Anthony Kocken – Chief Operating Officer
Mr Peter Nicholson[(4)]		Mr William Bent - Vice President, Business Development[(7)]
Mr Nicholas Sheard[(5)]		
Mr Colin Steyn[(6)]		

(1) Mr Handley resigned from the Board effective 11 January 2014.
(2) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
(3) Mr McCubbing resigned from the Board effective 7 April 2014.
(4) Mr Nicholson resigned from the Board effective 11 January 2014.
(5) Mr Sheard resigned from the Board effective 7 April 2014.
(6) Mr Steyn resigned from the Board effective 11 January 2014.
(7) Mr Bent resigned from the Company effective 31 January 2013.
(8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

There were no other changes to KMPs after the reporting date and before the date of the financial report.

3.2 Remuneration Governance

The previous Committee of the previous Board of Directors (previous **Board**) was responsible for determining the remuneration arrangements for KMPs and other senior management and making recommendations to the previous Board. The previous Committee comprised three independent Non-executive Directors of the Group.

The previous Committee reviewed remuneration levels and other terms of employment on an annual basis having regard to relevant market conditions, strategy of the Group, qualifications and experience of the KMPs and performance against targets set for each year.

The previous Committee obtained independent advice on the appropriateness of remuneration packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's remuneration strategy.

3.3 Use of Remuneration Consultants

The previous Board used an independent remuneration consultant, Egan Associates (**Egan**), to provide advice on the structure of new incentive schemes and to benchmark KMP remuneration.

During 2013, Egan was paid US$48,734 for advice and recommendations in respect of reviewing the amount and elements of KMP remuneration. In addition Egan received US$12,833 for other advisory services rendered.

In order to ensure the previous Committee was provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the Chairman of the previous Board engaged directly with Egan in this regard.

The previous Committee used Hay do Brasil Consultores Ltda (**HayGroup**) for advice and recommendations in respect of benchmarking and remuneration structuring in Brazil. HayGroup was paid US$21,867 for these services. The advice received by the previous Board indicated that executive remuneration in Brazil had larger incentive components than equivalent Australian executives.

By general enquiry and review, the previous Board was satisfied that the recommendations made by the remuneration consultants were free from undue influence by executive KMPs.

3.4 Principles of Remuneration

The performance of the Group depended on the quality of the KMPs it employed. To be successful in a global market, the Group was required to attract, motivate and retain KMPs of the highest calibre.

The Group embraced the following remuneration principles:

- Remuneration must be competitive, equitable and fair to attract and retain high calibre KMPs;
- Remuneration must recognise the competitive global market in which the Group operates;
- Remuneration must reward Group and individual performance across a range of disciplines and be measured against benchmarked targets; and
- Remuneration must link rewards with protecting and creating shareholder value.

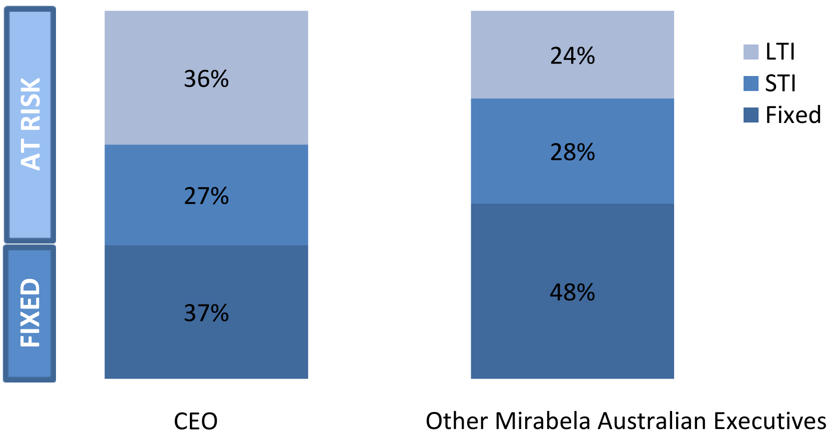
3.5 Executive Remuneration Framework

The Group's executive KMP total remuneration structure provided for:

- fixed remuneration;
- short-term, performance linked cash remuneration (**STI**); and
- long-term, performance linked equity remuneration (**LTI**).

Table 2 below shows the proportion of each element of total remuneration, at target maximum opportunities, for the executive KMPs. Over 60% of total remuneration for the CEO was at risk and over 50% of total remuneration for the other executive KMPs was at risk. There are no Brazilian executive KMPs as at the date of this report.

[Table 2: Executive KMP Remuneration Mix]



3.5.1 Fixed remuneration

Fixed remuneration comprised base salary and employer superannuation contributions.

During 2013, all Brazilian employees were awarded a salary increase of 6.5% under the annual union collective-agreement negotiation. All Australian employees, including Australian executive KMPs but excluding the CEO were awarded a salary increase of 4% based on industry benchmarking and economic factors. The CEO did not receive an increase for 2013.

3.5.2 Short-term, performance-linked remuneration

The Group operated a short-term, performance-linked, incentive program (**STI**) which provided annual cash awards for the achievement of specific objectives. Actual STI payments awarded to each executive KMP depended on the extent to which specific objectives, which were set at the beginning of the financial year, were met.

On an annual basis, after consideration of performance against the objectives, the previous Board determined the amount, if any, of the STI to be paid to each executive KMP, seeking recommendations from the CEO as appropriate. The previous Board assessed STI performance during February each year, with payments made to all employees, including executive KMPs, by the end of March.

The previous Board determined that the most appropriate objectives for the STI were non-revenue, non-market based measures that were critical to the success of the Group. Table 3 below outlines the STI objectives for 2013:

[Table 3: 2013 STI Objectives]

Category	CEO Weightings	Other Mirabela Australian Executive KMP of the Group Weightings	Overview of STI Objectives
Contained Nickel Production	20%	16%	Contained Nickel Production to be based on a sliding scale commencing from 22,000t with Stretch set at 24,000t.
Safety	12%	8%	Based on a range and combination of LTIFR (Lost Time Injury Frequency Rate), AIFR (All Injury Frequency Rate) and Zero Accident and Prevention Program targets. No safety bonus is paid if there is a fatality.
Cost	20%	16%	Based on a combination of unit mining cost, unit processing cost, total administration cost and capital expenditure. To achieve stretch bonus, all four cost targets must be met and budget cost savings of greater than R$20.000 million (80% achievement) to R$40.000 million (100% achievement). All targets are in local currency (Brazilian Real).
Environment	8%	5%	Full compliance with the environmental conditions of the Environmental Institute of Bahia.
Personal Objectives	15%	15%	Results based on personal objectives agreed by the previous Committee.
Maximum Potential Award	**75%**	**60%**	

Production, Safety, Cost and Environment Targets were the same for all employees and were also reflected in the Brazilian employee profit share scheme. In Brazil, every employee participated in a STI scheme with target maximum opportunity ranging from 27% to 70% of fixed remuneration. In Australia, every employee participated in a STI scheme with target maximum opportunity ranging from 10% to 75% of fixed remuneration.

For 2014, the previous Board had approved a STI scheme for the corporate office, its purpose being to incentivise eligible employees, including executive KMPs, to continue providing services for the duration of the restructure process. This was also ratified by the Deed Administrators subsequent to their appointment and is payable only if the Company continues as a going concern.

3.5.3 Long-term, performance linked remuneration

The Group operated a long-term, performance linked, incentive program in the form of the *"2013 Mirabela Nickel Limited Long Term Incentive Plan"* (**LTI**), approved at a Shareholders meeting held on 30 May 2013. The LTI incentivised and rewarded executive KMPs and other employees for long-term performance and provided a critical retention incentive, but only for so long as employees believed there was potential for the equity awards to be of value. The LTI was offered to all senior staff in Brazil and Australia, including executive KMPs.

LTI awards to the executive KMPs were delivered in the form of performance rights. A performance right is a right to be issued a share upon satisfaction of certain performance conditions as determined by the previous Board. Performance rights do not attract the payment of dividends or carry voting rights, and shares are allocated to participants only on the satisfaction of both the performance hurdle(s) and the expiry of a vesting period which commences at the end of the relevant achievement date.

A performance right that is in holding lock unless suspended (the period between achievement date and vesting date), would immediately vest on redundancy or termination-without-cause, but would be forfeited on termination-with-cause or resignation.

The Group's policy prohibited those that were granted performance rights as part of their remuneration from entering into other arrangements that limited their exposure or losses that would result from share price decreases.

For 2013 the maximum LTI opportunity available to the CEO was 100% (50% to other executive KMPs) of fixed remuneration divided by the twenty day volume weighted-average price for the Group's shares to 31 December 2012.

The LTI was based on a three year performance test period commencing 1 January 2013 and ending 31 December 2015 (**Performance Period**), with performance conditions comprising two components, these being:

- 50% for non-market condition, based on the Company's adjusted EBITDA per share performance over the Performance Period; and
- 50% for market performance, which was measured by Total Shareholder Return (**RTSR**) relative to a comparator group of ASX and TSX companies over the Performance Period.

The non-market condition would measure the Company's total adjusted EBITDA per share over the Performance Period against target and stretch performance hurdles in accordance with Table 4 below:

[Table 4: Adjusted EBITDA per Share Performance Hurdles]

Adjusted EBITDA per Share	Percentage of Performance Rights Allocated
Target: adjusted EBITDA per share > US$0.02	25%
Between US$0.02 and US$0.04	Pro-rata straight-line between 25% and 50%
Stretch: adjusted EBITDA per share > US$0.04	50%

The selected TSR comparator group of companies was a broad base of mining companies representing mid-tier mining companies from across the ASX and TSX – listed in Table 5 below.

[Table 5: TSR Comparator Companies]

No.	Security	Description	ASX/TSX	Mineral
1	ABY	Aditya Birla Minerals Limited	ASX	Copper
2	AWC	Alumina Limited	ASX	Alumina, Bauxite
3	AQP	Aquarius Platinum Limited	ASX, JSE, LSE	Platinum
4	FM	First Quantum Minerals Limited	TSX, LSE, LuSE	Copper, Nickel, Gold
5	GBG	Gindalbie Metals Limited	ASX	Iron ore
6	HIG	Highlands Pacific Limited	ASX	Nickel, Cobalt, Copper, Gold
7	HBM	Hudbay Minerals	TSX, NYSE	Zinc, Nickel
8	IGO	Independence Group NL	ASX	Nickel, Base metals
10	LUN	Lundin Mining Corporation	TSX, OMX	Copper, Zinc
11	LYC	Lynas Corporation Limited	ASX	Rare earths
12	MCR	Mincor Resources NL	ASX	Nickel
13	MGX	Mount Gibson Iron Limited	ASX	Iron ore
14	MMX	Murchison Metals Limited	ASX (to be wound up)	Iron Ore
15	NCM	Newcrest Mining Limited	ASX	Gold
16	OMH	OM Holdings Limited	ASX	Manganese
17	OZL	Oz Minerals Limited	ASX	Copper, Gold
18	PNA	PanAust Limited	ASX	Copper, Gold
19	PAN	Panoramic Resources Limited	ASX	Nickel
20	PEM	Perilya Limited	ASX	Zinc, Lead, Silver
21	POS	Poseidon Nickel Limited	ASX	Nickel
22	SRQ	Straits Resources Limited	ASX	Copper, Gold
23	WSA	Western Areas NL	ASX, TSX	Nickel

Table 6 below presents the relative TSR performance hurdles and the percentage of the maximum award that would be available:

[Table 6: Relative TSR Performance Hurdles]

Company's TSR relative to the TSR of the Comparator Group over the performance period	Maximum Percentage of Performance Rights Allocated
Less than the 50th Percentile	Nil
50th percentile	25%
Greater than the 50th percentile but less than the 75th percentile	Pro-rata straight-line between 25% and 50%
Greater than or equal to the 75th percentile	50%

At the end of the Performance Period, after consideration of performance against the hurdles, the previous Board determined the amount, if any, of the LTI to be awarded to each executive KMP, seeking recommendations from the CEO as appropriate. Once the LTI was awarded the amount of performance rights satisfied under the LTI award would convert to performance based shares and then vest no later than 31 March 2016.

Further information on the accounting policies applied to share based payments is provided in Note 4(n) of the consolidated financial statements.

3.6 Performance Pay Outcomes

3.6.1 Consequences of performance on shareholder wealth

In considering the Group's management performance and benefits for shareholder wealth, the Group considered share price performance and earnings in relation to the broader market conditions and internal targets. In addition to the above, the Group had regard to the following indices in respect of the current and previous financial years (as noted in Table 7):

[Table 7]

Measure	31 December 2013	31 December 2012	31 December 2011	31 December 2010(2)
ASX Share Price at Year End (A$)	0.02(4)	0.48	1.12	2.28
TSX Share Price at Year End (C$)	-(5)	0.50	1.17	2.38
Loss for the Period (US$ million)	(493,861)	(452.875)	(50.761)	(47.618)
EBITDA(1) (US$ million)	(26,391)	45.327	14.615	35.745
Dividends Paid	-	-	-	-
Return of Capital	-	-	-	-
Sales Revenue (US$ million)	194.180	343.398	303.642	210.975
Realised Nickel Price (US$/lb)	6.46	7.46	10.04	9.43
Production Unit Cash Cost (US$/lb)(3)	5.80	5.82	7.27	7.00
Nickel Production (dmt)	15,626	19,253	15,854	10,375
Mined Tonnes (Mt)	38.0	38.5	40.8	29.1
Processed Tonnes (Mt)	6.5	6.5	5.4	3.8

(1) EBITDA, as used by the Group, is unaudited and defined as earnings before net financial expense, net derivative loss, net foreign exchange gain/loss, taxation, other expenses - net, depreciation, amortisation, depletion, impairment charge and net realisable value adjustment to inventory (refer section 3.9 of this remuneration report).
(2) Commercial production was achieved from 1 January 2010. As such, indices for 2008 and 2009 have not been included.
(3) Production Unit Cash Cost is unaudited (refer section 3.9 of this remuneration report).
(4) The Company has remained in voluntary trading suspension on the Australian Stock Exchange (ASX) since 7 October 2013 as the previous Board was of the view that continued trading in the Company's securities was likely to be materially prejudicial to its ability to successfully complete the complex restructuring process.
(5) The Company de-listed from the Toronto Stock Exchange (TSX) on 4 October 2013, due to the limited trading volume of the Company's shares on the TSX over a sustained period of time and as a result it is not expected that maintaining the listing will deliver significant future value for the Company and its Canadian shareholders.

The 2013 loss for the period included a non-cash impairment charge of US$331.182 million relating to historical capitalised expenditure (2012 included an impairment charge of US$380.000 million).

3.6.2 STI performance pay outcome

The 2013 STI performance results were as follows:

- Production was below minimum performance and as such was not achieved;
- Safety performance achieved the stretched target;
- Cost target was below minimum performance and as such was not achieved; and
- Environmental compliance was achieved on target.

The previous Committee assessed the success of these achievements by: making appropriate enquiries of management, reviewing management information reports, and reviewing external reports where applicable.

Based on these results the previous Board awarded an STI to all eligible employees including: 100% of the safety component; 100% of the environmental component; and individual objectives were specifically assessed for each executive KMP.

No discretion was exercised by the previous Board in assessing the performance of the executive KMPs against the 2013 STI objectives.

[Table 8: Executive KMP STI Awards for 2013]

	Included in Remuneration	% STI achieved in 2013	% of maximum STI achieved in year	% of maximum STI forfeited in year
	US$	%	%	%
Ian Purdy	238,188	30	40	60
Christiaan Els	105,848	23	38	62
Anthony Kocken	106,246	23	38	62

Amounts included in remuneration for the financial year represent the amounts that became due in the financial year on achievement of personal goals and satisfaction of specified performance criteria. The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year. No amounts vest in future financial years in respect of the STI for the 2013 financial year.

3.6.3 LTI performance pay outcome

As noted earlier, the "*2013 Mirabela Nickel Limited Long Term Incentive Plan*" was suspended and, therefore, no evaluation of the award under year 1 of the plan was made.

No discretion was exercised by the previous Board in assessing the performance of the executive KMPs against the 2013 LTI conditions.

[Table 9: Executive KMP LTI Awards for 2013 under the new plan]

	Maximum Number of Performance Rights	Number awarded in 2013	% of LTI achieved in year	% of LTI not awarded in year
			%	%
Ian Purdy	1,772,854	-	-	100
Christiaan Els	513,805	-	-	100
Anthony Kocken	515,739	-	-	100

Refer to section 3.8.3 of this report for more details on the valuation of the equity instruments in the remuneration report.

3.7 Key Management Personnel Service Contracts

Remuneration arrangements for executive KMPs were formalised in employment contracts. Details of these contracts are provided below:

Mr Ian Purdy, Chief Executive Officer (**CEO**) & Managing Director (resigned as director effective 5 May 2014 and resigned as CEO effective 31 May 2014), entered into a new employment contract on 16 April 2013 with the Group. The contract is unlimited in term but capable of termination upon three months' notice by either party. In the event the Group terminates Mr Purdy's employment without cause due to redundancy, material diminution of his position, remuneration package, responsibilities, reporting lines and/or primary place of work, Mr Purdy is entitled to a payment equal to twelve months salary as approved by the shareholders at the

Annual General Meeting held on 30 May 2013. As part of the contract, Mr Purdy is entitled to participate in any Group incentive schemes.

Mr Christiaan Els, Chief Financial Officer (**CFO**) & Company Secretary (resigned as Company Secretary effective 19 May 2014), entered into a new employment contract with the Group on 30 May 2013. The contract is unlimited by term but capable of termination upon three months' notice by either party. In the event the Group terminates Mr Els' employment without cause, Mr Els is entitled to a payment equal to twelve months salary inclusive of notice as approved by the shareholders at Annual General Meeting held on 30 May 2013. As part of the contract, Mr Els is entitled to participate in any Group incentive schemes.

Mr Anthony Kocken, Chief Operating Officer (**COO**), entered into a new employment contract with the Group on 30 May 2013. The contract is unlimited by term but capable of termination upon three months' notice by either party. In the event the Group terminates Mr Kocken's employment without cause, Mr Kocken is entitled to twelve months salary, inclusive of notice as approved by the shareholders at Annual General Meeting held on 30 May 2013. As part of the contract, Mr Kocken is entitled to participate in any Group incentive schemes.

Mr William Bent, VP - Business Development (resigned from the Company effective 31 January 2013), entered into an employment contract effective 1 June 2010. The contract is unlimited by term but capable of termination upon three months' notice by either party. In the event the Group terminates Mr Bent's employment without cause, Mr Bent was entitled to a payment equal to three months' salary. On 1 July 2011 Mr Bent's employment contract was amended to the effect that in the event of termination due to a redundancy or change in employment conditions within twelve months of a change in control, Mr Bent is entitled to twelve months salary. As part of the contract, Mr Bent is entitled to participate in any Group incentive schemes.

3.8 Summary of Remuneration

3.8.1 Non-executive Director KMP remuneration

The aggregate total remuneration for Non-executive Director KMPs was determined from time to time by shareholders in a General Meeting. The current total aggregate remuneration payable to Non-executive Director KMPs may not exceed US$916,668 per annum.

The previous Committee considered, on an annual basis, independent remuneration advice as well as fees paid to Non-executive Director KMPs of comparable companies in determining the quantum and apportionment of the remuneration for the year. In recognition of the difficult financial position the Group was in during 2013 the previous Board did not increase the Non-executive Director KMP fees during 2013.

Non-executive Director KMPs received fixed remuneration, including superannuation but did not receive any share based payments nor participated in any incentive programs, in line with ASX Corporate Governance principles. Non-executive Director KMPs were encouraged to own shares in the Group.

No additional payments were made to Non-executive Director KMPs for committees, except for the Chair of the previous Board Audit Committee.

Table 10a sets out the fixed remuneration of the Non-executive Director KMPs for 2013.

3.8.2 Remuneration review

The following section itemises the remuneration components for the KMPs.

Table 10a below outlines the statutory KMP remuneration for 2013, based on International Financial Reporting Standards requirements.

[Table 10a]

US$							Performance Rights (Expensed during the Period) relating to					
31 December 2013	Short-term salaries and fees	STI cash bonus	Non-monetary benefits	Annual leave expense	Post-employment super contributions	Termination Payments	Performance conditions achieved (5)	Performance conditions not yet achieved (6)	Performance conditions lapsed/cancelled (7)	Remuneration Entitlement	Performance related proportion of remuneration entitlement	Value of performance rights as a proportion of remuneration entitlement
Directors	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	%	%
Executive Directors												
Ian Purdy(2)	934,385	238,188	-	59,342	24,200	-	46,068	66,304	57,270	1,425,757	29	12
Non-executive Directors												
Geoffrey Handley(1)	174,243	-	-	-	15,889	-	-	-	-	190,132	-	-
Ian McCubbing(3)	124,332	-	-	-	11,338	-	-	-	-	135,670	-	-
Peter Nicholson(1)	96,802	-	-	-	-	-	-	-	-	96,802	-	-
Nicholas Sheard(3)	96,802	-	-	-	-	-	-	-	-	96,802	-	-
Colin Steyn(1)	96,802	-	-	-	-	-	-	-	-	96,802	-	-
Executives												
Christiaan Els(8)	435,349	105,848	-	33,612	24,200	-	31,793	19,216	38,107	688,125	28	13
Anthony Kocken	463,710	106,246	37,205	5,441	4,336	-	31,912	19,288	38,250	706,388	28	13
William Bent(4)	31,863	-	-	2,263	6,133	46,844	-	-	-	87,103	-	-
	2,454,288	**450,282**	**37,205**	**100,658**	**86,096**	**46,844**	**109,773**	**104,808**	**133,627**	**3,523,581**		

(1) Mr Handley, Mr Nicholson and Mr Steyn resigned from the Board effective 11 January 2014.
(2) Mr Purdy resigned as a director from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
(3) Mr McCubbing and Mr Sheard resigned from the Board effective 7 April 2014.
(4) Mr Bent resigned from the Company effective 31 January 2013.
(5) In relation to 2011 non-market strategic objectives which vested on 31 December 2012 at a reduced allocation percentage and were converted to Shares on 23 January 2013; and 2012 non-market strategic objectives pertaining to cost reduction (at a reduced allocation percentage), optimisation (fully achieved) and exploration goals (fully achieved) with a vesting date of 31 December 2013 but which were suspended by the Committee on 10 January 2014.
(6) In relation to the Company's "*2013 Mirabela Nickel Limited Long Term Incentive Plan's*" 2013 non-market condition pertaining to Adjusted EBITDA per Share and 2013 market performance condition pertaining to a Relative TSR. This Plan was suspended by the Committee on 10 January 2014.
(7) In relation to 2012 non-market strategic objective pertaining to organic growth and 2012 market performance objective which were suspended and subsequently cancelled by the Committee on 18 March 2013 - values based on grant date valuation. The KMPs will not receive any benefit from these performance rights.
(8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

Table 10b below outlines the statutory KMP remuneration for 2012, based on International Financial Reporting Standards requirements.

[Table 10b]

US$						Performance Rights (Expensed during the Period) relating to					
31 December 2012	Short-term salaries and fees	STI cash bonus	Annual leave expense	Post-employment super contributions	Termination Payments	Performance conditions achieved (5)	Performance conditions not yet achieved (6)	Performance conditions lapsed/cancelled (7)	Remuneration Entitlement	Performance related proportion of remuneration entitlement	Value of performance rights as a proportion of remuneration entitlement
Directors	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**%**	**%**
Executive Directors											
Ian Purdy	821,000	564,507	48,149	25,991	-	114,752	93,108	69,560	1,737,067	48	16
Non-executive Directors											
Geoffrey Handley	186,443	-	-	16,780	-	-	-	-	203,223	-	-
Ian McCubbing	133,035	-	-	11,973	-	-	-	-	145,008	-	-
Peter Nicholson(1)	56,948	-	-	-	-	-	-	-	56,948	-	-
Nicholas Sheard	103,580	-	-	-	-	-	-	-	103,580	-	-
Colin Steyn	103,580	-	-	-	-	-	-	-	103,580	-	-
Executives											
Christiaan Els	446,119	243,762	38,721	25,895	-	51,367	35,439	20,566	861,869	41	12
Anthony Kocken(2)	359,722	209,828	27,932	21,489	-	34,184	35,572	-	688,727	41	10
William Bent(3)	376,828	205,962	30,056	25,895	-	14,256	-	16,936	669,933	35	5
Luis Nepomuceno(4)	20,755	-	-	-	255,194	34,559	-	41,056	351,564	22	22
	2,608,010	**1,224,059**	**144,858**	**128,023**	**255,194**	**249,118**	**164,119**	**148,118**	**4,921,499**		

(1) Mr Nicholson was appointed Non-executive Director effective 12 June 2012.
(2) Mr Kocken was appointed Chief Operating Officer effective 12 March 2012.
(3) Mr Bent resigned from the Company effective 31 January 2013.
(4) Mr Nepomuceno ceased to be an executive of the Group on 16 January 2012.
(5) In relation to 2011 non-market strategic objectives which vested on 31 December 2012 at a reduced allocation percentage; and 2012 non-market strategic objectives pertaining to cost reduction (at a reduced allocation percentage), optimisation (fully achieved) and exploration goals (fully achieved) with a vesting date of 31 December 2013.
(6) In relation to 2012 non-market strategic objectives pertaining to organic growth which is to be retested by 31 March 2013; 2012 market performance objective which is to be retested by 30 June 2013; 2013 non-market strategic objective and 2013 market performance objective of which performance conditions are yet to be advised by the Board (but will be determined at the time of the grant).
(7) In relation to 2011 market performance objective which was cancelled by the Committee on 25 September 2012 - values based on grant date valuation. The KMPs will not receive any benefit from these performance rights.

For Tables 10a and 10b above, exchange rates used to convert the AUD to USD were as follows:

- Short term salaries, fees and post-employment super contribution: monthly average rates ranging from 1.050 to 0.898 for the year ended 31 December 2013 (2012: 1.073 to 0.995); and
- STI cash bonus, annual leave expense and performance rights: annual average rate of 0.968 for the year ended 31 December 2013 (2012: 1.036).

3.8.3 Equity instruments

All performance rights and options referred to rights and options over ordinary shares of the Company, which were exercisable on a one-for-one basis under the Group's performance rights and share option plans.

The Group measured the fair value of a share-based payment award issued to eligible employees at grant date and was not required to adjust the fair value afterwards (even if it became more or less valuable or did not ultimately vest) unless the award was modified. Where the service condition had commenced before the grant date a provisional fair value was calculated for a share-based payment award, which was revised upon grant date.

3.8.3.1 Performance rights issued as remuneration

Details of performance rights issued as remuneration to executive KMPs during the financial year are outlined in Tables 11a and 11b as follows:

[Table 11a]

31 December 2013						
Directors		**Number of performance rights issued/granted Jan-Dec 2013**	**Grant Date**	**Fair value of performance rights at grant date A$**	**Expiry date[1]**	**Number of performance rights vested Jan-Dec 2013**
Executive						
Ian Purdy	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)[2]	-	9 Feb 2012	0.99	1 Jan 2014	121,985
	2013 non-market condition (adjusted EBITDA per Share)	886,427	30 May 2013	0.18	31 Dec 2015	-
	2013 market performance condition (RTSR)	886,427	30 May 2013	0.07	31 Dec 2015	-
Executives						
Christiaan Els	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)[2]	-	9 Feb 2012	0.99	1 Jan 2014	70,753
	2013 non-market condition (adjusted EBITDA per Share)	256,903	30 May 2013	0.18	31 Dec 2015	-
	2013 market performance condition (RTSR)	256,902	30 May 2013	0.07	31 Dec 2015	-
Anthony Kocken	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)[2]	-	9 Feb 2012	0.99	1 Jan 2014	71,020
	2013 non-market condition (adjusted EBITDA per Share)	257,870	30 May 2013	0.18	31 Dec 2015	-
	2013 market performance condition (RTSR)	257,869	30 May 2013	0.07	31 Dec 2015	-

(1) The performance rights were subject to both service conditions and performance conditions (Refer note 12 of the consolidated financial statements).
(2) These performance rights were subject to a twelve month service condition but were suspended by the Committee on 10 January 2014.

[Table 11b]

31 December 2012						
Directors		**Number of performance rights issued/granted Jan-Dec 2012**	**Grant Date**	**Fair value of performance rights at grant date A$**	**Expiry date(1)**	**Number of performance rights vested Jan-Dec 2012**
Executive						
Ian Purdy	2011 non-market strategic objective	-	31 Mar 2011	1.84	1 Apr 2013	70,509
Executives						
Christiaan Els	2011 non-market strategic objective	-	31 Mar 2011	1.84	1 Apr 2013	20,846
	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)	78,615	9 Feb 2012	0.99	1 Jan 2014	-
	2012 non-market strategic objectives (organic growth)	19,654	9 Feb 2012	0.99	1 Apr 2014	-
	2012 market performance objective	98,268	9 Feb 2012	0.54	1 July 2014	-
Anthony Kocken	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)	78,911	9 Feb 2012	0.99	1 Jan 2014	-
	2012 non-market strategic objectives (organic growth)	19,727	9 Feb 2012	0.99	1 Apr 2014	
	2012 market performance objective	98,639	9 Feb 2012	0.54	1 July 2014	-
William Bent	2011 non-market strategic objective	-	31 Mar 2011	1.84	1 Apr 2013	17,168
	2012 non-market strategic objectives(2)	83,843	9 Feb 2012	0.99	1 Jan 2014	-
	2012 market performance objective(2)	83,843	9 Feb 2012	0.54	1 Jan 2014	-
Luis Nepomuceno	2011 non-market strategic objective	-	31 Mar 2011	1.84	1 Apr 2013	41,616

(1) The performance rights are subject to both service conditions and performance conditions.
(2) These performance rights were forfeited on 23 January 2013.

2013 Non-market condition (adjusted EBITDA per share):

For the 2013 grant of performance rights, 50% of the performance rights were subject to the Company's adjusted EBITDA per share performance over the 2013 – 2015 performance period. The adjusted EBITDA per share milestone would measure the Company's total adjusted EBITDA per share over the 2013-2015 performance period against target and stretch performance hurdles set by the previous Board at the commencement of the 2013-2015 performance period. The target and stretch adjusted EBITDA per share would be reviewed by the previous Board after the end of each calendar year and may have been adjusted, at the previous Board's absolute discretion, for the following items:

- Exploration expenditure charged to EBITDA may have been added back;
- Impairment adjustments to EBITDA, both positive and negative, may have been added back or deducted as appropriate;
- Other material non-cash adjustments to EBITDA may have been added back or deducted;
- Target and stretch may have been lowered if realised nickel prices were materially lower than budget; and

- Target and stretch may have been lowered if additional shares were issued by the Company.

The previous Board may have also made adjustments to ensure that the performance targets were fair and appropriate in light of the volatile nickel markets.

2013 Market performance condition (Relative TSR):

For the 2013 grant of performance rights, 50% of the performance Rights were subject to the Company's relative TSR (RTSR) performance over the 2013 – 2015 performance period. The RTSR milestone would measure the return on investment in the shares (capital growth together with income returned to shareholders) against that of a selected group of peer companies listed on the ASX and TSX. The selected comparator group of companies was a broad base of mining companies representing mid-tier mining companies from across the ASX and TSX. Companies under takeover would be excluded from the comparator group.

3.8.3.2 Exercise of performance rights granted as remuneration

During the reporting period, the following shares, as noted in Table 12, were issued to executive KMPs on the exercise of the performance rights previously granted as remuneration.

[Table 12]

Directors		**Number of shares**	**Exercise date**	**Share price (A$/share)**
Executive Director				
Ian Purdy	2011 non-market strategic objective	70,509	23 January 2013	0.50
Executives				
Christiaan Els[2]	2011 non-market strategic objective	20,846	23 January 2013	0.50
William Bent[1]	2011 non-market strategic objective	17,168	23 January 2013	0.50

(1) Mr Bent resigned from the Group effective 31 January 2013.
(2) Mr Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

3.8.3.3 Analysis of performance rights granted as remuneration

Details of vesting profiles of the performance rights granted as remuneration to executive KMPs of the Group are detailed in Table 13 below:

[Table 13]

Directors		Number of performance rights issued/ granted	Grant Date	Performance condition successfully achieved[(2)]	% forfeited/ cancelled during the year[(1)]	Date on which grant vests
Executive						
Ian Purdy	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)[(3)]	135,539	9 Feb 2012	90%	-	31 Dec 2013
	2012 non-market strategic objectives (organic growth)[(4)]	33,885	9 Feb 2012	0%	100%	31 Mar 2014
	2012 market performance objective[(4)]	169,424	9 Feb 2012	0%	100%	30 Jun 2014
	2013 non-market strategic objective & market performance objective (old Plan)[(4)]	338,847	31 Mar 2013	0%	100%	31 Dec 2014
	2013 non-market condition (Adjusted EBITDA per Share)[(5)]	886,427	30 May 2013	N/A	-	31 Dec 2015
	2013 market performance condition (RTSR)[(5)]	886,427	30 May 2013	N/A	-	31 Dec 2015
Executives						
Christiaan Els	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)[(3)]	78,615	9 Feb 2012	90%	-	31 Dec 2013
	2012 non-market strategic objectives (organic growth)[(4)]	19,654	9 Feb 2012	0%	100%	31 Mar 2014
	2012 market performance objective[(4)]	98,268	9 Feb 2012	0%	100%	30 Jun 2014
	2013 non-market condition (Adjusted EBITDA per Share)[(5)]	256,903	30 May 2013	N/A	-	31 Dec 2015
	2013 market performance condition (RTSR)[(5)]	256,902	30 May 2013	N/A	-	31 Dec 2015
Anthony Kocken	2012 non-market strategic objectives (cost reduction, optimisation and exploration goals)[(3)]	78,911	9 Feb 2012	90%	-	31 Dec 2013
	2012 non-market strategic objectives (organic growth)[(4)]	19,727	9 Feb 2012	0%	100%	31 Mar 2014
	2012 market performance objective[(4)]	98,639	9 Feb 2012	0%	100%	30 Jun 2014
	2013 non-market condition (Adjusted EBITDA per Share)[(5)]	257,870	30 May 2013	N/A	-	31 Dec 2015
	2013 market performance condition (RTSR)[(5)]	257,869	30 May 2013	N/A	-	31 Dec 2015

(1) The % forfeited/cancelled in the year represents the reduction from the maximum number of rights available to vest due to performance criteria not being achieved.
(2) Subject to a twelve month service condition.
(3) These performance rights were subject to a twelve month service condition but were suspended by the previous Committee on 10 January 2014.
(4) These performance rights were suspended and then subsequently cancelled by the previous Committee on 18 March 2013.
(5) These performance rights were cancelled by the previous Committee on 10 January 2014.

3.8.3.4 Options granted as remuneration

There were no options over ordinary shares in the Company that were granted as remuneration to KMPs during and since the year ended 31 December 2013. No terms of equity-settled share based payment transactions have been altered or modified during the financial period.

3.9 Unaudited Non-IFRS Reconciliation

EBITDA Reconciliation

The following table reflects a reconciliation of the Group's EBITDA to the Consolidated Statement of Comprehensive Income:

	31 December 2013 US$000	31 December 2012 US$000	31 December 2011 US$000	31 December 2010 US$000
Loss for the period per Consolidated Statement of Comprehensive Income	(493,861)	(452,875)	(50,761)	(47,618)
Add back:				
Income tax expense	-	-	-	6,331
Impairment of property, plant and equipment	331,182	380,000	-	-
Depreciation, amortisation and depletion	20,375	64,765	52,829	37,178
Financial expense	54,098	43,431	38,843	22,113
Inventory valuation adjustments	3,169	-	-	21,318
Net foreign exchange loss	48,318	9,868	-	4,027
Other expenses net	15,398	6,687	12,324	-
Less:				
Income tax benefit	-	-	(2,369)	-
Financial Income	(5,070)	(6,549)	(3,175)	(996)
Net derivative gain	-	-	(249)	-
Net foreign exchange gain	-	-	(32,827)	(6,608)
EBITDA	**(26,391)**	**45,327**	**14,615**	**35,745**

Production Unit Cash Costs Reconciliation

	31 December 2013 US$000	31 December 2012 US$000	31 December 2011 US$000	31 December 2010 US$000
Gross (loss)/profit per Consolidated Statement of Comprehensive Income	(34,114)	(6,757)	(27,888)	7,847
Add back:				
Royalties	8,837	14,978	15,617	10,314
Depreciation, amortization and depletion	20,375	64,765	52,829	37,178
Inventory valuation adjustments	3,169	-	-	-
Direct concentrate stockpile movement	-	6,326	-	-
Copper Hedge expense	6,013	1,373	844	-
Less:				
Nickel sales revenue	(165,622)	(300,550)	(263,985)	(189,674)
Direct concentrate stockpile movement	(16,486)	-	(3,570)	(8,169)
Total cash operating cost of production	**177,828**	**219,865**	**226,153**	**142,504**
Payable nickel (pounds)	30,659,959	37,777,448	31,107,699	20,357,702
Unit Cash Cost (US$) per pound of payable nickel	**5.80**	**5.82**	**7.27**	**7.00**

The above reconciliations should be read in conjunction with Table 7 of this remuneration report.

4 DIRECTORS' INTERESTS

As at the date of this report, the Company had no directors pursuant to being placed into voluntary administration on 25 February 2014 and the subsequent appointment of deed administrators on 13 May 2014. Refer Note 24 of the consolidated financial statements for the Directors' interests as at 31 December 2013.

5 PERFORMANCE RIGHTS / SHARE OPTIONS

5.1 Shares Issued on Exercise of Performance Rights and Options

During the financial year 218,411 performance rights were converted to ordinary shares. No options were exercised during or since the end of the financial year and consequently no ordinary shares were issued as a result.

5.2 Unissued Shares under Performance Rights

Unissued shares of the Company under performance rights are:

Vesting date	At 31 December 2013	At the date of this report
31 December 2013[(1)]	482,263	482,263
31 December 2015[(2)]	4,527,782	4,527,782
Balance	**5,010,045**	**5,010,045**

(1) These performance rights were subject to a twelve month service condition, but were suspended by the Remuneration Committee on 10 January 2014.
(2) These performance rights were cancelled by the Remuneration Committee on 10 January 2014.

5.3 Unissued Shares under Option

As at 31 December 2013 and at the date of this report, unissued shares of the Company under option are:

Exercise price	Expiry date	Number of options
A$3.00	30 June 2014	400,000
Balance		**400,000**

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

6 INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year, the company paid premiums on a contract of insurance covering the current or former directors or members of senior management against liabilities incurred in respect of the relevant office, except as precluded by law.

The Deed Administrators have not included details of the nature of liabilities covered or the amount of premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

7 PRINCIPAL ACTIVITIES

The Company is a Brazilian nickel producer engaged in the exploration, mining, production and sale of nickel concentrate. The ordinary shares of the Company are listed on the Australian Securities Exchange under the symbol "MBN". The shares were placed in a trading halt on 7 October 2013 and have not traded since.

The Company's principal asset is the 100%-owned Santa Rita nickel sulphide mine in Bahia, Brazil, discovered by the Company in 2004 and brought into commercial production in 2010.

8 AUDIT COMMITTEE

The previous Audit Committee had a documented charter, approved by the previous Board. All members were Non-executive Directors. The previous Audit Committee advised on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the previous Audit Committee during the year ended 31 December 2013 were:

- Mr Ian McCubbing, B.Com (Hons), MBA (Ex), CA, GAICD - Non-executive Director; Chairman
- Mr Nicholas Sheard, Fellow AIG, RP.Geo - Non-executive Director
- Mr Colin Steyn, B.Com, MBA - Non-executive Director

The previous Audit Committee met four times during the financial year and the previous Audit Committee members' attendance record is disclosed in the table of directors' meetings in section 1.3 of the Deed Administrators' Report.

9 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31 December 2013 (31 December 2012: Nil).

10 EARNINGS PER SHARE

The basic and diluted loss per share for the Group for the period was US$0.56 per share (31 December 2012: US$0.62 loss per share).

11 EVENTS SUBSEQUENT TO REPORTING DATE

Secured Notes

On 30 December 2013, the Company announced that it had secured a US$45.000 million loan from a consortium of holders (**Ad-hoc Group**) of the Company's US$395.000 million 8.75% Senior Unsecured Notes due 15 April 2018. The intention of the loan was to provide the Company with sufficient liquidity to operate its business (i.e. the business remains materially loss making) as discussions progressed with all of the Company's key stakeholders regarding a comprehensive restructuring. The first draw down under the loan occurred during January 2014. As at the date of this report, the facility was fully drawn and had been fully utilised to fund operating losses and capital expenditure since 31 December 2013. Including fees and accrued interest approximately US$60.000 million is due and payable on 30 June 2014 (the revised maturity date of the loan).

Appointment of Voluntary Administrators and Deed Administrators

Background

On 25 February 2014, the Company notified the Australian Stock Exchange (**ASX**) that the Ad-Hoc Group had entered into a Plan Support Agreement (**PSA**) which formalised an agreement to provide continued support (both funding and standstill support) whilst a proposed plan to recapitalise the Company was implemented. The ASX announcement included a redacted copy of the legally binding PSA which outlined the terms on which the Ad-hoc Group would continue to support the Company (refer to Note 2 of the consolidated financial statements for further details).

Following receipt of the signed PSA, Messrs Martin Madden, Clifford Rocke and David Winterbottom from KordaMentha were appointed as voluntary administrators of the Company and Mirabela Investments Pty Ltd (subject to deed of company arrangement) on 25 February 2014 pursuant to section 436A of the Corporations Act 2001 (*Cth*).

Reasons for voluntary administration

The key factors which lead to the appointment of voluntary administrators are summarised as follows:

- 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.USD13.00/lb to c.USD6.30/lb;
- The loss of receipts following Votorantim's actions in September 2013 (notification of intent to terminate the offtake contract early) and in November 2013 (force majeure event), and an inability to procure an offtake contract on similar terms served to exacerbate the deterioration of cash reserves;
- A material increase in capital expenditure required to increase the storage capacity of the tailings dam (these works are still ongoing and should they not be completed, it is highly probably the operations will cease);
- A significant portion of historic losses have been funded via debt which resulted in the Company being over leveraged; and
- An inability to raise additional equity as a result of a significant decline in the share price and market capitalisation.

Voting of creditors at the second meetings of creditors

On 13 May 2014, the second meetings of the creditors of the Company were held and the creditors voted in favour of the Approved Deeds of Company Arrangement (**DOCAs**) and Messrs Martin Madden, Clifford Rocke and David Winterbottom from KordaMentha were appointed deed administrators (**Deed Administrators**).

Approved DOCAs

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

1. The extinguishment of claims of Noteholders against the Company and Mirabela Investments Pty Ltd (subject to deed of company arrangement) in return for an entitlement to approximately 98.2% of the existing ordinary equity in the Company. If Noteholders so elect or if they are not permitted at law to hold equity in the Company, the shares which would have been transferred to them will be sold and the net proceeds of sale will be paid to them. Noteholders will also receive a pro-rata share of a US$5.000 million Subordinated Unsecured Note from the Company at the conclusion of the Brazilian extra judicial proceeding, which will have a term of 30 years and attract an interest rate of 1.0% p.a., payable in kind;
2. The Company offering convertible notes with an initial face value of US$115.000 million to the Unsecured Noteholders;
3. The issuance of new shares in the Company to the new capital parties as consideration for the new capital parties having agreed to subscribe for convertible notes not subscribed for by other Noteholders with a face value of US$55.000 million. Separately, new shares will be issued to the Secured Noteholders for agreeing to roll over their debt into the new issuance; and
4. The convertible notes being convertible into new ordinary shares in the Company.

On 16 May 2014, the Deed Administrators lodged a court application in the Supreme Court of New South Wales (Court) under the deed of company arrangement executed by the Company on 13 May 2014 (DOCA). The application seeks the leave of the Court under section 444GA of the Corporations Act 2001 (*Cth*) to a transfer of approximately 98.2% of the existing ordinary shares in the Company in accordance with the terms of the DOCA and as part of the proposed recapitalisation of the Company (as announced to the ASX announcement on 25 February 2014). The hearing is currently scheduled for 12 June 2014.

Steps three and four set out above will only proceed once step one is completed.

Funding Arrangements (refer to Note 2 of the consolidated financial statements)

Unsecured Notes

The Company has entered into a standstill agreement with the Ad-hoc Group of Noteholders dated 12 November 2013 (as amended) in respect of its obligations under the Indenture. The Ad-hoc Group agreed not to request, instruct or direct the trustee to take any action under the Indenture in respect of the Unsecured Notes in relation to the Company's failure to make the interest payment referred to above. The standstill agreement terminated on 31 March 2014, however the undertakings provided by the Ad-hoc Group in the PSA operate to continue the agreement subject to the terms and conditions of the PSA.

Secured Notes

The Company has entered into a waiver agreement dated 27 March 2014 with Australian Executor Trustees Limited, the Administrative Agent under the SNSD. Pursuant to the SNSD Extension Agreement the Administrative Agent agreed, amongst other things, to extend the Termination Date under the SNSD to the earliest of 30 June 2014, the date for termination of the SNSD, or the date the notes issued under the SNSD are accelerated or the commitments are terminated, and to waive the event of default constituted by the appointment of voluntary administrators to the Company and Mirabela Investments Pty Ltd (subject to deed of company arrangement).

Banco Bradesco

The Group entered into a waiver agreement with Banco Bradesco S.A (**Banco Bradesco**) dated 13 November 2013 (as amended) in respect of its obligations under the Banco Bradesco facility. Pursuant to the Banco Bradesco Waiver Agreement, Banco Bradesco agreed, amongst other things, to waive any event of default which may arise under the Banco Bradesco facility. The Banco Bradesco Waiver Agreement terminated on 31 March 2014. However a fourth amendment to the Banco Bradesco facility was executed on 5 May 2014 extending the term of the Banco Bradesco facility to 29 March 2018 and stated the restructure steps to be undertaken (including the entry into the deed of company arrangement) would not constitute an event of default under that facility.

Caterpillar

The Group entered into a standstill agreement with Caterpillar dated 12 November 2013 (as amended) in respect of its obligations under the Caterpillar Facility. Pursuant to the terms of the Caterpillar Standstill Agreement, Caterpillar agreed, among other things, not to enforce its rights under the Caterpillar Facility or declare a default or take any enforcement action in respect of a default caused by the Group entering into restructuring discussions with its major creditors. The Caterpillar Standstill Agreement terminates on the earliest occurrence of an event of default under the Caterpillar Facility (other than as expressly waived in the Caterpillar Standstill Agreement) or 23 July 2014 (which may be extended up to thirty days with consent of the parties).

Atlas Copco

There is no standstill or waiver in relation to the event of default under the Atlas Copco facility. At this stage Atlas Copco has not taken any action against the Group to recover outstanding amounts.

Delay in Lodging the 31 December 2013 Annual Report

On 15 April 2014, the Company announced to the ASX that it is relying on Australian Securities and Investment Commission (ASIC) Class Order 03/392 which allows externally administered companies to delay lodging financial reports in Australia. In the case of the Company, the permitted delay for its 31 December 2013 annual financial statements is until 25 August 2014.

Notification to Employees

On 15 April 2014, as a result of uncertainty regarding further funding to support the ongoing operations of the Santa Rita mine and in order to preserve cash reserves, Mirabela Brazil advised its workforce and relevant Brazilian authorities that it intended to impose forced leave on approximately 320 staff from 30 April 2014. The forced leave was cancelled on 25 April 2014 following receipt of a commitment for additional funding support. It is difficult to quantify what impact this funding constraint has had on the operations and the results for 2014.

Standard & Poor's Credit Rating

On or around 28 April 2014, Standard & Poor's Rating Services withdrew the Company corporate credit rating at the request of the voluntary administrators.

Tailings Dam

The tailings dam is near its current capacity and material capital works are underway to lift the height of the dam wall to accommodate additional solids and waste water from the processing plant.

Should these operations not be completed in the near term, it is highly probable operations will cease.

Operating Licence

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

The current licence has been automatically extended until 5 June 2014 whilst Mirabela Brazil finalises a number of works requested by INEMA. The Company has no reason to consider the renewal will not be granted, but there is no guarantee the operating licence will be granted and what new conditions may apply.

Should the operating licence not be granted, mining operations will cease and the Company will likely be liquidated.

Environmental Impacts

On 10 April 2014 there were two potential environmental impacts in relation to water discharge from the return water pipeline from the tailings dam to the plant and tailings dam water discharged via the spillway.

The Company is currently assessing these environmental impacts in terms of rectification and any potential regulatory repercussions.

Operational

ITH offtake agreement and impact on taxation

In December 2013, Mirabela Brazil secured a short-term offtake agreement with an international and foreign domiciled trading house **(ITH)**. The terms of this short-term offtake agreement are unfavourable relative to the Votorantim offtake agreement that it replaces. This short-term off-take agreement has been extended to 30 June 2014.

The Company has been advised that, as a result of the shift from Votorantim to ITH, certain Brazilian state and federal input tax credits that were previously available to Mirabela Brazil are not available going forward. These tax credits can only be claimed where there are corresponding domestic sales. The unavailability of the tax credits will have a material negative impact on the cash flow of Mirabel Brazil and the underlying value of the Company's assets. Advice from the Company's Brazilian tax accountants confirms the tax credits are unavailable. The Company is not aware of any alternate in-country potential off-take parties.

Tax audit

In January 2011 the tax authority of the State of Bahia, Brazil, conducted an indirect tax audit of the Company. Following the audit, the Bahia tax authority notified the Company alleging that it incorrectly claimed tax credits from July 2008 to May 2010 and that the Company was liable for the unpaid taxes together with interest and penalties.

The Company challenged the assessment in February 2011 in the Council of State Revenue. The administrative review proceedings concluded in February 2014 resulting in partial success for the Company. This decision formally closed the administrative stage of the proceedings and any challenges to the final administrative decision require commencement of judicial proceedings to the Court. To appeal the case in the court the Company is required to either provide a bank guarantee or make a full payment into a trust with the court for the full amount of the disputed portion of the claim (US$3.378 million). Due to the liquidity pressures in the business, and to preserve cash, the Company has decided not to appeal the final administrative decision. The Company may be able to settle the outstanding amount by utilising its accrued non-cash indirect tax credits.

Corporate

Mr Geoffrey Handley, Mr Colin Steyn and Mr Peter Nicholson resigned from the Board effective 11 January 2014.

Mr Ian McCubbing and Mr Nicholas Sheard resigned from the Board effective 7 April 2014.

Mr Ian Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

Mr Christiaan Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

On 18 March 2013, the previous Board suspended and subsequently cancelled the remaining performance rights of its previous performance rights plan (being the "*Mirabela Nickel Limited Performance Rights Plan*" originally approved at a Shareholders meeting held on 13 September 2010). The performance rights pertaining to the previous plan that were in a holding lock were to be allowed to vest at the completion of the vesting period, however, on 10 January 2014, the previous Committee suspended these performance rights.

As a result of the Company's current restructuring process, on 10 January 2014 the previous Committee also suspended the "*2013 Mirabela Nickel Limited Long Term Incentive Plan"* – which was originally approved at a Shareholders meeting held on 30 May 2013 – and cancelled the performance rights issued under that plan.

12 CORPORATE STRUCTURE

Mirabela Nickel Limited (subject to deed of company arrangement) is a company limited by shares that is incorporated and domiciled in Australia. The Company requested the ASX to place its shares in a trading halt on 7 October 2013. At the date of this report, the Company remains suspended from trading its shares on the ASX.

The Company de-listed from the Toronto Stock Exchange (TSX) on 4 October 2013, due to the limited trading volume of the Company's shares on the TSX over a sustained period of time, and as a result it is not expected that maintaining the listing will deliver significant future value for the Company and its Canadian shareholders.

13 NON-AUDIT SERVICES

The previous Board considered the non-audit services provided during the financial year by the auditor and was satisfied that the provision of those non-audit services was compatible with, and did not compromise, the auditor's independence requirements of the Corporations Act 2001 (*Cth*).

All non-audit services provided during the financial year were subject to the corporate governance procedures adopted by the Company and were reviewed by the previous Board to ensure they did not impact the integrity and objectivity of the auditor; and the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

	Note-consolidated financial statements	31 December 2013 US$	31 December 2012 US$
Auditors of the Company			
KPMG Australia:			
Audit fees	*10*	399,132	305,337
Other assurance and advisory services[(a)]	*10*	43,723	179,445
KPMG Brazil:			
Audit fees	*10*	103,374	165,763
Other assurance and advisory services[(a)]	*10*	37,801	-
		584,030	**650,545**

(a) Other assurance and advisory services

These include advisory services relating to general accounting advisory support along with the establishment of a hotline for the Whistleblower program in Brazil.

14 BUSINESS RISKS AND UNCERTAINTIES

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company. These include the risks discussed in Notes 2 and 3(e) of the consolidated financial statements, along with risks that are widespread and associated with any form of business and specific risks associated with the Company's business and its involvement in the exploration and mining industry generally and in Brazil in particular. While most risk factors are largely beyond the control of the Company, the Company will seek to mitigate the risks where possible.

14.1 Company Restructure/Recapitalisation

There can be no assurance that the Company will be successful with the proposed recapitalisation (refer to Notes 2 and 33 of the consolidated financial statements for further details).

The proposed recapitalisation includes a number of conditions precedent to become effectuated, including:

- The Banco Bradesco facility is amended/extended to the satisfaction of the Deed Administrators with date of extension being until 29 March 2018 stating that the restructure steps being undertaken (including entry into the DOCA) would not constitute an event of default under that facility. If the facility goes into default (default includes the proposed recapitalisation not being effectuated), then the full amount under the facility will be due and payable immediately, which will also result in a cross default under all other outstanding debt facilities;
- Caterpillar agrees to extend a waiver granted 28 February 2014 in respect of its rights to enforce immediate payment under its facility document to the satisfaction of the Deed Administrators and the rest of the facility is extended to the satisfaction of the Deed Administrators (refer to Note 33 of the consolidated financial statements for further details);
- The Court grants leave under section 444GA of the Corporations Act 2001 (*Cth*), whereby the Noteholders become entitled to 98.2% of the Ordinary Shares held by existing shareholders (**Transfer Shares**):

  - The chances of success under leave of the Court are difficult to assess; and
  - Note, on 16 May 2014 the Deed Administrators applied for a court date and a provisional date of 12 June 2014 was granted;
- Requisite relevant Foreign Investment Review Board (**FIRB**) approvals are obtained to enable foreign investors to acquire Ordinary Shares in the Company;
- ASIC and ASX providing certain relief required to enable the Transfer Shares to be transferred to the Noteholders and for the Company to issue the new Ordinary Shares if the Convertible Notes are redeemed, and for the Company to grant security to the holders of the Convertible Notes;
- The Company receives the funds from the issuance of the Convertible Notes. In this respect, the key terms of the Convertible Notes are as follows:
  - Issue price of US$1,000;
  - Minimum subscription of US$250,000;
  - Maturity date of 5 years after the effective date;
  - The Convertible Notes will be secured by a first-priority lien on all of the collateral which secures the SNSD and any additional unencumbered assets held by the Group;
  - Interest payable at the rate of 9.5% per annum based on a 360-day year of twelve 30-day months. Interest on the Convertible Notes shall be capitalised by the Company and added to the principal amount of the Convertible Notes semi-annually in arrears;
  - Each Convertible Note is convertible at the election of the holder into new Ordinary Shares of the Company at the conversion price of approximately US$0.1688 per Ordinary Share; and
  - Governed by the laws of New York

Based on the financial modelling and sensitivities prepared, the Deed Administrators have determined that absent alternative interim liquidity, the Company's ability to continue as a going concern is subject to the successful completion of the proposed recapitalisation (incorporating the DOCA) referred to above. The ability of the Company to continue as a going concern is also subject to the Ad-hoc Group, Secured Noteholders and new capital parties not withdrawing support under their various agreements. While a number of implementation steps remain to be completed, and there is no guarantee that they will be completed, the Deed Administrators believe that those steps will likely be implemented in a timely manner but note that the proposed recapitalisation remains subject to whether or not the Court is inclined to grant leave under section 444GA of the Corporations Act 2001 (*Cth*).

Should the proposed recapitalisation (incorporating the DOCA) not be successful the Company will likely be placed into liquidation.

As there remains multiple material uncertainties on the outcome of the proposed recapitalisation, including the successful implementation of the DOCA, the regulatory approvals as outlined above, and hence the ability of the Company to continue to operate, the Deed Administrators have concluded that due to these multiple material uncertainties the consolidated financial statements should be prepared on a non-going concern basis (refer Note 3(e) of the consolidated financial statements).

As at the date of this report, the Deed Administrators, the Ad-hoc Group and their advisers are continuing to work constructively towards the implementation of the proposed recapitalisation.

14.2 The Company's Financial Condition

There can be no assurance that the Company will not continue to incur losses should it continue as a going concern (note, the Company continues to be materially loss making (with a US$29.655 million unaudited loss in Q1 of 2014) and cash flow negative from operations (with a US$35.498 million unaudited outflow in Q1 of 2014)).

Numerous factors, including declining metal prices, adverse currency exchange rate movements (in particular the Brazilian Real and United States dollar), lower than expected ore grades or higher than expected operating costs (including increased commodity prices), and impairment write-offs of mine property and/or exploration property costs, could cause the Company to continue to be unprofitable in the future. Continued losses could have important consequences, including the following:

- Increasing the Company's vulnerability to general adverse economic conditions and industry conditions;
- Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to dedicate a significant portion of the Company's cash flows to make debt service payments, which would reduce its ability to fund working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Limiting the Company's flexibility in planning for, or reacting to, changes in the business and the industry; and
- Placing the Company at a disadvantage when compared to its competitors that have less debt relative to their market capitalisation.

14.3 Additional Funding Requirements Post Recapitalisation

The Company is not cash flow positive and it is not forecast to become cash flow positive in 2014. Becoming cash flow positive will depend on a number of factors including, but not limited to, the price of nickel and other base metals, the optimisation of operations, operating costs, production, recovery and exchange rates.

If the Company is not cash flow positive prior to the depletion of its cash reserves and available credit, the Company will require third party financing to fund future working capital, capital expenditures, operating and exploration costs, and other general corporate requirements.

14.4Decreases in the Price of Nickel

The price of nickel will affect the profitability of the Santa Rita Operation. The price of nickel fluctuates widely and is affected by numerous factors beyond the control of the Company such as industrial and retail supply and demand, exchange rates, inflation rate fluctuation, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

Future production from the Company's mining properties, including in particular the Santa Rita Operation, is dependent upon the price of nickel being adequate to make it economic. The Company's mineral reserves have been calculated at a price of US$8.00/lb.

Future price declines in the market value of nickel and copper could cause commercial production from the Santa Rita Operation to be rendered uneconomic. Declining metal prices will also adversely affect the Company's ability to obtain financing both now and in the long term.

14.5 Production Estimates

The Company may not achieve its production estimates and continues to perform under budget for 2014. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial conditions. The realisation of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), the physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing.

Actual production may vary from estimates for a variety of reasons, including: the availability of certain types of ores; the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; lack of required labour; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production.

14.6 Cost Estimates

The Company provides forecasts of its C1 unit cash costs. The Company may not achieve such cost estimates, which could have a material adverse effect on its profitability, results of operations and financial condition. Operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events could affect the ultimate accuracy of such estimate and result in an increase in actual operating costs incurred: (i) unanticipated changes in grade and tonnage of ore to be mined and processed; (ii) incorrect data on which engineering assumptions are made; (iii) equipment delays; (iv) labour disputes and negotiations; (v) changes in government regulation including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals; and (vi) title claims. Material increases in operating costs at the Santa Rita Operation could cause the Company to suspend operation of the Santa Rita Operation as currently planned, either temporarily or permanently.

14.7 Mineral Reserves and Mineral Resources Estimates

The estimated costs of the Santa Rita mining operation, the tonnages and grades anticipated to be achieved and the anticipated level of recovery are based on the Company's estimated mineral reserves and mineral resources for the Santa Rita mine. No assurance can be given that the anticipated tonnages and grades will be achieved, that anticipated level of recovery will be realised or that mineral reserves will be mined or processed profitably. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Short term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mining operations to be unprofitable in any particular accounting period. In addition, there can be no assurance that recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuations in nickel prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate of reserves or resources may require revisions to such estimates. As a result, the volume and grade of reserves the Company mines and processes, the recovery rate it achieves and the cost of its operations may not be the same as currently anticipated. Any material reductions in the Company's estimated mineral reserves and mineral resources, or of its ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

14.8 Foreign Exchange Risk

Exchange rate fluctuations affect the Company's costs, revenue and cash flows. Although the Company raises equity in Canadian and Australian dollars and the Company's indebtedness is denominated in United States dollars, portions of the Company's operating expenses and portions of the remainder of its capital expenditures are incurred in Brazilian real. Further, nickel is sold worldwide, predominantly in United States dollars.

Accordingly, adverse fluctuations in the relative price of the Brazilian real and the Canadian, Australian and United States dollars would effectively increase the costs of development and production at the Santa Rita mine and could materially and adversely affect the Company's earnings and financial condition.

14.9 Delays in Procuring New Equipment

Delays in procuring new equipment, or maintaining and supporting existing equipment may impact the Company's ability to achieve its production forecasts. Equipment delays may result from difficulties in procurement, funding constraints the Company may face, late ordering of equipment, shipping and customs delays, or fabrication, drilling, blasting and loading problems. Additionally, excessive wear on equipment could create the need for unexpected repairs or new equipment or spares, creating further delays and increasing operating costs.

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

14.10 Concentrate Specifications

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

14.11 Environmental Risks and Regulations

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

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

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

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

14.12 Changes in the Terms of the Leasing Facility

Mirabela Mineração do Brasil Ltda (**Mirabela Brazil**), as lessee, and Mirabela Nickel Limited (subject to deed of company arrangement), as guarantor, entered into a master funding and lease agreement dated March 23, 2009 with Caterpillar Financial SARL, as arranger, and Caterpillar Financial Services Corporation, as lender (together with the arranger, "**Caterpillar Financial**"), pursuant to which Caterpillar Financial agreed to extend a master funding and lease facility in the principal amount of not more than \$55.000 million (the "**Leasing Facility**") for the purpose of lease financing up to 90% of the purchase price of Caterpillar mobile equipment from Sotreq SA, Brazil.

By the terms of the Leasing Facility, Caterpillar Financial may syndicate up to \$30.000 million of the Leasing Facility and is entitled to make changes to the pricing and structure of the Leasing Facility (subject to limitations to be determined by the parties), in order to achieve a successful syndication (such changes applying only to the syndicated portion of the facility). There can be no assurance that such changes to the pricing and structure of the Leasing Facility will not have an adverse effect on the Company and its financial condition.

14.13 Tailings Dam

The tailings dam is near its current capacity and material capital works are underway to lift the height of the dam wall to accommodate additional solids and waste water from the processing plant.

Should these operations not be completed in the near term, it is highly probable operations will cease.

14.14 Operating Licence

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

The current licence has been automatically extended until 5 June 2014 whilst Mirabela Brazil finalises a number of works requested by INEMA. The Company has no reason to consider the renewal will not be granted, but there is no guarantee the operating licence will be granted and what new conditions may apply.

Should the operating licence not be granted, mining operations will cease and the Company will likely be liquidated.

14.15 Mining Tenements

The mining concession for the Santa Rita mine is held by CBPM. Mirabela Brazil's mining rights are subject to a 20 year mining lease agreement with CBPM which commenced in March 2008. The mining lease agreement can be extended through agreement with CBPM which may be at risk of termination if Mirabela Brazil filed for bankruptcy.

15 ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Deed Administrators' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

16 LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 47 and forms part of the Administrators' Report for the financial year ended 31 December 2013.

Dated at Perth this 26th day of May 2014.

Signed by Martin Madden in his capacity as Deed Administrator:

Martin Madden

Martin Madden
In his capacity as Deed Administrator

DEED ADMINISTRATORS' DECLARATION

1 In the opinion of the Deed Administrators' of Mirabela Nickel Limited (subject to deed of company arrangement) ('the Company'):

(a) The consolidated financial statements and notes that are set out on pages 48 to 113, are in accordance with the Corporations Act 2001 (*Cth*), including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) The Company's ability to continue as a going concern is subject to the successful completion of the proposed recapitalisation (incorporating the DOCA) referred to in Notes 2 and 3(e) of the consolidated financial statements. The ability of the Company to continue as a going concern is also subject to the Ad-hoc Group, Secured Noteholders and new capital parties not withdrawing support under their various agreements. While a number of implementation steps remain to be completed, and there is no guarantee that they will be completed, the Deed Administrators believe that those steps will likely be implemented in a timely manner but note that the proposed recapitalisation remains subject to whether or not the Court grants leave under section 444GA of the Corporations Act 2001 (*Cth*);

(c) Should the proposed recapitalisation (contemplated by the DOCA) not be successful the Company will likely be placed into liquidation; and

(d) As the outcome of the proposed recapitalisation remains uncertain, including whether the DOCA is successfully implemented, and hence the ability of the Company to continue to operate remains unclear, the Deed Administrators have concluded that due to these uncertainties the consolidated financial statements should be prepared on a non-going concern basis (refer to Note 3(e)).

2 This declaration has been made after receiving the declarations required to be made in accordance with section 295A of the Corporations Act for the financial year ending 31 December 2013 (section 295A Declarations). The section 295A Declarations have been made by Martin Madden, in his capacity as a joint and several deed administrator of the Company. Mr Madden, in that capacity, is currently performing both the chief executive function and the chief financial officer function in relation to the Company and has been since the appointment of the voluntary administrators on 25 February 2014.

Dated at Perth this 26th day of May 2014

Signed by Martin Madden in his capacity as Deed Administrator:

Martin Madden

Martin Madden
In his capacity as Deed Administrator

DEED ADMINISTRATORS' DECLARATION

Signed by David Winterbottom in his capacity as Deed Administrator:

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David Winterbottom
In his capacity as Deed Administrator

Signed by Clifford Rocke in his capacity as Deed Administrator:

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Clifford Rocke
In his capacity as Deed Administrator

KPMG

Independent auditor's report to the members of Mirabela Nickel Limited (subject to deed of company arrangement)

Report on the financial report

We have audited the accompanying financial report of Mirabela Nickel Limited (subject to deed of company arrangement) (the Company), which comprises the consolidated statement of financial position as at 31 December 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information, and the Deed Administrators' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Deed Administrators' responsibility for the financial report

The Deed Administrators of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Deed Administrators determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 3(a), the Deed Administrators also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Deed Administrators, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3(a).

Material uncertainty regarding basis of preparation and carrying value of assets

Without modifying our opinion, we draw attention to Notes 2 and 3(e) to the financial report, along with the Deed Administrators' declaration points 1(b) to (d) which outline that the Company is currently subject to deed of company arrangement (DOCA) and that the financial report of the Group for the year ended 31 December 2013 has not been prepared on a going concern basis. There remains multiple material uncertainties to achieve the proposed recapitalisation, including the successful implementation of the DOCA, and the regulatory approvals as outlined in Note 2, and hence there are significant concerns over the ability of the Company to continue to operate. The Deed Administrators have concluded that due to these multiple material uncertainties and as the Company will likely be placed into liquidation should the proposed recapitalisation (incorporating the DOCA) not be successful, the consolidated financial statements should be prepared on a non-going concern basis.

These factors cast significant doubt about the ability of the Group to realise its assets and settle its liabilities in an orderly manner over the period required and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the Deed Administrators' report for the year ended 31 December 2013. The Deed Administrators of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Mirabela Nickel Limited (subject to deed of company arrangement) for the year ended 31 December 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg

Partner

Perth

26 May 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Deed Administrators of Mirabela Nickel Limited (subject to deed of company arrangement)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner

Perth

26 May 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	31 December 2013 US$000	31 December 2012 US$000
Sales revenue	*7*	194,180	343,398
Treatment, refining and transport charges		(40,884)	(69,980)
Net sales revenue		**153,296**	**273,418**
Direct costs		(158,198)	(200,432)
Royalties		(8,837)	(14,978)
Depreciation, amortisation and depletion		(20,375)	(64,765)
Cost of sales		**(187,410)**	**(280,175)**
Gross loss		**(34,114)**	**(6,757)**
Expenses			
Impairment of property, plant and equipment	*20*	(331,182)	(380,000)
General and administration		(15,821)	(12,681)
Financial income	*8*	5,070	6,549
Financial expense	*8*	(54,098)	(43,431)
Net foreign exchange (loss)/gain		(48,318)	(9,868)
Other expenses - net	*9*	(15,398)	(6,687)
		(459,747)	(446,118)
Loss before income tax		(493,861)	(452,875)
Income tax benefit/(expense)	*13*	-	-
Loss for the period		**(493,861)**	**(452,875)**
OTHER COMPREHENSIVE (EXPENSE) /INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(10,336)	(67,473)
Net change in fair value of cash flow hedges transferred to profit or loss		9,663	(1,642)
Other comprehensive expense for the period		**(673)**	**(69,115)**
Total comprehensive expense for the period		**(494,534)**	**(521,990)**
LOSS PER SHARE			
Basic loss per share ($ per share)	*14*	(0.56)	(0.62)
Diluted loss per share ($ per share)	*14*	(0.56)	(0.62)
Weighted basic average number of shares outstanding (000's)		876,775	726,838
Weighted diluted average number of shares outstanding (000's)		876,775	726,838

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 53 to 113.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

		Attributable to equity holders of the Group					
		Issued capital	Translation reserve	Share based payments reserve	Hedging reserve	Accumulated losses	Total equity
31 December 2013	***Note***	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Balance at 1 January 2013		**797,110**	**(115,379)**	**7,186**	**(14,403)**	**(555,825)**	**118,689**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR							
Loss for the year		-	-	-	-	(493,861)	(493,861)
Other comprehensive income/ (expense)							
Foreign currency translation differences	26	-	(10,336)	-	-	-	(10,336)
Net change in fair value of cash flow hedges transferred to profit or loss	*18*	-	-	-	9,663	-	9,663
Total other comprehensive (expense)/ income		-	(10,336)	-	9,663	-	(673)
Total comprehensive (expense)/income for the year		-	(10,336)	-	9,663	(493,861)	(494,534)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue costs	*25*	(593)	-	-	-	-	(593)
Options lapsed during the period	*26*	-	-	(1,704)	-	1,704	-
Shares transferred to retained losses due to cancellation	26	-	-	(512)	-	512	-
Share based payment recognised	*26*	-	-	620	-	-	620
Total transactions with equity holders		(593)	-	(1,596)	-	2,216	27
Balance at 31 December 2013		**796,517**	**(125,715)**	**5,590**	**(4,740)**	**(1,047,470)**	**(375,818)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 53 to 113.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

		Attributable to equity holders of the Group					
31 December 2012	***Note***	**Issued capital US$000**	**Translation reserve US$000**	**Share based payments reserve US$000**	**Hedging reserve US$000**	**Accumulated losses US$000**	**Total equity US$000**
Balance at 1 January 2012		**683,108**	**(47,906)**	**6,742**	**(12,761)**	**(103,673)**	**525,510**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR							
Loss for the year		-	-	-	-	(452,875)	(452,875)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(67,473)	-	-	-	(67,473)
Net change in fair value of cash flow hedges transferred to profit or loss	*18*	-	-	-	(1,642)	-	(1,642)
Total other comprehensive (expense)/ income		-	(67,473)	-	(1,642)	-	(69,115)
Total comprehensive (expense)/income for the year		-	(67,473)	-	(1,642)	(452,875)	(521,990)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue during the period net of issue cost		114,002	-	-	-	-	114,002
Options lapsed during the period	*26*	-	-	(438)	-	438	-
Share based payment recognised		-	-	1,167	-	-	1,167
Share based payment transferred due to cancellation	*26*	-	-	(285)	-	285	-
Total transactions with equity holders		114,002	-	444	-	723	115,169
Balance at 31 December 2012		**797,110**	**(115,379)**	**7,186**	**(14,403)**	**(555,825)**	**118,689**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 53 to 113.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2013

	Note	31 December 2013 US$000	31 December 2012 US$000
ASSETS			
Cash and cash equivalents	*15*	30,735	143,007
Trade and other receivables	*16*	25,223	63,044
Inventories	*17*	67,970	56,892
Total current assets		**123,928**	**262,943**
Trade and other receivables	*16*	31,951	10,963
Property, plant and equipment	*20*	-	358,613
Exploration and evaluation assets	*19*	2,663	3,490
Total non-current assets		**34,614**	**373,066**
Total assets		**158,542**	**636,009**
LIABILITIES			
Trade and other payables	*21*	64,483	46,006
Provisions	*22*	3,392	3,281
Borrowings	*23*	456,241	34,920
Total current liabilities		**524,116**	**84,207**
Provisions	*22*	10,244	17,777
Borrowings	*23*	-	415,336
Total non-current liabilities		**10,244**	**433,113**
Total liabilities		**534,360**	**517,320**
Net assets		**(375,818)**	**118,689**
EQUITY			
Contributed equity	*25*	796,517	797,110
Reserves	*26*	(124,865)	(122,596)
Accumulated losses		(1,047,470)	(555,825)
Total equity		**(375,818)**	**118,689**

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 53 to 113.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	31 December 2013 US$000	31 December 2012 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		212,452	297,942
Cash paid to suppliers and employees		(250,556)	(299,770)
Interest received		5,070	6,550
Net cash (used in)/from operating activities	*30*	**(33,034)**	**4,722**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	*20*	(36,609)	(43,009)
Exploration and evaluation expenditure	*19*	-	(3,119)
Net cash used in investing activities		**(36,609)**	**(46,128)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		-	119,521
Share issue costs	25	(593)	(5,519)
Proceeds from borrowings		-	55,200
Repayment of borrowings		(9,631)	(9,676)
Interest paid		(21,431)	(37,403)
Net cash (used in)/from financing activities		**(31,655)**	**122,123**
Net (decrease)/increase in cash and cash equivalents		(101,298)	80,717
Cash and cash equivalents at the beginning of the period		143,007	61,198
Effect of changes in foreign currency		(10,974)	1,092
Cash and cash equivalents at end of the year	*15*	**30,735**	**143,007**

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 53 to 113.

1. REPORTING ENTITY

The Company is domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth WA 6000. The consolidated financial statements of the Company for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity primarily involved in the production, development and exploration of mineral properties in Brazil.

2. STATUS OF OPERATIONS AND PROPOSED RECAPITALISATION

The Group is engaged in the mining, production and sale of nickel concentrate. Its principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil. The Santa Rita operation produces metal concentrate via a nickel flotation processing plant and is supported by an open pit with a current life of mine of 20 years based on remaining reserves (including 2014). The Group also has a number of near-mine and regional exploration prospects.

The Company notes the challenging nickel market conditions with LME nickel prices continuing to trade below the Company's cash flow break-even position after overheads, financing and capital costs.

As announced on 26 September 2013, Votorantim Metais Niquel S.A. (**Votorantim**) (one of the Company's two off-take partners) provided notice that its concentrate sales agreement (**Sales Agreement**) with the Company would terminate at the end of November 2013, in conjunction with Votorantim's announcement of its intention to close its Fortaleza smelting facilities due to adverse nickel market conditions. As required, the Group provided notice of this purported termination of the Sales Agreement to Banco Bradesco S.A. (**Banco Bradesco**), one of the Group's financiers. Following receipt of legal advice in respect of the purported termination of the Sales Agreement by Votorantim, discussions were held with Votorantim and Votorantim subsequently confirmed to the Group in writing that its purported termination of the Sales Agreement was invalid, that the Sales Agreement remained on foot, and that it intended to comply with its obligations under the Sales Agreement until the end of 2014.

However, on 4 November 2013 the Company received notification from Votorantim that the main transformer at its Fortaleza smelter had malfunctioned and as such the electric furnace was not able to operate. Votorantim claimed that these circumstances were an event of force majeure and that as a result it was not currently obligated to purchase nickel concentrate pursuant to the Sales Agreement. The Group took preliminary advice from its legal counsel and was of the view that the notice received from Votorantim may constitute an event of default under the Group's Banco Bradesco Facility (refer to Note 23) – as such, Banco Bradesco was advised of this fact. The Group also took legal advice on its position regarding the claimed force majeure by Votorantim.

The Company secured a short term contract for sales for November and December 2013 and this short term contract has been extended for the first six months of 2014, but is still in ongoing negotiations to replace the Votorantim off-take longer term. The Company's other off-take partner, Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**), continues to take product in accordance with its off-take agreement.

On 22 October 2013, the Company announced that it did not make payment of interest on 15 October 2013, pursuant to the terms of the indenture relating to the US$395.000 million of 8.75% Senior Unsecured Notes due 2018 (**Notes**). The non-payment of interest pursuant to the indenture would constitute an event of default if it continued for 30 days (**Cure Period**). A default under the indenture would also create cross defaults under the Banco Bradesco loan agreement and the finance lease with Caterpillar Financial Services Corporation (**Caterpillar**).

In order to provide the Group time to find a successful strategic solution to its financial difficulties, standstill arrangements were entered into with the Group's financiers during the Cure Period. Standstill agreements were entered into with Banco Bradesco, Caterpillar and a group of Noteholders whose combined holding represented more than 65% of the outstanding Notes (**Ad-hoc Group**).

On 30 December 2013, the Company announced that it had secured a US$45.000 million interim financing facility (**Interim Facility**) under the Syndicated Note Subscription Deed (**SNSD**) dated 24 December 2013 from the Ad-hoc Group (refer to Note 23(v)). The full amount of the interim facility has been received and utilised as at the date of this report. The SNSD will terminate on the earliest of:

- 30 June 2014;
- The date the proposed recapitalisation of the Group is effectuated; or
- An event of default under the SNSD resulting in the loan notes payment being accelerated.

Furthermore, on 25 February 2014, the Company notified the ASX that the Ad-hoc Group had entered into a Plan Support Agreement (**PSA**) which formalised an agreement to provide continued support (both funding and standstill support), incorporating the Interim Facility, whilst a proposed plan to recapitalise the Company was being implemented. The ASX announcement included a redacted copy of the legally binding PSA which outlined the terms on which the Ad-hoc Group would continue to support the Company.

In conjunction with the execution of the PSA, the Company's proposed recapitalisation was outlined, with the key terms including the following:

- The claims of the Noteholders, including any guarantees thereof, shall be extinguished in exchange for their pro rata share of (i) 98.2% of the undiluted ordinary shares of the reorganized Company (**Ordinary Shares**) and (ii) a US$5.000 million Subordinated Unsecured Note with a 30-year maturity and a payable-in-kind interest rate of 1.0% per annum issued on a pro-rata basis to the Noteholders;
- Existing Company shareholders shall not receive any consideration in the proposed recapitalisation (other than retaining a nominal percentage of the Company's Ordinary Shares following the consummation of the proposed recapitalisation); and
- The Company shall raise US$115.000 million through the issuance of Secured Convertible Notes (**Convertible Notes**) convertible into the Company's Ordinary Shares. The US$115.000 million consists of US$55.000 million to be received in cash and US$60.000 million to replace the US$45.000 million (which has already been received in cash post 31 December 2013) plus US$15.000 million interest and fees under the SNSD. All Noteholders shall be given the opportunity to subscribe for the Convertible Notes. The Noteholders that provided funding under the SNSD (**Ad-hoc Group**) will be paid a fee of 5.0% (**Rollover Fee**) (payable in the Company's Ordinary Shares) of their pro rata share of the US$60.000 million for converting their commitment under the SNSD into Convertible Notes. If the Convertible Notes were to convert immediately following implementation of the proposed recapitalisation, they would convert into 42.3% of new Ordinary Shares in the Company on a fully-diluted basis. The conversion into ordinary shares is at the option of the holder of the Convertible Notes subsequent to the recapitalisation.

Additionally, pursuant to the PSA, certain members of the Ad-hoc Group (**New Capital Parties**) agreed under the PSA to subscribe for their pro rata share of up to US$55.000 million worth of Convertible Notes, subject to pro rata subscriptions of other holders of the Notes. A new capital fee of 10.25% (**New Capital Fee**) (also payable in the Company's Ordinary Shares) will be payable to the New Capital Parties based on their commitments. The obligations under the PSA, including the New Capital Parties' obligation to subscribe, cease upon the occurrence of a termination event. Termination events under the PSA include the following:

- Occurrence of a material breach of the PSA;

- A Court declaring any part of the PSA, Australian or Brazilian restructure elements illegal, invalid or unenforceable;
- Members of the Ad-hoc Group ceasing to hold more than 60% of the principal amount of the Notes;
- The Deed of Company Arrangement (**DOCA**) (refer below), is not terminated by 31 July 2014; or
- Occurrence of a material adverse change in the condition (financial or otherwise), prospects, earnings, business or properties of the Group.

Following receipt of the signed PSA, Messrs Martin Madden, Clifford Rocke and David Winterbottom of KordaMentha Restructuring were appointed as voluntary administrators (**Administrators**) of the Company and Mirabela Investments Pty Ltd on 25 February 2014 pursuant to section 436A of the Corporations Act 2001 (*Cth*).

Key factors which lead to the appointment of the Administrators are summarised as follows:

- 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.USD13.00/lb to c.USD6.30/lb;
- The loss of receipts following Votorantim's actions in September 2013 (notification of intent to terminate the off-take contract early) and in November 2013 (force majeure event), and an inability to procure an off-take contract on similar terms served to exacerbate the deterioration of cash reserves;
- A material increase in capital expenditure required to increase the storage capacity of the tailings dam (these works are still ongoing and should they not be completed, it is highly probably the operations will cease);
- A significant portion of historic losses have been funded via debt which resulted in the Group being over leveraged; and
- An inability to raise additional equity as a result of a significant decline in the share price and market capitalisation.

The Administrators held a meeting of creditors on 13 May 2014 at which the Company's creditors resolved that the proposed DOCA be entered into. Upon execution of the DOCA, the Administrators became the Deed Administrators. The DOCA will become fully effectuated and control will revert to the Company's directors (whose identities are currently not known) upon the following occurring:

- The Banco Bradesco facility is amended/extended to the satisfaction of the Deed Administrators, with date of extension being until 29 March 2018 stating that the restructure steps being undertaken (including entry into the DOCA) would not constitute an event of default under that facility. If the facility goes into default (default includes the proposed recapitalisation not being effectuated), then the full amount under the facility will be due and payable immediately, which will also result in a cross default under all other outstanding debt facilities;
- Caterpillar agrees to extend a waiver granted 28 February 2014 in respect of its rights to enforce immediate payment under its facility document to the satisfaction of the Deed Administrators, and the rest of the facility is extended to the satisfaction of the Deed Administrators (refer Note 33 for further details);
- The Court grants leave under section 444GA of the Corporations Act 2001 (*Cth*), whereby the Noteholders become entitled to 98.2% of the Ordinary Shares held by existing shareholders (**Transfer Shares**):
    - The chances of success under leave of the Court are difficult to assess as the application will set new precedent, if provided; and
    - On 16 May 2014 the Deed Administrators applied for a court date and a provisional court date of 12 June 2014 was granted;

- The Deed Administrators transfer the Transfer Shares pursuant to the leave of the Court to Mirabela Investments Pty Ltd (subject to deed of company arrangement), which will hold the shares on trust as bare trustee for the benefit of the Noteholders;
- Requisite relevant Foreign Investment Review Board (**FIRB**) approvals are obtained to enable foreign investors to acquire Ordinary Shares in the Company;
- ASIC and ASX providing certain relief required to enable the Transfer Shares to be transferred to the Noteholders and for the Company to issue the new Ordinary Shares if the Convertible Notes are redeemed, and for the Company to grant security to the holders of the Convertible Notes;
- The Convertible Notes obtaining the benefit of the security provided by the Group under that agreement; and
- The Company receives the funds from the issuance of the Convertible Notes. In this respect, the key terms of the Convertible Notes are as follows:
  - Issue price of US$1,000;
  - Minimum subscription of US$250,000;
  - Maturity date of 5 years after the effective date;
  - The Convertible Notes will be secured by a first-priority lien on all of the collateral which secures the SNSD and any additional unencumbered assets held by the Group;
  - Interest payable at the rate of 9.5% per annum based on a 360-day year of twelve 30-day months. Interest on the Convertible Notes shall be capitalised by the Company and added to the principal amount of the Convertible Notes semi-annually in arrears;
  - Each Convertible Note is convertible at the election of the holder into new Ordinary Shares at the conversion price of approximately US$0.1688 per Ordinary Share; and
  - Governed by the laws of New York.

Based on the financial modelling and sensitivities prepared, the Deed Administrators have determined that absent alternative interim liquidity, the Company's ability to continue as a going concern is subject to the successful completion of the proposed recapitalisation (incorporating the DOCA) referred to above. The ability of the Company to continue as a going concern is also subject to the Ad-hoc Group, Secured Noteholders and New Capital Parties not withdrawing support under their various agreements. While a number of implementation steps remain to be completed, and there is no guarantee that they will be completed, the Deed Administrators believe that those steps will likely be implemented in a timely manner but note that the recapitalisation remains subject to whether or not the Court is inclined to grant leave under section 444GA of the Corporations Act 2001 (*Cth*).

In the meantime, the Company's operations at the Santa Rita Nickel mine continue to operate as usual during the administration process. As previously disclosed by the Company, the Company has initiated a reduced mining volume in 2014 and 2015 of 25Mt of waste and ore per annum.

Should the proposed recapitalisation (incorporating the DOCA) not be successful the Company will likely be placed into liquidation.

As there remains multiple material uncertainties on the outcome of the proposed recapitalisation, including the successful implementation of the DOCA, the regulatory approvals as outlined above, and hence the ability of the Company to continue to operate, the Deed Administrators have concluded that due to these multiple material uncertainties the consolidated financial statements should be prepared on a non-going concern basis (refer to Note 3(e)).

As at the date of this report, the Deed Administrators, the Ad-hoc Group and their advisers are continuing to work constructively towards the implementation of the proposed recapitalisation.

3. BASIS OF PREPARATION

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (*Cth*). The financial report of the Group and Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The financial statements for the year ended 31 December 2013 have been prepared on a non-going concern basis. The comparative disclosures for 31 December 2012 were prepared on a going concern basis.

The financial statements were approved by Martin Madden in his capacity as deed administrator on 26 May 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value; and
- share based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in Note 5.

(c) Functional and presentation currency

The consolidated financial report is presented in US dollars, which is the Group's presentation currency. The Company's functional currency is Australian dollars and the functional currency of the Company's foreign subsidiary is Brazilian real. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the current circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The going concern basis of accounting relies on such estimates and assumptions and the comments as outlined in Note 2 and Note 3(e) should be read in conjunction with this note.

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

- Note 4(i) – revenue
- Note 12 – share based payments
- Note 13 – income tax expense
- Note 20 – property, plant and equipment
- Note 22 – provisions
- Note 27 – financial instruments

(e) Financial position and non-going concern basis of preparation

The Group held cash on hand and on deposit as at 31 December 2013 of US$30.735 million.

The Group incurred a loss of US$493.861 million for the twelve months ended 31 December 2013, including a non-cash impairment charge of US$331.182 million (twelve months ended 31 December 2012: loss of US$452.875 million, including a non-cash impairment charge of US$380.000 million). This has resulted in the Group being in a net liability position of US$375.818 million as at 31 December 2013. Net cash outflows from operating and investing activities for the twelve months ended 31 December 2013 were US$69.643 million.

As outlined in Note 2, based on the financial modelling and sensitivities prepared, the Deed Administrators have determined that the Company's ability to continue as a going concern is subject to the successful completion of the proposed recapitalisation and meeting its forecast cash flows. While a number of implementation steps of the proposed recapitalisation remain to be completed, and there is no guarantee that they will be completed, the Deed Administrators believe that those steps will likely be implemented in a timely manner but note that the proposed recapitalisation remains subject to whether or not the Court is inclined to grant leave under section 444GA of the Corporations Act 2001 (*Cth*).

The meeting of cash flow forecasts depends on the successful operation of mining and production activities in accordance with the budget and achievement of nickel price, foreign exchange and cost assumptions.

There remains multiple material uncertainties to achieve the proposed recapitalisation, including the successful implementation of the DOCA and the regulatory approvals as outlined in Note 2, and hence significant concerns over the ability of the Company to continue to operate. The Deed Administrators have concluded that due to these multiple material uncertainties and as the Company will likely be placed into liquidation should the proposed recapitalisation (incorporating the DOCA) not be successful, the consolidated financial statements should be prepared on a non-going concern basis.

The Deed Administrators have applied the requirements of paragraph 23 of AASB 101 "*Presentation of Financial Statements*" which states that "when the financial report is not prepared on going concern basis, the fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern."

In adopting the non-going concern basis the Deed Administrators have continued to apply the requirements of Australian Accounting Standards. Accordingly as the non-current assets do not meet the requirements for held for sale or discontinued operations under AASB 5, they continue to be recognised as non-current assets at cost, which have been subject to impairment testing. Details of impairments are set out in Note 20. In relation to borrowings, as debt covenants were subject to waivers and standstill arrangements with debt holders at 31 December 2013 for a period not past 31 December 2014, all non-current debt has been reclassified as current. No additional provisions or liabilities have been recognised as a result of a possible orderly winding up scenario as the Deed Administrators have not incurred any additional legal or contractual obligations.

These factors, along with the other matters as set out in Note 2, indicate the existence of multiple material uncertainties casting significant doubt about the ability of the Group to realise its assets and settle its obligations in an orderly manner over the period required and at the amounts stated in the financial report.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions denominated in foreign currencies are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at year end and the gains or losses on retranslation are included in the consolidated statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

Foreign operations' statement of profit or loss and other comprehensive income items are translated at the approximate average exchange rate for the month. Assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange variations resulting from the retranslation at closing rate of the net investment in a foreign operation, together with differences between their statement of profit or loss and other comprehensive income items translated at actual and closing rates, are disclosed in the foreign currency translation reserve and recognised in other comprehensive income and expense.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. For instruments not valued at fair value any directly attributable transaction costs will go through profit or loss, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Accounting for finance income and expense is discussed in Note 4(q).

(ii) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency, metals price risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and expense to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and expense remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income and expense is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income and expense is transferred to profit and loss in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of change in the fair value and are used by the Group in the management of its short-term commitments.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer to Note 4(m)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets and acquired assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Mining development assets include costs transferred from exploration and evaluation assets, once technical feasibility and commercial viability of an area of interest are demonstrable, and the subsequent costs required to develop the mine to the production phase. Mine development assets are accounted for in terms of Note 4(e) below.

Cost may also include transfers from other comprehensive income and expense of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as incurred.

(iii) Depreciation

The carrying amounts of property, plant and equipment (including initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned or the estimated life to the associated mine, if shorter. Depreciation is calculated using a straight line method over the estimated useful lives of each part of an item of property, plant and equipment or are depreciated on the units of production basis over the life of the economically recoverable reserves. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets from the date that the assets are completed and ready for use. Depreciation is not charged on plant and equipment under construction.

The estimated useful lives are as follows:

- Plant and equipment 2.5 to 23 years or based on reserves on units of production basis;
- Mine properties based on reserves on units of production basis; and
- Leased assets based on lower of useful life and lease term.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(iv) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income and expense" in profit or loss.

(v) Nickel reserves

Reserves are estimates of the amount of nickel that can be economically extracted from the Group's mine properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grade, production techniques, recovery rates, production costs, future capital requirements, short and long term nickel prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret data.

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resource and Ore Reserves December 2004, known as The JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and position in a number of ways including:

- Asset carrying values may be impacted due to changes in the estimated future cash flows;
- Depreciation and amortisation charged in the income statement may change where such changes are calculated using the units of production basis; and
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities. Changes in estimates are capitalised to the underlying assets.

If changes in estimates occur, depreciation and amortisation of mining assets are adjusted prospectively.

(e) Mine Properties

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as mine properties and disclosed as a component of property, plant and equipment. All development costs subsequently incurred within that area of interest are capitalised and carried at cost.

Amortisation of capitalised mine properties is provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production.

Overburden removal costs

Overburden and other mine waste material are often removed during the initial development of a mine site in order to access the mineral deposit. The directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as mine properties within property, plant and equipment. Capitalisation ceases and depreciation of those costs commences at the time that commercial levels of saleable material are being extracted from the mine. Depreciation is determined on a unit of production basis for each area of interest.

(f) Deferred stripping costs

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, outlines how costs associated with waste removal (stripping) during the production phase of a surface mine are to be accounted for. Where the stripping activity gives rise to a benefit in the current period, stripping costs are to be accounted for as the cost of inventory. Where the activity results in improved access to ore in future periods, the costs are recognised as a non-current asset, providing certain criteria are met. In determining an appropriate allocation basis between inventory and non-current asset, IFRIC 20 provides guidance on possible metrics to use. After recognition, the stripping activity asset is then amortised on a systematic basis (unit of production method) over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The Group has identified two separate components within its surface mine. One of these components is immaterial in terms of effective life, volume of ore to be mined and cost of such mining, in comparison to the total mine. As such, the Group has determined that due to the immateriality of this specific component it may be combined with the core component when determining the allocation between inventory and non-current asset. Also, the Group's current allocation methodology is in line with IFRIC 20's suggested metrics, that being 'the volume of waste extracted compared with expected volume, for a given volume of ore production'.

The adoption of IFRIC 20 in the period has resulted in no material change to the Group's accounting for stripping costs.

As deferred stripping costs are included in mine properties, within property, plant & equipment, these will form part of the relevant cash generating units which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

(g) Exploration and evaluation expenditure

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the consolidated statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- Activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (refer to Note 4(m)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then transferred to mine properties within property, plant and equipment.

(h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's consolidated statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(i) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when the title passes to the customer. This generally occurs when product is physically transferred onto a vessel, or other delivery mechanism.

Metals in concentrate

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of the sales revenue is based on the most recently determined estimate of product specifications.

The sales price for nickel is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between two to four months. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated at period end and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Sales revenue includes realised gains and losses associated with Nickel, Copper and Foreign Exchange forward contracts.

(j) Trade receivables

Trade receivables are initially recognised on a provisional basis at the time of sale and subsequently adjusted based on the movements in the quoted market prices and assay results up to the date of final pricing (refer to Note 4(i)). The mark to market of trade receivables is recorded as an adjustment to the sales revenue.

Trade receivables settlement terms are as follows:

- 90% of the invoice value is settled within 7-70 days from the month of sale or date of Bill of Lading; and
- 10% of the invoice value is settled within 15 days of presentation of the final invoice at the end of the quotation period (normally two to four months following the month of sale).

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables. Debts which are known to be uncollectible are written off.

(k) Other receivables

Other receivables are recorded at amounts due less any allowance for doubtful debts.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Cost is determined on a weighted-average basis and includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs incurred in bringing each product to its present location and condition.

Quantities of broken ore and concentrate stocks are assessed primarily through surveys and assays.

Inventories are categorised as follows:

- Broken ore: ore stored in an intermediate state that has not yet passed through all the stages of production;
- Concentrate: products and materials that have passed through all stages of the production process; and
- Stores, spares and consumables: materials, goods or supplies (including energy sources) to be either directly or indirectly consumed in the production process.

(m) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment charge in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment charges are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and expense is transferred to profit or loss.

An impairment charge is reversed if the reversal can be related objectively to an event occurring after the impairment charge was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income and expense.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. Fair value less cost to sell is determined as a present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cash flows are discounted using a real after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit).

An impairment charge is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment charges are recognised in profit or loss. Impairment charges recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment charges recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment charge is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

(n) Employee benefits

(i) Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, which represent present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as pension and superannuation contributions, social security, workers compensation and health insurance, as well as payroll tax.

(iii) Short-term employee benefits

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash incentives if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for the restructuring. If benefits are not expected to be settled wholly within 12 months from the end of the reporting period then they are discounted.

(o) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Rehabilitation

Rehabilitation includes mine closure and restoration costs which include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future rehabilitation costs and changes in estimates to the provision are capitalised as an asset and recognised in property, plant and equipment and is depreciated over the useful life of the mineral resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(p) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and with a settlement period of less than twelve months.

(q) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expenses comprise discounting of rehabilitation costs and interest expenses relating to borrowings.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Income tax

Income tax disclosed in profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income and expense, in which case it is recognised in equity or other comprehensive income and expense.

Current tax is the expected tax payable, or receivable, on the taxable income, or loss, for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the Group has deferred tax liabilities with the same taxation authority.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and performance rights granted.

(u) Sales tax and other indirect taxes

Revenue, expenses and assets are recognised net of the amount of sales tax and other indirect taxes, except where the amount of sales tax and other indirect taxes incurred are not recoverable from the taxation authority. In these circumstances, the sales tax and other indirect taxes are recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of sales tax and other indirect taxes included. The net amount of sales tax and other indirect taxes recoverable from, or payable to, the taxation authorities are included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The sales tax and other indirect taxes components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

(v) Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire loans and borrowings, property, plant and equipment.

(w) Comparatives

The financial statements for the year ended 31 December 2013 are prepared on a non-going concern basis (refer to Note 3(e)), whereas the comparative disclosures for 31 December 2012 were prepared on a going concern basis.

(x) New standards and interpretations not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements follows:

- AASB 2013-3: *Amendments to AASB 136-Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

The amendment removes extra disclosure requirements with regard to the measurement of the recoverable amount of impaired assets.

- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivative and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

This makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designed as a hedge instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

- AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities (June 2012)* (applicable for annual reporting periods commencing on or after 1 January 2014).

The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and liabilities permitting entities to present balances net on the balance sheet.

- AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods commencing on or after 1 January 2014).

This amendment removes the requirements to include individual key management personnel disclosures in the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under s300A of the *Corporations Act* 2001.

- AASB 9: *Financial Instruments* and AASB 2009-11: *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (applicable for annual reporting periods commencing on or after 1 January 2015).

AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards, and has not assessed the full impact of these amendments at the date of this report.

(y) New currently effective requirements

New, revised and amended accounting standards that have a current effect on the financial report are as follows:

- AASB 119: *Employee Benefits* – the impact of the standard on the financial report was immaterial. Reference should be made to Note 4(n).
- AASB 13: *Fair Value Measurement* – reference should be made to Note 5.

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Derivative financial instruments

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date. A discounted cash flow method is used to determine the fair value of long-term borrowings.

The fair value of forward foreign exchange and commodity contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the reporting date. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap rates. All fair values are adjusted for credit impact where required.

The carrying values of the current financial assets and current financial liabilities approximate their fair values.

(ii) Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

With the exception of the loans, the carrying values of the current financial assets and current financial liabilities approximate their fair values (refer to Note 2).

(iii) Share based payment transactions

The fair value of performance rights is measured using the Monte Carlo pricing model and options are measured using the binomial option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted-average historic volatility adjusted for changes expected due to publicly available information), weighted-average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The fair value of performance rights and options granted to employees at grant date is recognised as an employee expense, and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. The performance rights are subjected to both service conditions and performance conditions.

Service conditions are not included in estimating the fair value at grant date.

A performance condition can either be market vesting or non-market vesting.

For market vesting conditions, the Group is required to take into consideration the probability of reaching the target shareholder return when estimating the fair value of the equity instruments at grant date.

For non-market vesting conditions, the Group does not take into account the vesting conditions when estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

The only fair value assets and liabilities currently in the Company as at 31 December 2013 are Property, Plant and Equipment, as stated in Note 20.

6. SEGMENT INFORMATION

During the year, the Group operated in one business and operating segment, mineral exploration and production, and in one primary geographical area, Brazil, with three customers: Votorantim Metais Niquel S.A. (**Votorantim**) (subsidiary of Votorantim Metais Ltda), Norilsk Nickel Harjavalta Oy (**Norilsk Nickel**), subsidiary of OJSC MMC Norilsk Nickel, and International Trading House. Sales for the year ended 31 December 2013 were split 69% to Votorantim, 21% to Norilsk Nickel, and 10% to International Trading House (31 December 2012: 56% to Votorantim and 44% to Norilsk Nickel).

Customer Sector Group	Principal Activities
Base Metals	Mining of nickel, copper, cobalt and platinum in Brazil

The Group has one reportable segment and no unallocated assets, liabilities, equity, profit or loss.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

7. SALES REVENUE

	31 December 2013 US$000	31 December 2012 US$000
Nickel Sales	165,622	300,550
Copper Sales	12,556	34,036
Cobalt Sales	2,858	4,108
Other Sales	13,144	4,704
Sales Revenue	**194,180**	**343,398**

Nickel Sales are comprised as follows:

	31 December 2013 US$000	31 December 2012 US$000
Realised nickel sales	172,394	283,569
Revaluation of unrealised nickel sales	(3,126)	13,966
Unwinding of metal and foreign exchange forward contracts from equity	(3,646)	3,015
Nickel Sales	**165,622**	**300,550**

Realised nickel sales for the year ended 31 December 2013 comprised 13,602 tonnes of nickel in concentrate (year ended 31 December 2012: 19,367 tonnes), 89% being payable at an average realised nickel price of US$6.46/lb; (year ended 31 December 2012: US$7.46/lb).

Revaluation of unrealised nickel sales comprise of forward price revaluation on sales that have not been finalised as at the period end. In accordance with the Group's off-take agreements, sales are initially recognised using a provisional sales price, being the average LME price of the month prior to the month of sale. Adjustments to the sales price subsequently occur, based on movements in quoted market prices up to the date of final pricing. Adjustments are also made to the sales volume upon finalisation of assays as per the Group's off-take agreements. The period between provisional invoicing and final pricing is typically between two to four months. Accordingly, the fair value of the final sales price adjustment is estimated at period end and changes in the fair value are recognised as an adjustment to revenue. For revaluation purposes fair value is estimated using the forward LME price of the second month after the month of the provisional sale.

During the year ended 31 December 2011 the Group terminated all of its outstanding metal and foreign exchange forward contracts designated as hedges. The ineffective portion of the termination costs relating to these hedges were recognised as an expense and the effective portion were recognised in the hedge reserve. This hedge reserve unwinds to revenue upon realisation of the original underlying hedged transactions (refer to Note 18).

8. FINANCIAL INCOME/(EXPENSE)

	31 December 2013 US$000	31 December 2012 US$000
Interest received	5,070	6,549
Financial income	**5,070**	**6,549**
Interest expense[(a)]	(41,840)	(42,499)
Borrowing costs[(b)]	(11,017)	-
Discounting of rehabilitation costs	(1,241)	(932)
Financial expense	**(54,098)**	**(43,431)**

(a) Interest expense for 31 December 2013 includes the interest charge on the Senior Unsecured Notes that was due on 15 October 2013. This amount was not paid and a standstill agreement was entered into with the Ad-hoc Group of Noteholders on 12 November 2013.

(b) This relates to the unwinding of unamortised borrowing costs as a result of the Senior Unsecured Notes being classified as current at 31 December 2013 as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

9. OTHER EXPENSES - NET

	31 December 2013 US$000	31 December 2012 US$000
Indirect tax credit adjustment[(a)]	-	4,750
Sundry	816	-
Other income	**816**	**4,750**
Recoverable Brazilian tax credits write-off[(b)]	(7,923)	-
Critical spares write-off[(c)]	(2,371)	(4,717)
Research expenses	(2,197)	(4,141)
Indirect taxes	(1,698)	(2,481)
Provision for doubtful debts	(1,329)	-
Provision for onerous lease	(298)	-
Sundry	(398)	(98)
Other expenses	**(16,214)**	**(11,437)**
Other expenses - net	**(15,398)**	**(6,687)**

(a) Indirect tax credit adjustment

This favourable adjustment relates to the tax credits not previously claimed in 2011. As part of its optimisation program the Company has worked with independent tax advisors to determine the ability to claim certain Brazilian input tax credits on its production costs.

(b) Recoverable Brazilian tax credits write-off

As a result of the concentrate sales shift from Votorantim to International Trading House, certain Brazilian state and federal input tax credits that were previously available to Mirabela Brazil are not available going forward. These tax credits can only be claimed where there are corresponding domestic sales, consequently resulting in their write-off.

(c) Critical Spares write-off

Relates to critical spares no longer required for use by the Company.

10. AUDITOR'S REMUNERATION

	31 December 2013 US$000	31 December 2012 US$000
Audit services		
KPMG Australia: Audit & review of financial reports	399	305
KPMG Brazil: Audit & review of financial reports	103	166
	502	**471**
Other services		
KPMG Australia: Other assurance and advisory services[a]	44	179
KPMG Brazil: Other assurance services[a]	38	-
	82	**179**

(a) Other assurance and advisory services

These include advisory services relating to general accounting advisory support along with the establishment of a hotline for the Whistleblower program in Brazil.

11. EMPLOYEE BENEFITS

	Note	31 December 2013 US$000	31 December 2012 US$000
Salaries and fees		13,327	17,138
Superannuation		271	262
Share based payments expense	*12*	620	1,167
		14,218	**18,567**

12. SHARE BASED PAYMENTS

(a) Expenses arising from share based transactions

	31 December 2013 US$000	31 December 2012 US$000
Equity-settled performance rights and share options granted during:		
Period ended 31 December 2010	-	595
Period ended 31 December 2011	(39)	41
Period ended 31 December 2012	483	531
Period ended 31 December 2013	176	-
Total expense recognised as employee costs	**620**	**1,167**

(b) Performance rights

On 18 March 2013, the previous Board suspended and subsequently cancelled the remaining performance rights of its previous performance rights plan (being the "*Mirabela Nickel Limited Performance Rights Plan*" originally approved at a Shareholders meeting held on 13 September 2010). The performance rights pertaining to the previous plan that were in a holding lock were to be allowed to vest at the completion of the vesting period, however, on 10 January 2014, the previous Committee suspended these performance rights.

On 10 January 2014 the previous Board also suspended the "*2013 Mirabela Nickel Limited Long Term Incentive Plan"* – which was originally approved at a Shareholders meeting held on 30 May 2013.

	"Mirabela Nickel Limited Performance Rights Plan" (old Plan)						"2013 Mirabela Nickel Limited Long Term Incentive Plan" (new Plan)	
	2011		**2012**		**2013**		**2013**	
	Non-market strategic objectives	Market performance objective	Non-market strategic objectives (1)	Market performance objective	Non-market strategic objective (2)	Market performance objective (2)	Non-market Condition (Adjusted EBITDA per Share) (3)	Market performance condition (Relative TSR) (3)
Underlying spot price	A$1.84	A$1.84	A$0.99	A$0.99	A$0.48	A$0.48	A$0.18	A$0.18
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Valuation/grant date	31 Mar 2011	31 Mar 2011	9 Feb 2012	9 Feb 2012	31 Dec 2012	31 Dec 2012	30 May 2013	30 May 2013
Vesting date	31 Dec 2012	30 June 2013	31 Dec 2013	31 Dec 2013	31 Dec 2014	31 Dec2014	31 Dec 2015	31 Dec 2015
Vesting period from grant date (Days)	641	822	691	691	730	730	1,094	1,094
Number of rights	426,364	426,364	878,833	878,834	169,424	169,423	2,304,774	2,304,773
Valuation per right	A$1.84	A$1.28	A$0.99	A$0.54	A$0.48	A$0.48	A$0.175	A$0.066
Valuation per objective	A$784,510	A$545,746	A$870,045	A$474,570	A$81,324	A$81,323	A$403,335	A$152,115
Entitled number of employees	35	35	26	26	1	1	19	19

(1) For 2012 the objectives were based on cost reduction, optimisation, organic growth and exploration goals.
(2) Performance rights were suspended and then subsequently cancelled by the Board on 18 March 2013.
(3) Performance rights were cancelled by the Board on 10 January 2014.

The Group measured the fair value of a share-based payment award issued to eligible employees at grant date and was not required to adjust the fair value afterwards (even if it became more or less valuable or did not ultimately vest) unless the award was modified. Where the service condition had commenced before the grant date a provisional fair value was calculated for a share-based payment award, which was revised upon grant date.

2013 Non-market condition (adjusted EBITDA per Share):

For the 2013 grant of performance rights, 50% of the performance rights were subject to the Company's adjusted EBITDA per share performance over the 2013 – 2015 performance period. The adjusted EBITDA per share milestone would measure the Company's total adjusted EBITDA per share over the 2013-2015 performance period against target and stretch performance hurdles set by the previous Board at the commencement of the 2013-2015 performance period. The target and stretch adjusted EBITDA per share would be reviewed by the previous Board after the end of each calendar year and may be adjusted, at the previous Board's absolute discretion, for the following items:

- Exploration expenditure charged to EBITDA may have been added back;
- Impairment adjustments to EBITDA, both positive and negative, may have been added back or deducted as appropriate;
- Other material non-cash adjustments to EBITDA may have been added back or deducted;
- Target and stretch may have been lowered if realised nickel prices were materially lower than budget; and
- Target and stretch may have been lowered if additional shares were issued by the Company.

The previous Board may also have made adjustments to ensure that the performance targets were fair and appropriate in light of the volatile nickel markets.

The performance hurdles associated with the 2013 non-market condition are noted in the following table:

Adjusted EBITDA per Share	Percentage of Performance Rights Allocated
Target: adjusted EBITDA per Share > US$0.02	25%
Between US$0.02 and US$0.04	Pro-rata straight-line between 25% and 50%
Stretch: adjusted EBITDA per Share > US$0.04	50%

2013 Market performance condition (Relative TSR):

For the 2013 grant of performance rights, 50% of the performance Rights were subject to the Company's relative TSR (RTSR) performance over the 2013 – 2015 performance period. The RTSR milestone would measure the return on investment in the shares (capital growth together with income returned to shareholders) against that of a selected group of peer companies listed on the ASX and TSX. The selected comparator group of companies is a broad base of mining companies representing mid-tier mining companies from across the ASX and TSX. Companies under takeover would be excluded from the comparator group.

The performance hurdles associated with the 2013 market performance condition are noted in the following table:

Company's TSR relative to the TSR of the Comparator Group over the performance period	Maximum Percentage of Performance Rights Allocated
Less than the 50th Percentile	Nil
50th percentile	25%
Greater than the 50th percentile but less than the 75th percentile	Pro-rata straight-line between 25% and 50%
Greater than or equal to the 75th percentile	50%

Movement in performance rights during the year

The movement during the financial year in the number of performance rights held in the Company is as follows:

31 December 2013

Condition	Grant date	Vesting date	Fair value at grant date A$	Held at 1 January 2013	Granted/ issued	Converted to shares	Cancelled or forfeited	Held at 31 December 2013
2011 non-market strategic objective(1)	31 Mar 2011	31 Dec 2012	1.84	182,358	-	(182,358)	-	-
2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) (2)	9 Feb 2012	31 Dec 2013	0.99	518,316	-	(36,053)	-	482,263
2012 non-market strategic objectives (organic growth)(3)	9 Feb 2012	31 Mar 2014	0.99	140,806	-	-	(140,806)	-
2012 market performance objective(3)	9 Feb 2012	30 Jun 2014	0.54	704,029	-	-	(704,029)	-
2013 non-market strategic objective & market performance objective(3) (old Plan)	9 Feb 2012	31 Dec 2014	0.48(5)	338,847	-	-	(338,847)	-
2013 non-strategic condition (adjusted EBITDA per Share)(4)	30 May 2013	31 Dec 2015	0.18	-	2,304,774	-	(40,883)	2,263,891
2013 market performance condition (RTSR)(4)	30 May 2013	31 Dec 2015	0.07	-	2,304,773	-	(40,882)	2,263,891
				1,884,356	**4,609,547**	**(218,411)**	**(1,265,447)**	**5,010,045**

(1) 182,358 performance rights were converted to shares on 23 January 2013. At this date the Company's share price was A$0.50.
(2) 36,053 performance rights were converted to shares on 31 May 2013. A this date the Company's share price was A$0.17.
(3) Performance rights were suspended and then subsequently cancelled by the previous Board on 18 March 2013.
(4) Performance rights were cancelled by the previous Board on 10 January 2014.
(5) Performance rights were provisionally valued at 31 December 2012 as performance conditions had not been advised by the previous Board.

31 December 2012

Condition	Grant date	Vesting date	Fair value at grant date A$	Held at 1 January 2012	Granted/ issued	Converted to shares	Cancelled or forfeited	Held at 31 December 2012
2010 non-market strategic objective[1]	13 Sep 2010	31 Dec 2011	1.84	769,215	-	(734,926)	(34,289)	-
2011 non-market strategic objective[2]	31 Mar 2011	31 Dec 2012	1.84	384,608	-	(134,518)	(67,732)	182,358
2011 market performance objective[3]	31 Mar 2011	30 Jun 2013	1.28	384,608	-	-	(384,608)	-
2012 non-market strategic objectives (cost reduction, optimisation and exploration goals) [4]	9 Feb 2012	31 Dec 2013	0.99	135,539	567,528	-	(184,751)	518,316
2012 non-market strategic objectives (organic growth)[5]	9 Feb 2012	31 Mar 2014	0.99	33,885	141,882	-	(34,961)	140,806
2012 market performance objective[6]	9 Feb 2012	30 Jun 2014	0.54	169,424	709,411	-	(174,806)	704,029
2013 non-market strategic objective & market performance objective	9 Feb 2012	31 Dec 2014	0.48[7]	338,847	-	-	-	338,847
				2,216,126	**1,418,821**	**(869,444)**	**(881,147)**	**1,884,356**

(1) 734,926 performance rights were converted to shares on 2 February 2012.
(2) 123,427 performance rights and 11,091 performance rights were converted to shares on 18 April 2012 and 28 September 2012 respectively. The 182,358 performance rights held at 31 December 2012 were converted to shares on 23 January 2013.
(3) Performance rights were cancelled by the Board on 25 September 2012 due to non-achievement of the performance objective.
(4) Non-market strategic objective (cost reduction) was achieved at a reduced allocation percentage of 16%.
(5) Performance condition to be re-tested by 31 March 2013. If conditions are not met, performance rights will lapse.
(6) Performance condition to be re-tested by 30 June 2013. If conditions are not met, performance rights will lapse.
(7) Performance rights have been provisionally valued at 31 December 2012 as performance conditions are yet to be advised by the Board.

(c) Options

The terms and conditions of the options at 31 December 2013 are as follows. All options are settled by physical delivery of shares:

Grant Date	Grantees	Number of instruments outstanding at 31 Dec 2013	Vesting conditions	Contractual life of options
25 September 2009	Employee options	400,000	Two years of service	5 years
	Total share options	**400,000**		

The summaries of options granted under the plan are as follows:

31 December 2013

Grant date	Expiry date	Exercise price A$[1]	Exercise price US$[1]	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
				Number	Number	Number	Number	Number	Number
24/11/2008	07/07/2013	$3.00	$2.68	3,000,000	-	-	3,000,000	-	-
25/09/2009	30/06/2014	$3.00	$2.68	400,000	-	-	-	400,000	400,000
05/11/2009	07/07/2013	$3.00	$2.68	750,000	-	-	750,000	-	-
				4,150,000	-	-	3,750,000	400,000	400,000
Weighted average exercise price (US$)				**$2.68**	**-**	**-**	**$2.68**	**$2.68**	**$2.68**
Weighted average exercise price (A$)				**$3.00**	**-**	**-**	**$3.00**	**$3.00**	**$3.00**

(1) All options are exercisable in A$ (presented in US$ at 31 December 2013 rate of 0.89392).

31 December 2012

Grant date	Expiry date	Exercise price A$[1]	Exercise price US$[1]	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
				Number	Number	Number	Number	Number	Number
11/09/2008	11/09/2012	$6.20	$6.43	300,000	-	-	300,000	-	-
24/11/2008	07/07/2013	$3.00	$3.11	3,000,000	-	-	-	3,000,000	3,000,000
25/09/2009	30/06/2014	$3.00	$3.11	400,000	-	-	-	400,000	400,000
05/11/2009	07/07/2013	$3.00	$3.11	750,000	-	-	-	750,000	750,000
				4,450,000	-	-	300,000	4,150,000	4,150,000
Weighted average exercise price (US$)				**$3.34**	**-**	**-**	**$6.43**	**$3.11**	**$3.11**
Weighted average exercise price (A$)				**$3.22**	**-**	**-**	**$6.20**	**$3.00**	**$3.00**

(1) All options are exercisable in A$ (presented in US$ at 31 December 2012 rate of 1.037).

The options outstanding at 31 December 2013 have an exercise price of US$2.68 (31 December 2012: US$3.11) and a weighted-average contractual life of 0.5 years (31 December 2012: 0.6 years).

During the 2013 financial year no options were issued under the plan (31 December 2012: Nil). The fair value of services received in return for share options granted were measured by reference to the fair value of share options granted. The estimate of the fair value of the services received was measured based on the binomial option-pricing model. The contractual life of the option was used as an input into this model. Expectations of early exercise were incorporated into the binomial option-pricing model.

Share options granted to key management personnel were based on market and non-market performance conditions. Non-market performance conditions were not taken into account in the grant date fair value measurement of the services received. Share options granted to financiers were based on market performance conditions only.

13. INCOME TAX EXPENSE

Major components of income tax expense for the year ended 31 December 2013 and year ended 31 December 2012 are:

	31 December 2013 US$000	31 December 2012 US$000
Statement of comprehensive income		
Reassessment of prior year income tax	-	-
Income tax (benefit)/expense reported in statement of comprehensive income	**-**	**-**

Reconciliation of income tax expense to accounting profit/(loss) before tax

The reconciliation of the income tax expense/(benefit) arising on accounting (loss)/profit before income tax at the statutory income tax rate to the actual income tax expense, for the year ended 31 December 2013 and year ended 31 December 2012 are as follows:

	31 December 2013 US$000	31 December 2012 US$000
Accounting loss before income tax	**(493,861)**	**(452,875)**
Tax on loss at the income tax rate of 30% (31 December 2012: 30%)	(148,158)	(135,863)
Add:		
Non-deductible expenses	1,676	3,642
Differences in global tax rates	(11,038)	(21,370)
Deferred tax asset (including tax losses) not recognised	157,520	153,591
Income tax (benefit)/expense	**-**	**-**

Current tax liabilities

The provision for current tax as at 31 December 2013 was US$ Nil (31 December 2012: US$ Nil).

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	31 December 2013 US$000	31 December 2012 US$000	31 December 2013 US$000	31 December 2012 US$000	31 December 2013 US$000	31 December 2012 US$000
Property, plant & equipment	(177,340)	(129,587)	-	-	(177,340)	(129,587)
Cash and cash equivalents	-	(209)	1	-	1	(209)
Prepayments	(428)	-	-	-	(428)	-
Inventory	(3,162)	-	-	-	(3,162)	-
Intercompany interest - assessable	-	-	14,815	12,864	14,815	12,864
Current tax assets	(2,806)	-	-	-	(2,806)	-
Trade and other payables	(5,882)	(5,655)	-	-	(5,882)	(5,655)
Provisions	(61)	(1,241)	-	-	(61)	(1,241)
Exploration and evaluation assets	-	-	-	-	-	-
Borrowings	(56,777)	(1,565)	-	-	(56,777)	(1,565)
Brazil reserves	(3,123)				(3,123)	
Capital raising costs	(1,767)	(3,706)	-	-	(1,767)	(3,706)
Tax losses carried forward	(91,212)	(41,123)	-	-	(91,212)	(41,123)
Deferred tax assets not recognised	327,742	170,222	-	-	327,742	170,222
Tax (assets)/ liabilities	(14,816)	(12,864)	14,816	12,864	-	-
Tax set off	14,816	12,864	(14,816)	(12,864)	-	-
Net tax (assets)/liabilities	-	-	-	-	-	-

Movement in temporary differences during the year ended 31 December 2013:

US$000	Balance 1 January 2013	Recognised in Income	Recognised in Equity	Balance 31 December 2013
Intercompany interest - assessable	12,864	1,951	-	14,815
Borrowings	(1,565)	(55,212)	-	(56,777)
Current tax assets	-	(2,806)	-	(2,806)
Property, plant and equipment	(129,587)	(47,753)	-	(177,340)
Cash and cash equivalents	(209)	210	-	1
Prepayments	-	(428)	-	(428)
Inventory	-	(3,162)	-	(3,162)
Trade and other payables	(5,655)	(227)	-	(5,882)
Provisions	(1,241)	1,180	-	(61)
Exploration and evaluation assets	-	-	-	-
Brazil reserves	-	-	(3,123)	(3,123)
Capital raising costs	(3,706)	-	1,939	(1,767)
Tax losses carried forward	(41,123)	(50,089)	-	(91,212)
Deferred tax assets not recognised	170,222	156,336	1,184	327,742
	-	-	-	-

Movement in temporary differences during the year ended 31 December 2012:

US$000	Balance 1 January 2012	Recognised in Income	Recognised in Equity	Balance 31 December 2012
Intercompany interest - assessable	10,629	2,235	-	12,864
Borrowings	1,848	(3,413)	-	(1,565)
Property, plant and equipment	(4,337)	(125,250)	-	(129,587)
Cash and cash equivalents	(77)	(132)	-	(209)
Trade and other payables	(3,794)	(1,861)	-	(5,655)
Provisions	(49)	(1,192)	-	(1,241)
Exploration and evaluation assets	6	(6)	-	-
Capital raising costs	-	-	(3,706)	(3,706)
Tax losses carried forward	(17,151)	(23,972)	-	(41,123)
Deferred tax assets not recognised	12,925	153,591	3,706	170,222
	-	-	-	-

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2013 US$000	31 December 2012 US$000
Unrecognised deferred balances		
Temporary differences	(236,530)	(129,099)
Tax losses	(91,212)	(41,123)
	(327,742)	**(170,222)**

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits.

14. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic loss per share of US$0.56 at 31 December 2013 (31 December 2012: US$0.62 loss per share) was based on the loss attributable to ordinary shareholders of US$493.861 million (31 December 2012: US$452.875 million loss) and a weighted-average number of ordinary shares outstanding during the financial year ended 31 December 2013 of 876,775,340 (31 December 2012: 726,838,049) calculated as follows:

	Basic loss per share		Diluted loss per share	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Loss attributable to ordinary shareholders (US$000)	(493,861)	(452,875)	(493,861)	(452,875)
Issued ordinary shares at start of period	876,582,736	491,781,237	876,582,736	491,781,237
Effect of issue of shares	192,604	235,056,812	192,604	235,056,812
	876,775,340	**726,838,049**	**876,775,340**	**726,838,049**
Loss per share in US$ dollars	**(0.56)**	**(0.62)**	**(0.56)**	**(0.62)**

Performance rights and share options on issue are not dilutive as their exercise would have the impact of decreasing loss per share. There were a total of 5,010,045 performance rights and 400,000 share options that were potentially dilutive to shares on issue at 31 December 2013 (31 December 2012: 1,872,940 performance rights and 4,150,000 options).

15. CASH AND CASH EQUIVALENTS

	31 December 2013 US$000	31 December 2012 US$000
Cash at bank and on hand	13,267	26,414
Deposits	17,468	116,593
	30,735	**143,007**

The Group's exposure to currency risk, interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

16. TRADE AND OTHER RECEIVABLES

	31 December 2013 US$000	31 December 2012 US$000
Current asset		
Trade receivables	13,666	39,816
Prepayments	11,557	23,228
	25,223	**63,044**
Non-current asset		
Other receivables	432	1,945
Prepayments	31,519	9,018
	31,951	**10,963**

Current prepayments for the year ended 31 December 2013 include payments in advance for consumables not yet delivered.

Non-current prepayments comprise certain recoverable Brazilian federal and state taxes arising from the construction and commissioning stages of the Santa Rita operation as well as operating expenses prepayments. It is anticipated that these taxes will be offset against future income tax payable, however, a provision of US$8.596 million has been taken up against the non-recoverable component of the State taxes.

17 INVENTORIES

	31 December 2013 US$000	31 December 2012 US$000
Broken ore – NRV	19,502	21,621
Concentrate – NRV	15,545	4,166
Stores, spares and consumables – NRV	32,923	31,105
	67,970	**56,892**

Stores, spares and consumables represent materials and supplies consumed in the production process. All stocks have been calculated as the lower of cost and net realisable value, with net realisable value for broken ore stocks and concentrate representing the estimated selling price in the ordinary course of business less any further costs expected to be incurred in respect of such disposal. Net realisable value expense for 2013 equated to US$9.051 million.

18 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2013 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions.

Net unwind/change in fair value of cash flow hedges transferred to profit or loss:

	Unwind 31 December 2013 US$000	Unwind 31 December 2012 US$000
Nickel and Copper- forward contracts	11,330	4,346
Foreign exchange - forward contracts	(1,667)	(5,988)
	9,663	**(1,642)**

19 EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2013 US$000	31 December 2012 US$000
Balance at the beginning of the period	3,490	476
Expenditure incurred during the period	-	3,119
Transferred to construction and development in progress	(422)	-
Effect of movements in foreign exchange	(405)	(105)
Balance at the period end	**2,663**	**3,490**

The recoverability of the carrying amounts of exploration and evaluation assets is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

20 PROPERTY, PLANT & EQUIPMENT

31 December 2013 US$000	Plant & equipment	Leased assets	Land	Mine properties[b]	Construction & development expenditure	Total
Cost						
Balance at 1 January 2013	452,460	32,169	11,315	386,573	375	882,892
Additions	14,165	8,393	-	7,834	6,217	36,609
Rehabilitation discount and inflation rate adjustment	-	-	-	(6,555)	-	(6,555)
Transfers from exploration & evaluation expenditure	-	-	-	-	422	422
Transfer to stores, spares and consumables	(3,167)	-	-	-	-	(3,167)
Disposals	(2,071)	-	-	-	-	(2,071)
Transfers	(29,112)	29,173	-	-	(61)	-
Effect of movement in exchange rates	(51,567)	(9,032)	(1,445)	(51,677)	(603)	(114,324)
Balance at 31 December 2013	**380,708**	**60,703**	**9,870**	**336,175**	**6,350**	**793,806**
Depreciation and Impairment						
Balance at 1 January 2013	(275,353)	(26,397)	(5,822)	(216,516)	(191)	(524,279)
Depreciation charge for the year	(6,954)	(1,754)	-	(6,404)	-	(15,112)
Impairment charge for the year[a]	(156,134)	(18,240)	(4,940)	(145,709)	(6,159)	(331,182)
Transfers	20,854	(20,854)	-	-	-	-
Transfer to stores, spares and consumables	(1,982)	-	-	-	-	(1,982)
Effect of movement in exchange rates	38,861	6,542	892	32,454	-	78,749
Balance at 31 December 2013	**(380,708)**	**(60,703)**	**(9,870)**	**(336,175)**	**(6,350)**	**(793,806)**
Net book value at 31 December 2013	**-**	**-**	**-**	**-**	**-**	**-**

(a) Impairment

As the Group identified impairment indicators such as the challenging nickel market conditions with LME nickel prices continuing to trade below the Company's cash flow break-even position after overheads, financing and capital costs, the business cessation of one of the Company's two off-take customers (as outlined in Note 2), increase in the Company's cost base due to certain Brazilian indirect tax credits no longer being claimable, and the Company's market capitalisation being lower than the value of the long term assets, the Group performed an impairment test on the recoverability of its assets using consensus analyst nickel price assumptions as at 31 December 2013.

The Group is a single asset, single commodity producer and therefore the Group as a whole was determined a cash generating unit (CGU) for impairment purposes. The recoverable amount of the CGU was determined based on fair value less cost to sell (FVLCS). FVLCS was determined using a discounted cash flow model.

The fair value of property, plant and equipment is based on the level 3 fair value hierarchy, this being unobservable inputs.

The basis for determination of the recoverable amount was:

- *Nickel price* – future nickel prices were based on the quarter four 2013 consensus views from market participants. Market participant views on nickel price have materially declined since the second quarter of 2013 due to their revised short to medium term view of the nickel market;
- *Nickel production* – future nickel production was based on the 25Mtpa life of mine model (with ramp up to 50Mtpa from 1 January 2016), reflecting the challenges being faced in current market conditions;
- *Operating and capital cost* – these costs were based on the 25Mtpa life of mine model (with ramp up to 50Mtpa from 1 January 2016), which is based on actual costs incurred and is expected to be the same for a market participant;
- *Foreign exchange rates* – Brazilian real to US dollar exchange rates were based on quarter four 2013 forecast consensus views from market participants;
- *Discount rate* – a post–tax real discount rate of 9.92% (2012: 9.80%), based on weighted average cost of capital of an expected market participant; and
- *Underground inferred resource* – the fair value attributed to the underground inferred resource has continued to be excluded due to current views of long-term nickel prices, which will be reassessed on an on-going basis.

Based on a number of factors including the continued low nickel price and the non-recoverability of Brazilian indirect state taxes pursuant to changing from domestic to export sales, the Group has recognised an impairment charge of US$331.182 million for the year ended 31 December 2013 on production assets, of which US$192.894 million was recognised for the period ended 30 September 2013. As a result of the impairment charge, the Company's assets have been fully written down.

A favourable change in the assumptions could result in reversal of the impairment.

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

(b) Mine properties

Includes deferred stripping costs of nil (31 December 2012: US$48.296 million).

21 TRADE AND OTHER PAYABLES

	31 December 2013	31 December 2012
	US$000	US$000
Trade payables	32,022	22,687
Other payables and accrued expenses	32,461	23,319
	64,483	**46,006**

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

22 PROVISIONS

	31 December 2013 US$000	31 December 2012 US$000
Current liability		
Provision for annual leave	3,094	3,281
Provision for onerous lease	298	-
	3,392	**3,281**
Non-current liability		
Provision for rehabilitation	10,093	17,777
Other provision non-current	151	-
	10,244	**17,777**
Reconciliation of movements in provisions:		
Provision for annual leave		
Balance at beginning of period	3,281	3,835
Provision (reversed)/made during the financial period	232	(275)
Effect of movements in foreign exchange	(419)	(279)
Balance at period end	**3,094**	**3,281**
Provision for onerous lease		
Balance at beginning of period	-	-
Provision (reversed)/made during the financial period	298	-
Provision used during the financial period	-	-
Effect of movements in foreign exchange	-	-
Balance at period end	**298**	**-**
Provision for rehabilitation		
Balance at beginning of period	17,777	8,639
Accretion expense	1,241	932
Discount and inflation rate adjustment	(6,555)	8,960
Effect of movements in foreign exchange	(2,370)	(754)
Balance at period end	**10,093**	**17,777**
Other provision non-current		
Balance at beginning of period	-	2,231
Provision used during the financial period	-	(2,045)
Provision (reversed)/made during the financial period	162	-
Effect of movements in foreign exchange	(11)	(186)
Balance at period end	**151**	**-**

The rehabilitation provision is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita operation. The Group uses third parties to estimate these costs. The estimate will be reviewed over time as the operation develops. The unwinding of the effect of discounting on the provision is recognised as a finance cost. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine.

Other provisions non-current includes indirect taxes payable which are not repayable in the next twelve months.

23 BORROWINGS

31 December 2013 US$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Bradesco loan (iii)	Atlas Copco finance lease facility (iv)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2011 to 2018	2009 to 2014	2012 to 2014	2012 to 2015	
Carrying Value	**395,000**	**9,031**	**50,000**	**2,210**	**456,241**
Current borrowings	395,000	9,031	50,000	2,210	456,241
	395,000	**9,031**	**50,000**	**2,210**	**456,241**

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

(i) US$395.000 million of 8.75% Senior Unsecured Notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd (subject to deed of company arrangement) and Mirabela Mineração do Brasil Ltda. Interest on the notes is payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes. Borrowing costs of US$20.476 million to secure this funding were offset against the principal borrowings amount and were amortised using the effective interest rate method. Effective interest for the period relating to the capitalised borrowing costs was US$2.675 million. The Company entered into a debt standstill agreement with the Senior Unsecured Noteholders on 12 November 2013 following a missed interest payment on 15 October 2013 (refer to Notes 2 and 33 for further details). This debt has been classified as current at 31 December 2013 as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. As such, the unamortised balance of the borrowing costs as at 31 December 2013 of US$11.017 million has been fully unwound to financial expense (refer to Note 8).

(ii) The US$55.000 million master funding and leasing agreement is for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn down to US$40.795 million as at 31 December 2013, with US$9.031 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted-average interest rate of 4.31%). The Company entered into a debt standstill agreement with Caterpillar on 12 November 2013 (refer to Notes 2 and 33 for further details) which terminates as outlined in Note 33. This debt has been classified as current at 31 December 2013 as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(iii) During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a US$50.000 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. The Company negotiated revised repayment terms on the facility which provided for a part payment of US$3.000 million in January 2014 and the remaining amount of the principal, by agreement dated 6 May 2014, to be deferred to 29 March 2018. Interest remains payable bi-annually at a rate of LIBOR plus 6%. The loan is unsubordinated and secured by a Guarantee from the Company and a fiduciary assignment on the Votorantim and Norilsk Nickel receivables. Due to the conditions of the waiver agreement entered into, the long term portion of the working capital facility was reclassified to current liabilities (refer to Notes 2 and 33 for further details).

(iv) The Company entered in a US$5.200 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of US$0.780 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012. This debt has been classified as current at 31 December 2013 as the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(v) On 30 December 2013, the Company secured a US$45.000 million interim financing facility (**Interim Facility**) from a consortium of its Noteholders (**Ad-hoc Group**) – currently representing more than 65% of the Senior Unsecured Notes outstanding**.** The intention of the Interim Facility was to provide the Company with sufficient liquidity to operate its business whilst completing the complex process of the comprehensive restructuring package. Interest on this Interim Facility is payable at the end of each calendar quarter at a rate of 3.5% per annum. This Interim Facility is also subject to an upfront fee and an original issue discount of 32.5% (combined) of US$45.000 million, payable on the first utilisation of the Interim Facility (i.e. upon maturity the amount payable will be approximately US$60.000 million). The interest, upfront fee and original issue discount are payable in kind. This Interim Facility is repayable in full on the earlier of a successful recapitalisation of the Company and 30 June 2014. The Interim Facility is guaranteed by the Company's subsidiaries and is secured by an Australian law general security agreement and share pledge over the quota of the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, plus a suite of Brazilian security documents, including fiduciary assignments over Mirabela Mineração do Brasil Ltda's mineral rights contract, moveable assets, inventories, unencumbered receivables and intercompany loans and a mortgage over Mirabela Mineração do Brasil Ltda's real property. Nil amount of this Interim Facility was received by the Company as at 31 December 2013. As at the date of this report, the full US$45.000 million has been received and utilised to funding ongoing operating losses and capital expenditure costs.

Finance lease liabilities

	31 December 2013			31 December 2012		
US$000	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	9,656	383	9,273	10,703	783	9,920
Between one and five years	2,007	39	1,968	11,363	375	10,988
	11,663	**422**	**11,241**	**22,066**	**1,158**	**20,908**

The above represents contractual cash flows. However, as the Group's various debts are under standstill/waiver arrangements at year end, and as these arrangements do not extend beyond one year from the balance sheet date, all of these debts have been reclassified as current.

24 RELATED PARTIES

Key management personnel remuneration

Remuneration paid to key management personnel (KMP) is as follows:

	31 December 2013 US$000	**31 December 2012 US$000**
Short-term employee benefits	3,053	4,232
Post-employment benefits	86	128
Equity compensation benefits	348	561
Non-monetary benefits	37	-
	3,524	**4,921**

Key management personnel remuneration disclosures and other transactions

Information regarding KMP remuneration and equity instruments disclosures, as required by Corporations Regulations 2M.3.03, is provided in the Remuneration Report in section 3 of the Deed Administrator's Report.

Apart from the details disclosed in this note or in the Remuneration Report, no director has entered into a material contract with the Group since the end of the previous financial period and there were no other material contracts involving directors' interests existing at the reporting date.

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

During the year ended 31 December 2013 there were no transactions between the Company and the KMPs or any other related parties (year ended 31 December 2012: None).

Movement in ordinary shares held by key management personnel

The movement during the financial year in the number of ordinary shares in Mirabela Nickel Limited (subject to deed of company arrangement) held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Year ended 31 December 2013	Held at 1 January 2013	Purchases	Converted to shares	Sales	Held at 31 December 2013
Directors					
Geoffrey Handley(1)	96,923	-	-	-	96,923
Ian Purdy(2)	350,860	-	70,509	(350,000)	71,369
Ian McCubbing(3)	193,846	-	-	-	193,846
Peter Nicholson(4)	-	-	-	-	-
Colin Steyn(5)	50,972,345	-	-	-	50,972,345
Nicholas Sheard(6)	-	100,000	-	-	100,000
Executives					
Christiaan Els(8)	216,041	-	20,846	(50,000)	186,887
Anthony Kocken	-	-	-	-	-
William Bent(7)	-	-	17,168	(17,168)	-
	51,830,015	**100,000**	**108,523**	**(417,168)**	**51,621,370**

(1) Mr Handley resigned from the Board effective 11 January 2014.
(2) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
(3) Mr McCubbing resigned from the Board effective 7 April 2014.
(4) Mr Nicholson resigned from the Board effective 11 January 2014.
(5) Mr Steyn resigned from the Board effective 11 January 2014.
(6) Mr Sheard resigned from the Board effective 7 April 2014
(7) Mr Bent resigned from the Company effective 31 January 2013.
(8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

Year ended 31 December 2012	Held at 1 January 2012	Purchases	Converted to shares	Sales	Held at 31 December 2012
Directors					
Geoffrey Handley	20,000	76,923	-	-	96,923
Ian Purdy	155,000	-	195,860	-	350,860
Ian McCubbing	80,000	113,846	-	-	193,846
Peter Nicholson(1)	-	-	-	-	-
Colin Steyn	50,972,345	-	-	-	50,972,345
Nicholas Sheard	-	-	-	-	-
Executives					
Christiaan Els	82,500	75,635	57,906	-	216,041
Anthony Kocken(2)	-	-	-	-	-
William Bent(3)	-	29,346	47,688	(77,034)	-
Luis Nepomuceno(4)	412,500	-	157,219	(569,719)	-
	51,722,345	**295,750**	**458,673**	**(646,753)**	**51,830,015**

(1) Mr Nicholson was appointed Non-executive Director effective 12 June 2012
(2) Mr Kocken was appointed Chief Operating Officer effective 12 March 2012.
(3) Mr Bent resigned from the Company effective 31 January 2013.
(4) Mr Nepomuceno’s ceased to be an executive of the Group on 16 January 2012.

Movement in options over ordinary shares held by key management personnel

31 December 2013:

There was no movement during the financial year ended 31 December 2013 in the number of options over ordinary shares in the Company held directly, indirectly or beneficially by KMPs, including their related parties.

31 December 2012:

There was no movement during the financial year ended 31 December 2012 in the number of options over ordinary shares in the Company held directly, indirectly or beneficially by KMPs, including their related parties.

Movement in performance rights held by key management personnel

The movement during the financial year in the number of performance rights in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

31 December 2013	Held at 1 January 2013	Granted/ issued as compensation	Converted to shares	Cancelled or forfeited	Held at 31 December 2013	Vested during the year	Vested and exercisable at 31 December 2013
Directors							
Geoffrey Handley[(1)]	-	-	-		-	-	-
Ian Purdy[(2)]	734,650	1,772,854	(70,509)	(542,156)	1,894,839	-	121,985
Ian McCubbing[(3)]	-	-	-	-	-	-	-
Peter Nicholson[(4)]	-	-	-	-	-	-	-
Colin Steyn[(5)]	-	-	-	-	-	-	-
Nicholas Sheard[(6)]	-	-	-	-	-	-	-
Executives							
Christiaan Els[(8)]	209,523	513,805	(20,846)	(117,924)	584,558	-	70,753
Anthony Kocken	189,386	515,739	-	(118,366)	586,759	-	71,020
William Bent[(7)]	17,168	-	(17,168)	-	-	-	-
	1,150,727	**2,802,398**	**(108,523)**	**(778,446)**	**3,066,156**	**-**	**263,758**

(1) Mr Handley resigned from the Board effective 11 January 2014.
(2) Mr Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.
(3) Mr McCubbing resigned from the Board effective 7 April 2014.
(4) Mr Nicholson resigned from the Board effective 11 January 2014.
(5) Mr Steyn resigned from the Board effective 11 January 2014.
(6) Mr Sheard resigned from the Board effective 7 April 2014
(7) Mr Bent resigned from the Company effective 31 January 2013.
(8) Mr Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

31 December 2012	Held at 1 January 2012	Granted/ issued as compensation	Converted to shares	Cancelled or forfeited	Held at 31 December 2012	Vested during the year	Vested and exercisable at 31 December 2012
Directors							
Geoffrey Handley	-	-	-		-	-	-
Ian Purdy	1,069,414	-	(195,860)	(138,904)	734,650	70,509	70,509
Ian McCubbing	-	-	-	-	-	-	-
Peter Nicholson[(1)]	-	-	-	-	-	-	-
Colin Steyn	-	-	-	-	-	-	-
Nicholas Sheard	-	-	-	-	-	-	-
Executives							
Christiaan Els	115,813	196,537	(57,906)	(44,921)	209,523	20,846	20,846
Anthony Kocken[(2)]	-	197,277	-	(7,891)	189,386	-	-
William Bent[(3)]	95,375	167,686	(47,688)	(198,205)	17,168	17,168	17,168
Luis Nepomuceno[(4)]	231,206	-	(157,219)	(73,987)	-	41,616	-
	1,511,808	**561,500**	**(458,673)**	**(463,908)**	**1,150,727**	**150,139**	**108,523**

(1) Mr Nicholson was appointed non-executive director effective 12 June 2012
(2) Mr Kocken was appointed Chief Operating Officer effective 12 March 2012.
(3) Mr Bent resigned from the Company effective 31 January 2013.
(4) Mr Nepomuceno's ceased to be an executive of the Group on 16 January 2012.

25 CONTRIBUTED EQUITY

	Number of Securities		Value	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
			US$000	**US$000**
Net ordinary shares	876,801,147	876,582,736	796,517	797,110
	876,801,147	**876,582,736**	**796,517**	**797,110**

Movement in share capital for the year ended 31 December 2013

	Ordinary shares	Number of shares	Issue price	US$
January 1, 2013	Opening balance	**876,582,736**		**797,110,316**
January 23, 2013	Shares issued on conversion of performance rights (Issued at A$1.84) [(1)]	182,358	-	-
May 31, 2013	Shares issued on conversion of performance rights (Issued at A$0.98) [(1)]	36,053	-	-
December 31, 2013	**Closing balance**	**876,801,147**		**797,110,316**
Less:	Share issue cost – prior period[(2)]	**-**		**(593,403)**
		876,801,147		**796,516,913**

(1) Performance rights converted to shares not for cash.
(2) Represents costs relating to the prior period equity raisings.

Movement in share capital for the year ended 31 December 2012

	Ordinary shares	Number of shares	Issue price	US$
1 January 2012	Opening balance	491,781,237		683,108,327
2 February 2012	Shares issued on conversion of performance rights (Issued at A$1.84) (1)	734,926	-	-
18 April 18 2012	Shares issued on conversion of performance rights (Issued at A$1.84) (1)	123,427	-	-
17 May 2012	Issue of ordinary shares fully paid (issued at A$0.40) (2)	50,000,000	US$0.40	19,908,000
29 May 2012	Issue of ordinary shares fully paid (issued at A$0.30) (3)	183,637,836	US$0.30	54,837,931
29 May 2012	Issue of ordinary shares fully paid (issued at C$0.30) (3)	82,277,147	US$0.30	24,478,541
5 June 2012	Issue of ordinary shares fully paid (issued at A$0.30) (4)	13,691,530	US$0.30	4,102,015
12 June 2012	Issue of ordinary shares fully paid (issued at A$0.30) (5)	39,560,413	US$0.30	11,854,238
12 June 2012	Issue of ordinary shares fully paid (issued at C$0.30) (5)	14,765,129	US$0.30	4,340,115
28 September 2012	Shares issued on conversion of performance rights (Issued at A$1.84) (1)	11,091	-	-
31 December 2012	**Closing balance**	**876,582,736**		**802,629,167**
Less:	Share issue cost – current period	-		(5,518,851)
		876,582,736		**797,110,316**

(1) Performance rights converted to shares not for cash.
(2) These shares were issued to Resource Capital Fund V L.P. under the A$0.40 per share strategic placement.
(3) These shares were issued to institutional investors under the A$0.30 per share institutional entitlement offer.
(4) These shares were issued to retail investors under the A$0.30 per share retail entitlement offer.
(5) These shares were issued to institutional investors as part of the shortfall under the A$0.30 per share retail entitlement offer.

Unissued Shares under Performance Rights at 31 December 2013

Vesting date	Number of Performance Rights
31 December 2013	482,263
31 December 2015	4,527,782
Balance	5,010,045

Unissued Shares under Performance Rights at 31 December 2012

Vesting date	Number of Performance Rights
31 December 2012	182,358
31 December 2013	518,316
31 March 2014	140,806
30 June 2014	704,029
31 December 2014	338,847
Balance	**1,884,356**

During the year ended 31 December 2013, the Company issued 218,411 shares as a result of the conversion of 218,411 performance rights into shares; 827,587 performance rights were cancelled and 437,860 performance rights were forfeited in accordance with the "*Mirabela Nickel Limited Performance Rights Plan*". 338,847 performance rights that had been provisionally issued in prior years to the CEO were not finally granted by the previous Board and are included in the number forfeited during the period.

Additionally, 4,609,547 performance rights were granted pursuant to the "*2013 Mirabela Nickel Limited Long Term Incentive Plan*" (**LTI**), approved by shareholders on 30 May 2013. These rights were subsequently cancelled by the previous Committee on 10 January 2014.

The LTI is based on a three year performance test period commencing 1 January 2013 and ending 31 December 2015 (**Performance Period**), with performance conditions comprising two components, these being:

- 50% for non-market condition, based on the Company's adjusted EBITDA per Share performance over the Performance Period; and
- 50% for market performance, which is measured by Total Shareholder Return (RTSR) relative to a comparator group of ASX and TSX companies over the Performance Period.

The Group measures the fair value of a share-based payment award issued to eligible employees at grant date and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. Where the service condition has commenced before the grant date a provisional fair value is calculated for a share-based payment award, which is revised upon grant date.

Unissued shares under Options at 31 December 2013

Exercise Price A$	Exercise Price US$(1)	Expiry Date	Number of Options
A$3.00	US$2.68	30 Sep 2014	400,000
Balance			**400,000**

(1) All options are exercisable in AU$ (presented in US$ at 31 December 2013 rate of 0.894)

Unissued shares under Options at 31 December 2012

Exercise Price A$	Exercise Price US$(1)	Expiry Date	Number of Options
A$3.00	US$3.11	7 Jul 2013	3,000,000
A$3.00	US$3.11	7 Jul 2013	750,000
A$3.00	US$3.11	30 Jun 2014	400,000
Balance			**4,150,000**

(1) All options are exercisable in AU$ (presented in US$ at 31 December 2012 rate of 1.037)

During the year ended 31 December 2013 a total of 3,750,000 options previously issued at an exercise price of A$3.00 were unexercised and as a result have expired.

26 RESERVES

	31 December 2013 US$000	31 December 2012 US$000
Share based payments reserve	5,590	7,186
Translation reserve	(125,715)	(115,379)
Hedge reserve	(4,740)	(14,403)
	(124,865)	**(122,596)**
Reconciliation of movement in reserves:		
Share based payments reserve		
Balance at beginning of period	7,186	6,742
Options lapsed during the period[1]	(1,704)	(438)
Performance rights cancelled during the period	(512)	(285)
Equity-settled share based payment transactions	620	1,167
Balance at period end	**5,590**	**7,186**
Translation reserve		
Balance at beginning of period	(115,379)	(47,906)
Effect of translation of foreign currency operations to Group presentation currency	(10,336)	(67,473)
Balance at period end	**(125,715)**	**(115,379)**
Hedge reserve		
Balance at beginning of period	(14,403)	(12,761)
Effective portion of changes in fair value of cash flow hedges	-	-
Net change in fair value of cash flow hedges transferred to profit or loss	9,663	(1,642)
Balance at period end	**(4,740)**	**(14,403)**

(1) This represents the reversal of options previously expensed. This amount was transferred from reserves to retained earnings.

Share based payments reserve

The share based payments reserve represents the value of performance rights and options issued under the remuneration arrangement that the Group is required to disclose in the consolidated financial statements. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group where the functional currencies are different to the presentation currency for reporting purposes, including the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. As at 31 December 2013 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the original underlying hedged transactions.

27 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk arising from its financial instruments.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the Santa Rita operation and ancillary exploration activities.

Market, liquidity and credit risks (including foreign exchange, commodity price, interest rate and counterparty risk) arise in the normal course of business. These risks were managed under the previous Board approved treasury processes and transactions.

The principal financial instruments as at the reporting date include receivables, payables, high yield bonds, loan and finance agreements and cash.

This note presents information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Refer to Notes 2 and 33 for further details regarding financial risk.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's customers.

For the Group, the exposure to credit risk is influenced by the characteristics of the three customers (refer to Note 6). During the financial year, all of the Group's sales were to large mining companies located in Brazil and Russia and to a reputable International Trading House (**ITH**). Credit exposure is limited by ensuring that customers abide by the off-take agreements, which stipulate the payment terms that 90% of the invoice value is settled from 7 - 70 days after the month of sale and 10% of the invoice is settled within 15 days of presentation of the final invoice. Norilsk Nickel and ITH are in compliance with the payment terms defined in their specific off-take agreement.

Votorantim were in compliance with the terms of their off-take agreement until they unilaterally decided in October 2013 to cease purchasing nickel concentrate from November 2013. The Group is currently in a legal process with Votorantim to recover its losses due to Votorantim's decision. The Company managed the revenue risk by entering into a short term off-take agreement with ITH for 50% of its production until June 2014. No debts are owing outside of contractual terms.

The Group has limited its exposure to credit risk by investing and transacting with banks that hold investment grade credit ratings.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure of the Group. The Group's maximum exposure to credit risk at the reporting date was:

Carrying Amount

	Note	31 December 2013 US$000	31 December 2012 US$000
Trade and other receivables (excludes prepayments)	*16*	14,098	41,761
Cash and cash equivalents	*15*	30,735	143,007

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For the year ended 31 December 2013, the Group's approach to managing liquidity was to ensure, as far as possible, that it always had sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. On 25 February 2014 Martin Madden, David Winterbottom and Clifford Rocke were appointed as voluntary administrators as the directors formed the view that the Company could not meet its obligations as they fell due.

On 13 May 2014, the creditors of Mirabela Nickel Limited (subject to deed of company arrangement) resolved to enter into a deed of company arrangement to give effect to a proposed restructure and recapitalisation. Martin Madden, Clifford Rocke and David Winterbottom were appointed joint and several deed administrators.

The deed administrators have been provided with additional funding from the Secured Notes facility (US$10.000 million) and the US$45.000 million facility is now fully drawn (the Company utilised US$35.000 million of the facility prior to the appointment of the voluntary administrators) (refer to Note 2).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at period end:

31 December 2013 US$000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Senior unsecured notes(2)	395,000	567,812	34,562	17,281	69,125	446,844	-
Caterpillar finance lease facility(2)	9,031	9,360	4,258	3,816	1,286	-	-
Bradesco loan(2)	50,000	53,065	18,301	34,764	-	-	-
Atlas Copco finance lease facility(2)	2,210	2,342	803	780	759	-	-
Trade and other payables	64,483	38,430 (1)	38,430	-	-	-	-
	520,724	**671,009**	**96,354**	**56,641**	**71,170**	**446,844**	**-**

(1) Contractual cash outflows relating to trade and other payables are lower than its carrying amount as the difference relates to the accrued interest which has been reflected in the cash outflows of the respective borrowings.
(2) The Group's various debts are under standstill/waiver arrangements at year end. As these arrangements do not extend beyond one year from the balance sheet date, all of these debts have been reclassified as current.

31 December 2012							
US$000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Senior unsecured notes	379,348	585,093	17,281	17,281	34,562	103,688	412,281
Caterpillar finance lease facility	17,225	18,051	4,426	4,605	9,020	-	-
Bradesco loan	50,000	53,955	26,719	754	17,936	8,546	-
Atlas Copco finance lease facility	3,683	4,015	848	824	2,343	-	-
Trade and other payables	46,006	37,023(1)	37,023	-	-	-	-
	496,262	**698,137**	**86,297**	**23,464**	**63,861**	**112,234**	**412,281**

(1) Contractual cash outflows relating to trade and other payables are lower than its carrying amount as the difference relates to the accrued interest which has been reflected in the cash outflows of the respective borrowings.

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange and interest rates will affect the Group's income or the value of its holdings of financial instruments. Market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

The Group is exposed to fluctuations in metal prices (principally nickel and copper), fluctuations in foreign currency and interest rates, in each case in relation to its future operational cash flows and its ability to service existing and planned borrowings for the Santa Rita operation.

The Group is exposed to commodity price risk arising from revenue derived from forecast future metal sales. The Group sells its products at a price effectively determined through trading on the London Metal Exchange (a major commodity exchange).

The Group is constantly monitoring commodity prices and foreign exchange movements. The Group had no hedge position at or since the year end.

In 2013 the Group earned approximately 23% of its nickel sales revenue in US dollar and 77% in Brazilian real. In addition, the Group holds approximately 71% of the cash balance at year end in Brazilian real denominated bank accounts to mitigate exchange rate risk.

The majority of the Group's interest exposure is on the US$395.000 million Senior Unsecured Notes that have a fixed interest rate. The Group has elected not to actively manage it (refer to Note 2).

The interest rate on the Banco Bradesco loan is linked to the LIBOR rate. The Group has elected not to actively manage this interest rate (refer to Note 2).

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts:

31 December 2013						
Foreign Currency		**USD**	**BRL**	**AUD**	**CAD**	
USD equivalent	**Note**	**US$000**	**US$000**	**US$000**	**US$000**	**Total**
Cash	*15*	52	21,723	8,959	1	30,735
Trade and other receivables	*16*	8,521	5,226	351	-	14,098
Borrowings	*23*	(456,241)	-	-	-	(456,241)
Trade and other payables	*21*	(26,054)	(37,739)	(690)	-	(64,483)
Balance sheet exposure		**(473,722)**	**(10,790)**	**8,620**	**1**	**(475,891)**

31 December 2012						
Foreign Currency		**USD**	**BRL**	**AUD**	**CAD**	
USD equivalent	**Note**	**US$000**	**US$000**	**US$000**	**US$000**	**Total**
Cash	*15*	23,482	78,111	41,410	4	143,007
Trade and other receivables	*16*	9,479	31,873	409	-	41,761
Borrowings	*23*	(450,256)	-	-	-	(450,256)
Trade and other payables	*21*	(8,788)	(35,048)	(2,170)	-	(46,006)
Balance sheet exposure		**(426,083)**	**74,936**	**39,649**	**4**	**(311,494)**

The following significant exchange rates (US$1.00) applied during the period:

	Average rate		**Year end date spot rate**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
R$	2.1576	1.9546	2.3426	2.0435
A$	0.9680	0.9654	0.8939	0.9641
C$	1.0644	1.0006	1.0633	1.0054

Sensitivity analysis

A 10 per cent strengthening of the US dollar against the following currencies at 31 December would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the period ended 31 December 2012.

The following table shows the increase/(decrease) in profit or loss:

US$000	Profit or loss
31 December 2013	
R$	1,139
A$	862
C$	-
31 December 2012	
R$	(6,812)
A$	3,965
C$	-

A 10 per cent weakening of the US dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

INTEREST RATE RISK

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Carrying Amount US$000	31 December 2013	31 December 2012
Variable rate instruments		
Financial assets	30,735	143,007
Financial liabilities	(61,241)	(70,908)
	(30,506)	**72,099**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the period ended 31 December 2012.

	Profit or loss		Equity	
US$000	100bp Increase	100bp decrease	100bp increase	100bp decrease
31 December 2013				
Variable rate instruments	(305)	305	-	-
Cash flow sensitivity (net)	**(305)**	**305**	**-**	**-**
31 December 2012				
Variable rate instruments	721	(721)	-	-
Cash flow sensitivity (net)	**721**	**(721)**	**-**	**-**

FAIR VALUES

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

Consolidated		31 December 2013		31 December 2012	
US$000	Note	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	*16*	57,174	57,174	74,007	74,007
Cash and cash equivalents	*15*	30,735	30,735	143,007	143,007
Senior unsecured notes	*23*	(395,000)	(395,000)[(1)]	(379,348)	(349,575)
Caterpillar finance lease facility	*23*	(9,031)	(9,031)	(17,225)	(17,225)
Bradesco loan	*23*	(50,000)	(50,000)	(50,000)	(50,000)
Atlas Copco finance lease facility	*23*	(2,210)	(2,210)	(3,683)	(3,683)
Trade and other payables	*21*	(64,483)	(64,483)	(46,006)	(46,006)
		(432,815)	**(432,815)**	**(279,248)**	**(249,475)**

(1) As commented on in Note 2, it is proposed that the Senior Unsecured Notes are converted into capital of the Company. The face value of the debt has been included as its fair value cannot be determined until the outcome of the recapitalisation is known and effected.

The basis for determining fair values is further disclosed in Note 5.

CAPITAL MANAGEMENT

For the year ended 31 December 2013, the Group's policy in managing capital was to ensure that the Group continued as a going concern, and that its capital base was sufficiently strong so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective was to maintain a level of debt finance, determined according to prevailing commercial conditions, that provides a balance between this policy and optimising shareholder returns through the effect of gearing.

The capital base is considered to include the total equity plus borrowings ("total capital") of the Group, which as at 31 December 2013, stood at US$80.423 million. In determining the funding mix of debt and equity, consideration was given to the relative impact of the gearing ratio on the ability of the Group to service loan interest and repayment schedules and also to generate adequate free cash available for corporate and exploration activities. The tenure of the debt profile was also considered in determining the gearing ratio. The Group's debt to total assets ratio as at 31 December 2013 was 288% (31 December 2012: 71%).

On 25 February 2014 Martin Madden, David Winterbottom and Clifford Rocke were appointed as voluntary administrators as the directors formed the view that the Company could not meet its obligations as they fell due.

On 13 May 2014, the creditors of Mirabela Nickel Limited (subject to deed of company arrangement) resolved to enter into a deed of company arrangement to give effect to a proposed restructure and recapitalisation. Martin Madden, Clifford Rocke and David Winterbottom were appointed joint and several deed administrators (refer to Note 2 for further details).

28 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2013 (31 December 2012: Nil).

29 CAPITAL AND OTHER COMMITMENTS

	31 December 2013 US$000	31 December 2012 US$000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	745	864
One year or later and no later than five years	1,185	1,375
	1,930	**2,239**
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	902	1,324
	902	**1,324**
Contractual, capital and operating commitments		
Contracted but not provided for and payable:		
Within one year	36,784	62,367
One year or later and no later than five years	31,582	86,177
Greater than five years	1,479	-
	69,845	**148,544**

30 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	31 December 2013 US$000	31 December 2012 US$000
Cash flows from operating activities		
Loss for the year	(493,861)	(452,875)
Adjustments for:		
Impairment of property, plant & equipment	331,182	380,000
Interest expense (net of interest income)	49,028	36,882
Depreciation and amortisation expense	15,112	63,325
Inventory and critical spares write-off	5,540	4,717
Net unwind of cash flow hedges to profit or loss	9,663	(1,642)
Unrealised foreign exchange (gain)/loss	53,752	6,697
Equity-settled share based payments expense	620	1,167
Operating (loss)/profit before changes in working capital	**(28,964)**	**38,271**
Decrease/(increase) in trade and other receivables	16,835	(86)
(Increase)/Decrease in inventories	(16,618)	2,447
Increase/(decrease) in trade and other payables	18,477	(22,979)
(Decrease/Increase in provisions	(8,664)	(3,536)
Foreign currency translation differences	(19,170)	(11,348)
Cash generated from operating activities	**(38,104)**	**2,769**
Interest received	5,070	6,550
Taxes paid	-	(4,597)
Net cash from/(used) in operating activities	**(33,034)**	**4,722**

31 CONSOLIDATED ENTITIES

			Ownership interest	
Name of entity	Country of incorporation	Class of shares	31 December 2013 %	31 December 2012 %
Parent entity				
Mirabela Nickel Limited (subject to deed of company arrangement)	Australia	Ordinary		
Subsidiaries				
Mirabela Mineração do Brasil Ltda	Brazil	Ordinary	100	100
Mirabela Investments Pty Ltd (subject to deed of company arrangement)	Australia	Ordinary	100	100

32 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2013 the parent entity of the Group was Mirabela Nickel Limited (subject to deed of company arrangement).

	31 December 2013 US$000	31 December 2012 US$000
Result of parent entity		
Loss for the year	(444,511)	(693,814)
Other comprehensive income	109,048	17,439
Total comprehensive (expense)/income for the period	**(335,463)**	**(676,375)**

	31 December 2013 US$000	31 December 2012 US$000
Financial position of parent entity at period end		
Current assets	12,532	65,307
Total assets	12,532	534,545
Current liabilities	420,879	2,811
Total liabilities	420,879	389,359
Total equity of the parent entity comprising of:		
Contributed equity	796,517	797,110
Translation reserve	47,720	154,708
Share based payments reserve	14,460	15,900
Accumulated losses	(1,267,044)	(822,532)
	(408,347)	**145,186**

During January 2012, the Parent Entity's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a US$50.000 million, 35 month working capital facility with Banco Bradesco S.A, which is guaranteed by the Parent Entity.

Parent entity capital and other commitments

	31 December 2013 US$000	31 December 2012 US$000
Operating lease commitments		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	745	864
One year or later and no later than five years	1,185	1,375
	1,930	**2,239**

33 SUBSEQUENT EVENTS

Secured Notes

On 30 December 2013, the Company announced that it had secured a US$45.000 million loan from a consortium of holders (**Ad-hoc Group**) of the Company's US$395.000 million 8.75% Senior Unsecured Notes due 15 April 2018. The intention of the loan was to provide the Company with sufficient liquidity to operate its business (i.e. the business remains materially loss making) as discussions progressed with all of the Company's key stakeholders regarding a comprehensive restructuring. The first draw down under the loan occurred during January 2014. As at the date of this report, the facility was fully drawn and had been fully utilised to fund operating losses and capital expenditure since 31 December 2013. Including fees and accrued interest approximately US$60.000 million is due and payable on 30 June 2014 (the revised maturity date of the loan).

Appointment of Voluntary Administrators and Deed Administrators

Background

On 25 February 2014, the Company notified the ASX that the Ad-Hoc Group had entered into a Plan Support Agreement (**PSA**) which formalised an agreement to provide continued support (both funding and standstill support) whilst a proposed plan to recapitalise the Company was implemented. The ASX announcement included a redacted copy of the legally binding PSA which outlined the terms on which the Ad-hoc Group would continue to support the Company (refer to Note 2 of the consolidated financial statements for further details).

Following receipt of the signed PSA, Messrs Martin Madden, Clifford Rocke and David Winterbottom from KordaMentha were appointed as voluntary administrators of the Company and Mirabela Investments Pty Ltd (subject to deed of company arrangement) on 25 February 2014 pursuant to section 436A of the Corporations Act 2001 (*Cth*).

Reasons for voluntary administration

The key factors which lead to the appointment of voluntary administrators are summarised as follows:

- 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.USD13.00/lb to c.USD6.30/lb;

- The loss of receipts following Votorantim's actions in September 2013 (notification of intent to terminate the offtake contract early) and in November 2013 (force majeure event), and an inability to procure an offtake contract on similar terms served to exacerbate the deterioration of cash reserves;
- A material increase in capital expenditure required to increase the storage capacity of the tailings dam (these works are still ongoing and should they not be completed, it is highly probably the operations will cease);
- A significant portion of historic losses have been funded via debt which resulted in the Company being over leveraged; and
- An inability to raise additional equity as a result of a significant decline in the share price and market capitalisation.

Voting of creditors at the second meetings of creditors

On 13 May 2014, the second meetings of the creditors of the Company were held and the creditors voted in favour of the Approved Deeds of Company Arrangement (**DOCAs**) and Messrs Martin Madden, Clifford Rocke and David Winterbottom from KordaMentha were appointed deed administrators (**Deed Administrators**).

Approved DOCAs

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

- The extinguishment of claims of Noteholders against the Company and Mirabela Investments Pty Ltd (subject to deed of company arrangement) in return for an entitlement to approximately 98.2% of the existing ordinary equity in the Company. If Noteholders so elect or if they are not permitted at law to hold equity in the Company, the shares which would have been transferred to them will be sold and the net proceeds of sale will be paid to them. Noteholders will also receive a pro-rata share of a US$5.000 million Subordinated Unsecured Note from the Company at the conclusion of the Brazilian extra judicial proceeding, which will have a term of 30 years and attract an interest rate of 1.0% p.a., payable in kind;
- The Company offering convertible notes with an initial face value of US$115.000 million to the Unsecured Noteholders;
- The issuance of new shares in the Company to the new capital parties as consideration for the new capital parties having agreed to subscribe for convertible notes not subscribed for by other Noteholders with a face value of US$55.000 million. Separately, new shares will be issued to the Secured Noteholders for agreeing to roll over their debt into the new issuance; and
- The convertible notes being convertible into new ordinary shares in the Company.

On 16 May 2014, the Deed Administrators lodged a court application in the Supreme Court of New South Wales (Court) under the deed of company arrangement executed by the Company on 13 May 2014 (DOCA). The application seeks the leave of the Court under section 444GA of the Corporations Act 2001 (*Cth*) to a transfer of approximately 98.2% of the existing ordinary shares in the Company in accordance with the terms of the DOCA and as part of the proposed recapitalisation of the Company (as announced to the ASX announcement on 25 February 2014). The hearing is currently scheduled for 12 June 2014.

Steps three to four set out above will only proceed once step one is completed.

Funding Arrangements (refer to Note 2 of the consolidated financial statements)

Unsecured Notes

The Company has entered into a standstill agreement with the Ad-hoc Group of Noteholders dated 12 November 2013 (as amended) in respect of its obligations under the Indenture. The Ad-hoc Group agreed not to request, instruct or direct the trustee to take any action under the Indenture in respect of the Unsecured Notes in relation to the Company's failure to make the interest payment referred to above. The standstill agreement terminated on 31 March 2014, however the undertakings provided by the Ad-hoc Group in the PSA operate to continue the agreement subject to the terms and conditions of the PSA.

Secured Notes

The Company has entered into a waiver agreement dated 27 March 2014 with Australian Executor Trustees Limited, the Administrative Agent under the SNSD. Pursuant to the SNSD Extension Agreement the Administrative Agent agreed, amongst other things, to extend the Termination Date under the SNSD to the earliest of 30 June 2014, the date for termination of the SNSD, or the date the notes issued under the SNSD are accelerated or the commitments are terminated, and to waive the event of default constituted by the appointment of voluntary administrators to the Company and Mirabela Investments Pty Ltd (subject to deed of company arrangement).

Banco Bradesco

The Group entered into a waiver agreement with Banco Bradesco S.A (**Banco Bradesco**) dated 13 November 2013 (as amended) in respect of its obligations under the Banco Bradesco facility. Pursuant to the Banco Bradesco Waiver Agreement, Banco Bradesco agreed, amongst other things, to waive any event of default which may arise under the Banco Bradesco facility. The Banco Bradesco Waiver Agreement terminated on 31 March 2014. However a fourth amendment to the Banco Bradesco facility was executed on 5 May 2014 extending the term of the Banco Bradesco facility to 29 March 2018 and stated the restructure steps to be undertaken (including the entry into the deed of company arrangement) would not constitute an event of default under that facility.

Caterpillar

The Group entered into a standstill agreement with Caterpillar dated 12 November 2013 (as amended) in respect of its obligations under the Caterpillar Facility. Pursuant to the terms of the Caterpillar Standstill Agreement, Caterpillar agreed, among other things, not to enforce its rights under the Caterpillar Facility or declare a default or take any enforcement action in respect of a default caused by the Group entering into restructuring discussions with its major creditors. The Caterpillar Standstill Agreement terminates on the earliest occurrence of an event of default under the Caterpillar Facility (other than as expressly waived in the Caterpillar Standstill Agreement) or 23 July 2014 (which may be extended up to thirty days with consent of the parties).

Atlas Copco

There is no standstill or waiver in relation to the event of default under the Atlas Copco facility. At this stage Atlas Copco has not taken any action against the Group to recover outstanding amounts.

Delay in Lodging the 31 December 2013 Annual Report

On 15 April 2014, the Company announced to the ASX that it is relying on Australian Securities and Investment Commission (ASIC) Class Order 03/392 which allows externally administered companies to delay lodging financial reports in Australia. In the case of the Company, the permitted delay for its 31 December 2013 annual financial statements is until 25 August 2014.

Notification to Employees

On 15 April 2014, as a result of uncertainty regarding further funding to support the ongoing operations of the Santa Rita mine and in order to preserve cash reserves, Mirabela Brazil advised its workforce and relevant Brazilian authorities that it intended to impose forced leave on approximately 320 staff from 30 April 2014. The forced leave was cancelled on 25 April 2014 following receipt of a commitment for additional funding support. It is difficult to quantify what impact this funding constraint has had on the operations and the results for 2014.

Standard & Poor's Credit Rating

On or around 28 April 2014, Standard & Poor's Rating Services withdrew the Company corporate credit rating at the request of the voluntary administrators.

Tailings Dam

The tailings dam is near its current capacity and material capital works are underway to lift the height of the dam wall to accommodate additional solids and waste water from the processing plant.

Should these operations not be completed in the near term, it is highly probable operations will cease.

Operating Licence

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

The current licence has been automatically extended until 5 June 2014 whilst Mirabela Brazil finalises a number of works requested by INEMA. The Company has no reason to consider the renewal will not be granted, but there is no guarantee the operating licence will be granted and what new conditions may apply.

Should the operating licence not be granted, mining operations will cease and the Company will likely be liquidated.

Environmental Impacts

On 10 April 2014 there were two potential environmental impacts in relation to water discharge from the return water pipeline from the tailings dam to the plant and tailings dam water discharged via the spillway.

The Company is currently assessing these environmental impacts in terms of rectification and any potential regulatory repercussions.

Operational

ITH offtake agreement and impact on taxation

In December 2013, Mirabela Brazil secured a short-term offtake agreement with an international and foreign domiciled trading house **(ITH)**. The terms of this short-term offtake agreement are unfavourable relative to the Votorantim offtake agreement that it replaces. This short-term off-take agreement has been extended to 30 June 2014.

The Company has been advised that, as a result of the shift from Votorantim to ITH, certain Brazilian state and federal input tax credits that were previously available to Mirabela Brazil are not available going forward. These tax credits can only be claimed where there are corresponding domestic sales. The unavailability of the tax credits will have a material negative impact on the cash flow of Mirabel Brazil and the underlying value of the Company's assets. Advice from the Company's Brazilian tax accountants confirms the tax credits are unavailable. The Company is not aware of any alternate in-country potential off-take parties.

Tax audit

In January 2011 the tax authority of the State of Bahia, Brazil, conducted an indirect tax audit of the Company. Following the audit, the Bahia tax authority notified the Company alleging that it incorrectly claimed tax credits from July 2008 to May 2010 and that the Company was liable for the unpaid taxes together with interest and penalties.

The Company challenged the assessment in February 2011 in the Council of State Revenue. The administrative review proceedings concluded in February 2014 resulting in partial success for the Company. This decision formally closed the administrative stage of the proceedings and any challenges to the final administrative decision require commencement of judicial proceedings to the Court. To appeal the case in the court the Company is required to either provide a bank guarantee or make a full payment into a trust with the court for the full amount of the disputed portion of the claim (US$3.378 million). Due to the liquidity pressures in the business, and to preserve cash, the Company has decided not to appeal the final administrative decision. The Company may be able to settle the outstanding amount by utilising its accrued non-cash indirect tax credits.

Corporate

Mr Geoffrey Handley, Mr Colin Steyn and Mr Peter Nicholson resigned from the Board effective 11 January 2014.

Mr Ian McCubbing and Mr Nicholas Sheard resigned from the Board effective 7 April 2014.

Mr Ian Purdy resigned from the Board effective 5 May 2014 and resigned as Chief Executive Officer of the Group effective 31 May 2014.

Mr Christiaan Els resigned as Company Secretary of the Group effective 19 May 2014. Mr Els continues employment with the Company as Chief Financial Officer.

On 18 March 2013, the previous Board suspended and subsequently cancelled the remaining performance rights of its previous performance rights plan (being the "*Mirabela Nickel Limited Performance Rights Plan*" originally approved at a Shareholders meeting held on 13 September 2010). The performance rights pertaining to the previous plan that were in a holding lock were to be allowed to vest at the completion of the vesting period, however, on 10 January 2014, the previous Committee suspended these performance rights.

As a result of the Company's current restructuring process, on 10 January 2014 the previous Committee also suspended the "*2013 Mirabela Nickel Limited Long Term Incentive Plan"* – which was originally approved at a Shareholders meeting held on 30 May 2013 – and cancelled the performance rights issued under that plan.

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2013

On 25 February 2014 Martin Madden, David Winterbottom and Clifford Rocke were appointed as voluntary administrators as the directors formed the view that the Company could not meet its obligations as they fell due.

On 13 May 2014, the creditors of Mirabela Nickel Limited (subject to deed of company arrangement) resolved to enter into a deed of company arrangement to give effect to a proposed restructure and recapitalisation. Martin Madden, Clifford Rocke and David Winterbottom were appointed joint and several deed administrators.

The Company currently has no directors. Accordingly, the Company's previous Board was not able to perform a formal review of its process and procedures for 2013 and it is not possible for the Company to produce a Corporate Governance Statement relating to that period.

SHAREHOLDER INFORMATION

EXCHANGE LISTING

Mirabela Nickel Limited (subject to a deed of company arrangement) shares are listed on the Australian Securities Exchange (ASX). The Company's ASX code is MBN. The Company has remained in voluntary trading suspension on the ASX since 7 October 2013.

The Company de-listed from the Toronto Stock Exchange (TSX) on 4 October 2013, due to the limited trading volume of the Company's shares on the TSX over a sustained period of time.

The details below reflect 25 February 2014 data, as the Company was placed into voluntary administration on this date.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 25 February 2014

Name of Shareholder	Total number of voting shares in Mirabela Nickel Limited in which the substantial shareholder and associates hold relevant interests	Percentage of total number of voting shares
Resource Capital Fund Management V L.P.	160,506,667	18.3%
Lancaster Park SA	47,472,345	5.4%

CLASS OF SHARES AND VOTING RIGHTS

At 25 February 2014 there were 3,692 holders of 876,801,147 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's constitution being that:

a) Each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

b) On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

c) On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS

Range	Holders	Units	Percentage
1-1000	762	236,759	0.03%
1,001-5,000	698	2,044,238	0.23%
5,001-10,000	472	3,722,904	0.42%
10,001-100,000	1,159	48,678,498	5.55%
100,001 and over	601	822,118,748	93.77%
Total	**3,692**	**876,801,147**	100.00%

The number of shareholders holding less than a marketable parcel is 2,339.

SHAREHOLDER INFORMATION

UNLISTED OPTIONS

Securities	Number of securities on issue	Number of holders	Name of holders	Number held
Options exercisable at A$3.00 on or before 30 June 2014	400,000	2	Mr Bryan Hyde	200,000
			Mrs Susan Ann Hyde	200,000

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 25 FEBRUARY 2014

	Name of ordinary shareholder	Number of shares held	Percentage of shares held
1	Merril Lynch (Australia) Nominees Pty Ltd	164,713,555	18.79%
2	J P Morgan Nominees Australia Limited	90,875,333	10.36%
3	HSBC Custody Nominees (Australia) Limited	60,131,574	6.86%
3	Glencore Finance (Bermuda) Ltd.	43,218,512	4.93%
5	UBS Nominees Pty Ltd	20,166,262	2.30%
6	Mr Soon Jeung Yuen	18,000,000	2.05%
7	Citicorp Nominees Pty Limited	16,395,289	1.87%
8	Canadian Control Account	15,971,791	1.82%
9	National Nominees Limited	11,044,647	1.26%
10	Mr Erle Edwinson	8,720,000	0.99%
11	Mr Anthony John Louis	8,000,000	0.91%
12	CS Fourth Nominees Pty Ltd	7,062,911	0.81%
13	Standby Forty-Six Pty Limited	7,000,000	0.80%
14	Mr Christopher Darren Power	6,030,761	0.69%
15	Jason Alan Carroll	6,000,000	0.69%
16	WM Clough Pty Ltd	6,000,000	0.69%
17	Craig Ian Burton	6,000,000	0.69%
18	SFB Investments Pty Limited	5,000,000	0.57%
19	Mr Jurgen Merz	5,000,000	0.57%
20	Mr. Jay Hughes	5,000,000	0.57%
		510,330,635	**58.22%**

OTHER INFORMATION

There is no current on-market buyback of the Company's securities and the Company does not have any securities on issue that are subject to escrow restriction.