MIRABELA NICKEL LTD

ABN 23 108 161 593

Unaudited Condensed Consolidated Interim Financial Report

For the three and nine months ended September 30, 2012

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

CONTENTS

Unaudited condensed consolidated interim statement of income and comprehensive income
For the three and nine months ended September 30, 2012

		Three months ended		Nine months ended	
		Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
	Note	US$000	US$000	US$000	US$000
Sales revenue	*7*	97,393	75,326	264,809	198,888
Treatment, refining and transport charges		(20,157)	(15,194)	(53,870)	(38,240)
Net sales revenue		**77,236**	**60,132**	**210,939**	**160,648**
Direct costs		(50,057)	(51,437)	(157,328)	(137,433)
Royalties		(3,710)	(4,162)	(11,304)	(11,733)
Depreciation, amortisation and depletion		(15,544)	(12,657)	(51,916)	(35,652)
Cost of sales		**(69,311)**	**(68,256)**	**(220,548)**	**(184,818)**
Gross profit/(loss)		**7,925**	**(8,124)**	**(9,609)**	**(24,170)**
Expenses					
General and administration		(3,368)	(2,223)	(10,197)	(6,613)
Financial income	*8*	2,710	849	4,690	2,776
Financial expense	*8*	(10,947)	(10,170)	(32,541)	(29,467)
Net derivative gain	*9*	-	-	-	249
Net foreign exchange gain/(loss)		4,860	12,428	(8,570)	20,297
Other expenses		(1,697)	(1,178)	(4,902)	(8,733)
		(8,442)	(294)	(51,520)	(21,491)
Loss before income tax		(517)	(8,418)	(61,129)	(45,661)
Income tax		-	-	-	-
Loss for the period		**(517)**	**(8,418)**	**(61,129)**	**(45,661)**
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Foreign currency translation differences		(7,245)	(157,421)	(63,036)	(115,691)
Effective portion of changes in fair value of cash flow hedges		-	63,392	-	76,169
Net change in fair value of cash flow hedges transferred to profit or loss		769	449	(2,601)	22,581
Other comprehensive expense for the period		**(6,476)**	**(93,580)**	**(65,637)**	**(16,941)**
Total comprehensive expense for the period		**(6,993)**	**(101,998)**	**(126,766)**	**(62,602)**
LOSS PER SHARE					
Basic loss per share ($ per share)		(0.001)	(0.017)	(0.091)	(0.092)
Diluted loss per share ($ per share)		(0.001)	(0.017)	(0.091)	(0.092)
Weighted basic average number of shares outstanding (000's)		883,303	491,774	674,299	491,633
Weighted diluted average number of shares outstanding (000's)		883,303	491,774	674,299	491,633

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

Unaudited condensed consolidated interim statement of changes in equity
For the nine months ended September 30, 2012

		Attributable to equity holders of the Group					
Period ended September 30, 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 January 1, 2012		**683,108**	**(47,906)**	**6,742**	**(12,761)**	**(103,673)**	**525,510**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(61,129)	(61,129)
Other comprehensive expense							
Foreign currency translation differences		-	(63,036)	-	-	-	(63,036)
Net change in fair value of cash flow hedges transferred to profit or loss	*12*	-	-	-	(2,601)	-	(2,601)
Total other comprehensive expense		-	(63,036)	-	(2,601)	-	(65,637)
Total comprehensive expense for the period		-	(63,036)	-	(2,601)	(61,129)	(126,766)
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period net of issue cost		114,002	-	-	-	-	114,002
Performance rights converted to shares		-	-	(1,707)	-	1,707	-
Share based payment transactions		-	-	1,121	-	-	1,121
Options lapsed during the period		-	-	(438)	-	438	-
Total transactions with equity holders		114,002	-	(1,024)	-	2,145	115,123
Balance at September 30, 2012	*18*	**797,110**	**(110,942)**	**5,718**	**(15,362)**	**(162,657)**	**513,867**

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Unaudited condensed consolidated interim statement of changes in equity
For the nine months ended September 30, 2012

		Attributable to equity holders of the Group					
Period ended		**Issued capital**	**Translation reserve**	**Share based payments reserve**	**Hedging reserve**	**Accumulated losses**	**Total equity**
September 30, 2011	***Note***	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Balance at January 1, 2011		**681,272**	**86,808**	**13,180**	**(101,024)**	**(60,901)**	**619,335**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(45,661)	(45,661)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(115,691)	-	-	-	(115,691)
Effective portion of changes in fair value of cash flow hedges		-	-	-	76,169	-	76,169
Net change in fair value of cash flow hedges transferred to profit or loss	*12*	-	-	-	22,581	-	22,581
Total other comprehensive income		-	(115,691)	-	98,750	-	(16,941)
Total comprehensive income/(expense) for the period		-	(115,691)	-	98,750	(45,661)	(62,602)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue costs recovery		804	-	-	-	-	804
Options lapsed during the period		-	-	(7,016)	-	7,016	-
Shares issued on exercise of performance rights		425	-	(425)	-	-	-
Share based payment transactions		-	-	1,449	-	-	1,449
Total transactions with equity holders		1,229	-	(5,992)	-	7,016	2,253
Balance at September 30, 2011		**682,501**	**(28,883)**	**7,188**	**(2,274)**	**(99,546)**	**558,986**

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Unaudited condensed consolidated interim statement of financial position
As at September 30, 2012

	Note	Sep 30, 2012 US$000	Dec 31, 2011 US$000
ASSETS			
Cash and cash equivalents		160,192	61,198
Trade and other receivables	*10*	57,800	59,371
Inventories	*11*	65,504	64,056
Total current assets		**283,496**	**184,625**
Trade and other receivables	*10*	5,134	14,550
Property, plant and equipment	*14*	741,168	816,346
Exploration and evaluation assets	*13*	3,287	476
Total non-current assets		**749,589**	**831,372**
Total assets		**1,033,085**	**1,015,997**
LIABILITIES			
Trade and other payables	*15*	52,362	68,985
Provisions	*16*	6,576	3,835
Borrowings	*17*	34,564	8,433
Provision for current tax		-	4,597
Total current liabilities		**93,502**	**85,850**
Provisions	*16*	8,792	10,870
Borrowings	*17*	416,924	393,767
Total non-current liabilities		**425,716**	**404,637**
Total liabilities		**519,218**	**490,487**
Net assets		**513,867**	**525,510**
EQUITY			
Contributed equity	*18*	797,110	683,108
Reserves		(120,586)	(53,925)
Accumulated losses		(162,657)	(103,673)
Total equity		**513,867**	**525,510**

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

Unaudited condensed consolidated interim statement of cash flow
For the three and nine months ended September 30, 2012

	Note	Three months ended Sep 30, 2012 US$000	Three months ended Sep 30, 2011 US$000	Nine months ended Sep 30, 2012 US$000	Nine months ended Sep 30, 2011 US$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		62,599	74,358	227,935	209,572
Cash paid to suppliers and employees		(60,484)	(59,440)	(237,073)	(232,701)
Interest received		2,710	849	4,690	2,776
Net cash from/(used in) operating activities		**4,825**	**15,767**	**(4,448)**	**(20,353)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(6,253)	(29,389)	(36,501)	(74,168)
Payment for exploration and evaluation expenditure		(544)	-	(2,900)	(5)
Net cash used in investing activities		**(6,797)**	**(29,389)**	**(39,401)**	**(74,173)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital		-	-	119,521	-
Share issue costs		(238)	-	(5,519)	-
Proceeds from borrowings		-	-	55,200	395,000
Repayment of borrowings		(2,776)	(2,300)	(7,636)	(228,872)
Borrowing costs paid		-	-	-	(20,476)
Hedge collateral		-	-	-	(25,000)
Release of hedge collateral		-	25,000	-	25,000
Proceeds from close out of foreign exchange hedges		-	-	-	25,793
Payment on closeout of nickel and copper call options & interest rate swap	9	-	-	-	(42,105)
Interest paid		(2,084)	(250)	(19,907)	(15,593)
Net cash (used in)/from financing activities		**(5,098)**	**22,450**	**141,659**	**113,747**
Net (decrease)/increase in cash and cash equivalents		(7,070)	8,828	97,810	19,221
Cash and cash equivalents at beginning of the period		166,360	118,073	61,198	102,134
Effect of changes in foreign currency		902	(9,904)	1,184	(4,358)
Cash and cash equivalents at end of the period		**160,192**	**116,997**	**160,192**	**116,997**

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

1. REPORTING ENTITY

Mirabela Nickel Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 21, Allendale Square, 77 St Georges Terrace, Perth, WA 6000. The unaudited condensed consolidated interim financial report of the Company for the nine months ended September 30, 2012 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the production, development and exploration of mineral properties in Brazil.

2. BASIS OF PREPARATION

(a) Statement of compliance

This unaudited condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and the Corporations Act 2001. The unaudited condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the financial year ended December 31, 2011.

The unaudited condensed consolidated interim financial report was approved by the Audit Committee on behalf of the Board of Directors on November 14, 2012.

(b) Basis of measurement

The unaudited condensed consolidated interim financial report has been prepared on the historical cost basis except for the following which are measured at fair value:

- Derivative financial instruments; and
- Share based payments arrangements

The methods used to measure fair values are discussed further in the consolidated annual financial report as at and for the financial year ended December 31, 2011.

(c) Functional and presentation currency

The unaudited condensed consolidated interim financial report is presented in US dollars (US$), which is the Group's presentation currency. The Company's functional currency is Australian dollars (A$) and the functional currency of the Company's foreign subsidiary is Brazilian Real (R$). 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 July 10, 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Financial position

The Group held cash on hand and on deposit as at September 30, 2012 of $160.192 million.

As at September 30, 2012 the Group had a net working capital surplus of $189.994 million. For the nine months ended September 30, 2012 the Group incurred a loss of $61.129 million and had a net operating cash outflow of $4.448 million. As at September 30, 2012 the Group held net assets of $513.867 million.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this unaudited condensed consolidated interim financial report are consistent with those applied by the Group in its consolidated annual financial report as at and for the financial year ended December 31, 2011.

4. USE OF ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- revenue recognition
- measurement of share based payments
- accounting for income tax
- property, plant and equipment, including determination of reserves and resources
- provision for mine closure and restoration
- valuation of financial instruments

While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated annual financial report as at and for the financial year ended December 31, 2011.

5. FINANCIAL RISK MANAGEMENT

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the financial year ended December 31, 2011.

6. SEGMENT REPORTING

During the financial period, Mirabela Nickel Limited operated in one business and operating segment, mineral exploration and development, and in one primary geographical area, Brazil, with two customers:

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

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

Information on the reportable segments of the Group

	Three months ended		Nine months ended	
	Sep 30, 2012 US$000	Sep 30, 2011 US$000	Sep 30, 2012 US$000	Sep 30, 2011 US$000
Net Revenue				
Group Production	77,236	60,132	210,939	160,648
Total net revenue	**77,236**	**60,132**	**210,939**	**160,648**
EBITDA[(a)]	**20,101**	**2,310**	**32,110**	**4,869**
Depreciation, amortisation and depletion	(15,544)	(12,657)	(51,916)	(35,652)
EBIT[(b)]	**4,557**	**(10,347)**	**(19,806)**	**(30,783)**
Net financial expense	(8,237)	(9,321)	(27,851)	(26,691)
Net derivative gain	-	-	-	249
Net foreign exchange gain/(loss)	4,860	12,428	(8,570)	20,297
Other expenses	(1,697)	(1,178)	(4,902)	(8,733)
Loss before taxation	**(517)**	**(8,418)**	**(61,129)**	**(45,661)**
Capital expenditure	**6,797**	**29,389**	**39,401**	**74,173**
Total assets	**1,033,085**	**1,054,324**	**1,033,085**	**1,054,324**
Total liabilities	**519,218**	**495,338**	**519,218**	**495,338**
Net assets	**513,867**	**558,986**	**513,867**	**558,986**

(a) EBITDA is EBIT, before depreciation, amortisation and depletion.

(b) EBIT is earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation and other expenses.

7. SALES REVENUE

	Three months ended		Nine months ended	
	Sep 30, 2012 US$000	Sep 30, 2011 US$000	Sep 30, 2012 US$000	Sep 30, 2011 US$000
Nickel Sales	85,380	65,300	230,836	170,616
Copper Sales	9,120	7,503	26,746	21,241
Cobalt Sales	1,101	1,112	3,170	3,098
Other Sales	1,792	1,411	4,057	3,933
Sales Revenue	**97,393**	**75,326**	**264,809**	**198,888**

Nickel Sales are comprised as follows:

	Three months ended		Nine months ended	
	Sep 30, 2012 US$000	Sep 30, 2011 US$000	Sep 30, 2012 US$000	Sep 30, 2011 US$000
Realised nickel sales	69,050	76,238	211,056	224,391
Revaluation of unrealised nickel sales	16,610	(5,787)	16,344	(16,710)
Unwinding of metal and foreign exchange forward contracts designated as hedges	(280)	(5,151)	3,436	(37,065)
Nickel Sales	**85,380**	**65,300**	**230,836**	**170,616**

Realised nickel sales for the three and nine month period ended September 30, 2012 comprised 5,381 tonnes and 14,323 tonnes of nickel in concentrate respectively (three and nine month period ended September 30, 2011: 4,228 tonnes and 10,220 tonnes), 89% being payable at an average realised nickel price of 6.54/lb and 7.51/lb respectively; (three and nine months ended September 30, 2011: $9.19/lb and $11.19/lb).

Revaluation of unrealised nickel sales comprise of forward price and foreign exchange rate revaluations on unfinalised sales as at the period end. In accordance with the Group's off take agreements, all sales are initially recognised using a provisional sales price, being the average LME price of the month prior to the month of sale, and the exchange rate on the date of sale. Adjustments to the sales price and the exchange rate subsequently occur based on movements in quoted market prices and exchange rates up to the date of final pricing. Adjustments are also made to the sales volume upon finalisation of assays as per the Group's offtake 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 and the exchange rate adjustments is re-estimated continuously 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 and the exchange rate as at period end.

During the year ended December 31, 2011 the Group terminated all of its outstanding Metal and Foreign exchange forward contracts designated as hedges. The ineffective portion of the termination costs relating to these hedges were recognised as an expense and the effective portion were recognised in the hedge reserve. This hedge reserve unwinds to revenue upon realisation of the underlying hedge transactions (refer note 12).

Notes to unaudited condensed consolidated interim financial report
For the three and nine months ended September 30, 2012

8. FINANCIAL INCOME/(EXPENSE)

	Three months ended		Nine months ended	
	Sep 30, 2012 US$000	Sep 30, 2011 US$000	Sep 30, 2012 US$000	Sep 30, 2011 US$000
Interest received	2,710	849	4,690	2,776
Financial income	**2,710**	**849**	**4,690**	**2,776**
Interest expense	(10,720)	(9,943)	(31,840)	(28,647)
Discounting of rehabilitation costs	(227)	(227)	(701)	(820)
Financial expense	**(10,947)**	**(10,170)**	**(32,541)**	**(29,467)**

9. NET DERIVATIVE GAIN/(LOSS) THROUGH PROFIT OR LOSS

	Three months ended		Nine months ended	
	Sep 30, 2012 US$000	Sep 30, 2011 US$000	Sep 30, 2012 US$000	Sep 30, 2011 US$000
Derivative gain - option[a]	-	-	-	1,027
Derivative gain	**-**	**-**	**-**	**1,027**
Call option loss [b]	-	-	-	(549)
Interest rate swap loss [c]	-	-	-	(229)
Derivative loss	**-**	**-**	**-**	**(778)**
Net derivative gain	**-**	**-**	**-**	**249**

a) Derivative options

Under the Norilsk Loan Agreement, Norilsk had an option to convert up to $40.000 million of the $50.000 million loan into ordinary shares of Mirabela Nickel Limited at a price of $8.00 per share, expiring on December 31, 2012. The options were cancelled pursuant to the repayment of the loan on April 20, 2011. During the period ended September 30, 2011 a gain of $1.027 million was recorded in the statement of income and comprehensive income.

b) Metal call options

The Group terminated its nickel and copper call options of $37.950 million on April 20, 2011, at an additional loss of $0.549 million which was recorded in the statement of income and comprehensive income during the period ended September 30, 2011.

(c) Interest rate swap

The Group terminated its interest rate swap of $4.155 million on April 20, 2011, at an additional loss of $0.229 million which is recorded in the statement of income and comprehensive income during the period ended September 30, 2011.

10. TRADE AND OTHER RECEIVABLES

	Sep 30, 2012 US$000	Dec 31, 2011 US$000
Current asset		
Trade receivables	35,001	25,976
Prepayments	22,799	33,395
	57,800	**59,371**
Non-current asset		
Other receivables	1,871	2,563
Prepayments	3,263	11,987
	5,134	**14,550**

Prepayments for the period ended September 30, 2012 comprise payments in advance for consumables, plant and equipment not yet delivered.

Current and non-current prepayments also include recoverable Brazilian federal and state taxes arising from the construction and commissioning stages of the Santa Rita operation and operating expenses payment. It is anticipated that these taxes will be offset against future federal and state taxes payable and are classified into current and non-current based on their expected period of recovery.

11. INVENTORIES

	Sep 30, 2012 US$000	Dec 31, 2011 US$000
Broken ore - cost	25,195	26,298
Concentrate - cost	2,795	10,524
Stores, spares and consumables - cost	37,514	27,234
	65,504	**64,056**

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.

12. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

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

The foreign exchange forward contracts were terminated on April 20, 2011 and the fair value of $25.793 million was realised in cash through the statement of financial position.

As at September 30, 2012 the Group had no derivative financial instruments (December 31, 2011: Nil).

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

	Unwind	Fair Value
	Sep 30, 2012	Sep 30, 2011
	US$000	US$000
Nickel and Copper- forward contracts	2,586	37,586
Foreign exchange - forward contracts	(5,187)	(15,005)
	(2,601)	**22,581**

13. EXPLORATION AND EVALUATION EXPENDITURE

	Sep 30, 2012	Dec 31, 2011
	US$000	US$000
Balance at the beginning of the period	476	550
Expenditure incurred during the period	2,900	5
Effect of movements in foreign exchange	(89)	(79)
Balance at the period end	**3,287**	**476**

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.

14. PROPERTY, PLANT & EQUIPMENT

September 30, 2012 US$000	Plant & equipment	Leased Assets	Land	Mine properties[a]	Construction & development expenditure in progress	Total
Cost						
Balance at January 1, 2012	456,951	35,045	12,327	403,063	3,071	910,457
Additions	17,142	-	-	7,521	11,838	36,501
Transfers	14,152	-	-	-	(14,152)	-
Effect of movement in exchange rates	(37,220)	(2,672)	(940)	(31,403)	(56)	(72,291)
Balance at September 30, 2012	**451,025**	**32,373**	**11,387**	**379,181**	**701**	**874,667**
Depreciation						
Balance at January 1, 2012	(60,302)	(13,472)	-	(20,337)	-	(94,111)
Depreciation charge for the period	(32,934)	(4,482)	-	(12,989)	-	(50,405)
Effect of movement in exchange rates	7,108	1,369	-	2,540	-	11,017
Balance at September 30, 2012	**(86,128)**	**(16,585)**	**-**	**(30,786)**	**-**	**(133,499)**
Net book value at September 30, 2012	**364,897**	**15,788**	**11,387**	**348,395**	**701**	**741,168**

The Company has identified impairment indicators, including declining nickel prices and a reduction in market capitalization. Accordingly, the Company has conducted an impairment test on the carrying value of its property, plant and equipment. The impairment test has indicated that the carrying value of the property, plant and equipment is covered when considering both the open pit operations and future underground operations.

The key assumptions in determining the recoverable amount of the Company include:

- Nickel and copper prices - the Company uses consensus views from market participants. The Company notes that nickel and copper price forecasts have been volatile over the past years and may fluctuate significantly;
- Foreign exchange rates – for Brazilian Real to USD the Company uses consensus views from market participants. The Company notes that foreign exchange rates have been volatile over the past years and may fluctuate significantly;
- Open Pit Operations – the Open Pit has been modelled based upon the NI 43-101 Technical Report prepared by Coffey Mining Pty Limited during March 2011, adjusted for consensus nickel and copper prices and foreign exchange rates;
- Underground Operations - The future underground operation has been modelled based upon the original scoping study prepared during 2009 and further updated with recent mining and costing data provided by independent consultants during October 2012. Assumptions relating to underground mining used within the Impairment Model are consistent with the scoping study, apart from commodity and exchange rates, which are based on consensus market data. The scoping study was prepared to examine the economics of mining the Santa Rita underground resource; and
- Pre tax discount rate of 13.1%.

December 31, 2011 US$000	**Plant & equipment**	**Leased Asset**	**Land**	**Mine properties[a]**	**Construction & development expenditure in progress**	**Total**
Cost						
Balance at January 1, 2011	437,055	39,454	13,878	440,837	-	931,224
Additions	13,964	-	-	24,511	58,066	96,541
Rehabilitation asset-life of mine adjustment	-	-	-	(1,797)	-	(1,797)
Reversal of rehabilitation asset accrual	-	-	-	(985)	-	(985)
Transfers	56,324	-	-	(7,816)	(48,508)	-
Effect of movement in exchange rates	(50,392)	(4,409)	(1,551)	(51,687)	(6,487)	(114,526)
Balance at December 31, 2011	**456,951**	**35,045**	**12,327**	**403,063**	**3,071**	**910,457**
Depreciation						
Balance at January 1, 2011	(31,605)	(6,694)	-	(9,304)	-	(47,603)
Depreciation charge for the year	(37,320)	(8,473)	-	(13,588)	-	(59,381)
Effect of movement in exchange rates	8,623	1,695	-	2,555	-	12,873
Balance at December 31, 2011	**(60,302)**	**(13,472)**	**-**	**(20,337)**	**-**	**(94,111)**
Net book value at December 31, 2011	**396,649**	**21,573**	**12,327**	**382,726**	**3,071**	**816,346**

[a] Mine properties include deferred stripping costs of $47.055 million (December 31, 2011: $41.908 million)

15. TRADE AND OTHER PAYABLES

	Sep 30, 2012 US$000	Dec 31, 2011 US$000
Trade payables	25,207	42,896
Other payables and accrued expenses	27,155	26,089
	52,362	**68,985**

Other payables and accrued expenses mainly comprise interest on the senior unsecured notes, royalties on commodity sales and Brazilian federal and state taxes.

16. PROVISIONS

	Sep 30, 2012 US$000	Dec 31, 2011 US$000
Current liability		
Provision for annual leave	4,670	3,835
Other provision current	1,906	-
	6,576	**3,835**
Non-current liability		
Provision for rehabilitation	8,640	8,639
Other provision non-current	152	2,231
	8,792	**10,870**
Reconciliation of movements in provisions		
Annual leave provision		
Balance at beginning of period	3,835	3,680
Net provision made during the financial period	1,093	550
Effect of movements in foreign exchange	(258)	(395)
Balance at period end	**4,670**	**3,835**
Other provision current		
Balance at beginning of period	-	-
Provision transferred from other provision non-current	1,906	-
Balance at period end	**1,906**	**-**
Rehabilitation provision		
Balance at beginning of period	8,639	11,627
Accretion expense	701	1,031
Life of mine adjustment asset	-	(1,797)
Reversal of provision	-	(985)
Effect of movements in foreign exchange	(700)	(1,237)
Balance at period end	**8,640**	**8,639**
Other provision non-current		
Balance at beginning of period	2,231	2,778
Provision transferred to current liabilities	(1,906)	-
Provision reversed during the financial period	-	(237)
Effect of movements in foreign exchange	(173)	(310)
Balance at period end	**152**	**2,231**

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 include indirect taxes payable which are not repayable in the next 12 months.

17. BORROWINGS

September 30, 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	**378,667**	**19,138**	**50,000**	**3,683**	**451,488**
Current borrowings	-	8,091	25,000	1,473	34,564
Non-current borrowings	378,667	11,047	25,000	2,210	416,924
	378,667	**19,138**	**50,000**	**3,683**	**451,488**

December 31, 2011 US$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	
Loan Term	2011 to 2018	2009 to 2014	
Carrying Value	**377,001**	**25,199**	**402,200**
Current borrowings	-	8,433	8,433
Non-current borrowings	377,001	16,766	393,767
	377,001	**25,199**	**402,200**

(i) $395.000 million of 8.75% senior unsecured notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes. Borrowing costs of $20.476 million to secure this funding have been offset against the principal borrowings amount and are amortised using the effective interest rate method. Effective interest for the period relating to the capitalised borrowing costs was $2.177 million.

(ii) The $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 September 30, 2012, with $19.138 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. The Company does not intend to drawdown further on this facility. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 4.54%).

(iii) During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração Ltda, entered into a $50.000 million; 35 month working capital facility with Banco Bradesco S.A. Principal is repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. Interest is payable bi-annually at a rate of LIBOR plus 6%. The loan is unsubordinated and secured by a Guarantee from Mirabela Nickel Ltd and a fiduciary assignment on the Votorantim receivables. This facility was drawn down in March 2012.

(iv) The Company entered in a $5.200 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of $0.780 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

18. CONTRIBUTED EQUITY

Movement in share capital for the nine months ended September 30, 2012

	Ordinary shares	Number of shares	Issue price	US$
January 1, 2012	Opening balance	491,781,237		683,108,327
February 2, 2012	Shares issued on conversion of performance rights (Issued at A$1.84) [(a)]	734,926	-	-
April 18, 2012	Shares issued on conversion of performance rights (Issued at A$1.84) [(a)]	123,427	-	-
May 17, 2012	Issue of ordinary shares fully paid (issued at A$0.40) [(b)]	50,000,000	US$0.40	19,908,000
May 29, 2012	Issue of ordinary shares fully paid (issued at A$0.30) [(c)]	183,637,836	US$0.30	54,837,931
May 29, 2012	Issue of ordinary shares fully paid (issued at C$0.30) [(c)]	82,277,147	US$0.30	24,478,541
June 5, 2012	Issue of ordinary shares fully paid (issued at A$0.30) [(d)]	13,691,530	US$0.30	4,102,015
June 12, 2012	Issue of ordinary shares fully paid (issued at A$0.30) [(e)]	39,560,413	US$0.30	11,854,238
June 12, 2012	Issue of ordinary shares fully paid (issued at C$0.30) [(e)]	14,765,129	US$0.30	4,340,115
September 28, 2012	Shares issued on conversion of performance rights (Issued at A$1.84) [(a)]	11,091	-	-
September 30, 2012	**Closing balance**	**876,582,736**		**802,629,167**
Less:	Share issue cost – current period	-		(5,518,851)
		876,582,736		**797,110,316**

[(a)] Performance rights converted to shares not for cash;

[(b)] These shares were issued to Resource Capital Fund V L.P. under the A$0.40 per share strategic placement;

[(c)] These shares were issued to institutional investors under the A$0.30 per share institutional entitlement offer;

[(d)] These shares were issued to retail investors under the A$0.30 per share retail entitlement offer;

[(e)] These shares were issued to institutional investors as part of the shortfall under the A$0.30 per share retail entitlement offer.

Notes to unaudited condensed consolidated interim financial report
For the three and nine months ended September 30, 2012

Movement in share capital for the nine months ended September 30, 2011

	Ordinary shares	Number of shares	Issue price	US$
January 1, 2011	Opening balance	491,561,237		681,271,793
July 4, 2011	Shares issued on conversion of performance rights (Issued at A$1.84)	220,000	US$1.93	425,024
September 30, 2011	**Closing balance**	**491,561,237**		**681,696,817**
Add:	Share issue costs recovery - current period[(a)]	-		804,084
		491,561,237		**682, 500,901**

[(a)] An independent review was undertaken on the ability to claim Goods and Service Tax on prior financial periods share issue cost.

Unissued Shares under Performance Rights at September 30, 2012

Vesting date	Number of Performance Rights
December 31, 2012	182,358
December 31, 2013	1,623,652
December 31, 2014	338,847
Balance	**2,144,857**

Unissued Shares under Performance Rights at December 31, 2011

Vesting date	Number of Performance Rights
December 31, 2011	769,215
December 31, 2012	384,608
June 30, 2013	384,608
December 31, 2013	338,848
December 31, 2014	338,847
Balance	**2,216,126**

During the nine months ended September 30, 2012, the following occurred in accordance with the Company's Performance Rights Plan:

- 1,418,821 performance rights were granted by the Company under Cycle 2;
- 620,646 performance rights previously granted by the Company under Cycle 1 and Cycle 2 lapsed; and
- 869,444 performance rights were converted to shares.

The terms and conditions of performance rights under Cycle 2 are as follows:

Cycle 2 Terms and Conditions			
Performance condition	Deliver operational optimisation goals for 2012	Deliver agreed growth goals for 2012	Company's share price against group of peer companies for 2012
Market or non-market based	Non-Market	Non-Market	Market
Underlying spot price	A$0.99	A$0.99	A$0.54
Exercise price	$0.00	$0.00	$0.00
Valuation date	Feb 9, 2012	Feb 9, 2012	Feb 9, 2012
Vesting date	Dec 31, 2013	Dec 31, 2013	Dec 31, 2013
Vesting period (Days)	549	549	549
Number of rights	487,096	324,730	811,826
Valuation per right	A$0.99	A$0.99	A$0.54
Valuation per performance condition	A$482,225	A$321,482	A$438,386
Entitled number of employees	21	21	21

The terms and conditions of performance rights under Cycle 3 are as follows:

Cycle 3 Terms and Conditions		
Performance condition	Yet to be determined	Yet to be determined
Market or non-market based	Non-Market	Market
Underlying spot provisional price	A$0.43	A$0.43
Exercise price	$0.00	$0.00
Provisional Valuation date	September 30, 2012	September 30, 2012
Vesting date	December 31, 2014	December 31, 2014
Vesting period (Days)	822	822
Number of rights	169,424	169,423
Provisional valuation per right	A$0.43	A$0.43
Valuation per performance condition	A$72,852	A$72,851
Entitled number of employees	1	1

As the performance conditions for cycle 3 have not been set at the date of this report, the fair value of these performance rights has been measured provisionally.

Unissued Shares under Options at September 30, 2012

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

Unissued Shares under Options at December 31, 2011

Exercise Price A$	Exercise Price US$	Expiry Date	Number of Options
A$6.20	US$6.32	Sep 11, 2012	300,000
A$3.00	US$3.06	Jul 7, 2013	3,000,000
A$3.00	US$3.06	Jul 7, 2013	750,000
A$3.00	US$3.06	Jun 30, 2014	400,000
Balance			**4,450,000**

During the period ended September 30, 2012 a total of 300,000 options at an exercise price of US$6.44 were not exercised at the expiry date and have lapsed.

19. CAPITAL AND OTHER COMMITMENTS

	Sep 30, 2012 US$000	Dec 31, 2011 US$000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	855	804
One year or later and no later than five years	1,597	2,186
	2,452	**2,990**
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	2,530	6,152
	2,530	**6,152**
Contractual, capital and operating commitments		
Contracted but not provided for and payable:		
Within one year	64,735	102,540
One year or later and no later than five years	68,232	70,605
Greater than five years	-	7,474
	132,967	**180,619**

20. SHARE BASED PAYMENTS

During the three and nine months ended September 30, 2012, the Company recognised an employee share based payment expense of $0.466 million and $1.121 million respectively (three and nine months ended September 30, 2011: $0.348 million and $1.449 million).

21. RELATED PARTIES

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total compensation of $1.168 million and $3.152 million for the three and nine months ended September 30, 2012 (three and nine months ended September 30, 2011: $0.929 million and $3.038 million).

Transactions with key management personnel

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities may enter into transactions with the Company or its subsidiaries. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-director related entities dealing at arm's length with the Company.

During the nine months ended September 30, 2012 there were no transactions between the Company and the key management personnel or their related parties.

During the three and nine months ended September 30, 2011 the company was invoiced by Verona Capital Pty Ltd $Nil and $0.028 million for the recovery of shared overheads. The company charged Verona Capital Pty Ltd a total of $Nil and $0.064 million for office rent and shared overheads. Verona Capital Pty Ltd was a director related entity associated with Mr Craig Burton who resigned and ceased to be Non-executive Chairman and Director of the Company on January 1, 2012.

During the three and nine months ended September 30, 2011 the Company charged $Nil and $0.005 million to Nearfield Resources Limited, for shared overhead and premises rent costs. Nearfield Resources Limited was a director related entity associated with Mr Craig Burton who resigned and ceased to be Non-executive Chairman and Director of the Company on January 1, 2012.

22. SUBSEQUENT EVENTS

During October 2012 the Company announced a significant increase in Resources after the successful open pit extension drilling program which was completed during the second quarter.

The revised remaining Resources as at September 30, 2012 increased to 204.0 Mt @ 0.49% nickel (Measured, Indicated) and 79.6 Mt @56% nickel (Inferred). The current mine life of 22 years is based solely on the previously stated Reserves of 159.0 Mt @ 0.52% nickel and 0.14% copper as at the end of December 2010 and a mine rate of 7.2 Mtpa of ore.

Level 21, Allendale Square
77 St Georges Terrace
Perth WA 6000 Australia

T: +61 8 9324 1177
F: +61 8 9324 2171
E: info@mirabela.com.au
W: www.mirabela.com.au

MIRABELA NICKEL LTD

Management's Discussion and Analysis

For the three and nine month periods ended September 30, 2012

All amounts in thousands of US dollars (US$'000) unless otherwise stated

INTRODUCTION

The following management discussion and analysis ("MD&A") of Mirabela Nickel Limited, including its subsidiaries, ("Mirabela", the "Company" or the "Group") is for the three and nine month periods ended September 30, 2012 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the same period, and the notes thereto. The effective date of this report is November 14, 2012.

The Company's annual financial statements, interim financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS").

THE COMPANY

Mirabela is an international mineral resource company engaged in the mining, production and sale of nickel concentrate. The ordinary shares of Mirabela are listed on the Toronto Stock Exchange under the symbol "MNB" and on the Australian Securities Exchange under the symbol "MBN".

Mirabela's principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil, discovered by Mirabela in 2004 and brought into commercial production in 2010. Mirabela also has a portfolio of prospective nickel targets in Brazil, including an underground mineral resource at Santa Rita.

OVERALL PERFORMANCE & SELECTED ANNUAL INFORMATION

Financial Statistics	Three months ended		Nine months ended	
	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales revenue	97,393	75,326	264,809	198,888
Net sales revenue	77,236	60,132	210,939	160,648
Cost of sales	(69,311)	(68,256)	(220,548)	(184,818)
Gross loss	7,925	(8,124)	(9,609)	(24,170)
Loss for the period	(517)	(8,418)	(61,129)	(45,661)
EBITDA[1]	20,101	2,310	32,110	4,869
Basic loss per share	($0.001)	($0.017)	($0.091)	($0.092)
Diluted loss per share	($0.001)	($0.017)	($0.091)	($0.092)
Dividends Paid	-	-	-	-
Total assets	1,033,085	1,054,324	1,033,085	1,054,324
Total non-current liabilities	425,716	411,830	425,716	411,830
Total liabilities	519,218	495,338	519,218	495,338
Net assets	513,867	558,986	513,867	558,986

Production Statistics	Measure	Three months ended Sep 30, 2012	Three months ended Sep 30, 2011	Nine months ended Sep 30, 2012	Nine months ended Sep 30, 2011
Mining					
Total Material Mined	Tonnes	8,947,179	10,435,162	29,707,870	28,597,291
Ore Mined	Tonnes	1,748,416	1,693,049	5,026,397	3,963,599
Nickel Grade	%	0.52	0.48	0.49	0.48
Processing					
Total Ore Processed	Tonnes	1,798,040	1,441,399	4,781,097	3,806,316
Nickel Grade	%	0.52	0.52	0.50	0.49
Copper Grade	%	0.13	0.14	0.13	0.13
Cobalt Grade	%	0.01	0.02	0.01	0.02
Nickel Recovery	%	59	62	58	58
Copper Recovery	%	75	68	72	68
Cobalt Recovery	%	36	35	35	34
Production					
Nickel in Concentrate Produced	DMT	5,441	4,605	13,962	10,825
Copper in Concentrate Produced	DMT	1,704	1,368	4,351	3,375
Cobalt in Concentrate Produced	DMT	96	76	244	194
Sales					
Nickel in Concentrate Sold(2)	DMT	5,381	4,228	14,323	10,220
Copper in Concentrate Sold(2)	DMT	1,780	1,262	4,799	3,192
Cobalt in Concentrate Sold(2)	DMT	92	77	256	189

Unit Cash Costs	Measure	Three months ended Sep 30, 2012	Three months ended Sep 30, 2011	Nine months ended Sep 30, 2012	Nine months ended Sep 30, 2011
Payable Nickel Production(3)	lbs	10,675,850	9,035,318	27,395,915	21,240,380
Production Costs					
Mining Cost	USD/lb	2.90	3.66	3.23	3.67
Processing Costs	USD/lb	1.34	1.89	1.70	2.13
Administration Cost	USD/lb	0.43	0.66	0.54	0.89
Subtotal	USD/lb	4.67	6.21	5.47	6.69
Selling Costs					
Transport/Shipping Cost	USD/lb	0.20	0.23	0.21	0.16
By-Product Credit (4)	USD/lb	(1.17)	(1.21)	(1.27)	(1.37)
Smelter Charges	USD/lb	1.68	1.48	1.76	1.65
Subtotal	USD/lb	0.71	0.50	0.70	0.44
Unit Cash Cost	USD/lb	**5.38**	**6.71**	**6.17**	**7.13**
Unit Royalty Cost	USD/lb	0.35	0.51	0.40	0.58
Realised Nickel Price(4)	USD/lb	6.54	9.19	7.51	11.19
Realised Copper Price(4)	USD/lb	3.27	3.99	3.48	4.16
Realised Cobalt Price(4)	USD/lb	12.00	14.88	12.00	17.00
Average Real/US$ Exchange Rate		2.03	1.64	1.92	1.63

(1) EBITDA is defined as earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation, other expenses, depreciation, amortisation and depletion. See "Non GAAP Measures"

(2) Includes sales volume adjustments upon finalisation of assays

(3) Average payability of 89%

(4) Includes prior period QP adjustments and excludes hedge accounting

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2012

OPERATING REVIEW

Mirabela has completed a record third quarter with a second consecutive significant reduction in C1 unit cash costs and a step change increase in production post the completion of the processing plant upgrade construction program. The mine and processing plant are now running at full capacity. The Company completed its Resource estimation showing a substantial increase in Resources on the back of the successful open pit extension exploration drilling programme completed during Q2.

SAFETY

Mirabela's safety performance included two lost time injuries during the quarter. The Company's safety performance remains strong with the 12 month moving average Lost Time Injury Frequency Rate closing the quarter at 0.82, improving from 0.96 at the end of Q2 2012. Mirabela is continuing to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes.

MINING

Total material movement continues to be in line with the mine plan and processing plant feed requirements, with 8.9 million tonnes of material moved for 1.7 million tonnes of ore. Mined grades improved from 0.50% during the second quarter to an average of 0.52% during the third quarter, in line with expectations.

Mining activity for the quarter continued to be predominantly in the central zone of the pit with good reconciliation between mined grades and the new resource model. The integrated mine, plant and maintenance rolling six week mine plans are now fully operational and support the full year production guidance.

Loader and Excavator availabilities continue to remain the key focus area for operational improvement. Disciplined planned maintenance programs are continuing on all excavators and loading equipment to reduce backlogs and increase the proportion of planned maintenance hours on a sustainable basis. Steady improvements in excavators and loader availabilities are expected over the next two quarters. The drilling and truck mobile fleets performed to expectation.

PROCESSING

During the quarter 1.8 million tonnes of ore was milled, at an average head grade of 0.52% nickel and achieving an average recovery of 59%. Recovery performance remains in line with the grade recovery algorithm and the quality of ore presented to the plant. The recovery optimisation test work underway in the laboratory, pilot plant and industrial trials is focusing on improving the flotation of the coarse material fraction, with promising results achieved in the laboratory and pilot plant test work completed to date.

The desliming plant was fully operational for most of the third quarter and continues to stabilise operations, recoveries and product qualities, as well as significantly reducing reagent costs. Several planned and unplanned "On/Off" tests conducted on the desliming plant reinforced the benefit of the plant with lower global recoveries achieved without desliming in all the tests conducted. During September a maintenance fire originated within the 20 inch cyclone bank of the desliming circuit, resulting in a four day unplanned shutdown.

SALE OF CONCENTRATE

During the quarter Mirabela produced 5,441 tonnes of contained nickel in concentrate, 1,704 tonnes of contained copper in concentrate, and 96 tonnes of contained cobalt in concentrate. 5,381 tonnes of nickel in concentrate was sold to Mirabela's off-take partners, Votorantim Metais Niquel S.A. and Norilsk Nickel, an increase of 12% from Q2 2012. Two export shipments to Norilsk Nickel were completed during the quarter, with two further shipments to Norilsk Nickel expected during the fourth quarter. Steady deliveries to Votorantim continued throughout the quarter.

OUTLOOK

Mirabela remains on track to achieve towards the lower end of the production guidance of between 19,000 to 21,000 tonnes of nickel in concentrate for 2012. Capital expenditure is within the full year guidance of US$60 million, with US$41 million spent year to date.

EXPLORATION

(Refer Competent Person Statement at the end of the MD&A)

The successful completion of the Open Pit extension drilling program completed during Q2 has resulted in a significant increase in Resources. The revised remaining Resources as at the 30th September 2012 increased to 204.0 Mt @ 0.49% nickel (Measured, Indicated) and 79.6 Mt @ 0.56% nickel (Inferred), as presented in the table below. The current mine life of 22 years is based solely on the previously stated Reserves of 159.0 Mt @ 0.52% nickel and 0.14% copper as at the end of December 2010 and a mine rate of 7.2 Mtpa of ore.

SANTA RITA DEPOSIT

Resources Table – Remaining as of the End of September 2012

Pit	Classification	Tonnes (million)	Nickel grade (%)	Copper grade (%)
Open Pit[1, 2]	Measured	16.0	0.50	0.10
	Indicated	188.0	0.49	0.13
	Sub Total	**204.0**	**0.49**	**0.12**
Open Pit[1, 2]	Inferred	79.6	0.56	0.15
Underground[3, 4]	Inferred	77.0	0.78	0.22

[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 revised base of pit in October 2012.

The completion of the latest resource update is based on recent deeper drilling under the northern zone of Santa Rita, (14 holes for 9,540 metres); a re-interpretation of geology and structure for the entire deposit; and use of Ordinary Kriging for the Block Model, (with no Change of Support applied). The largest increases occurred in the Indicated and Inferred classifications where Resources increased approximately 32 Mt and 54 Mt respectively. The Underground Inferred Resources decreased by approximately 10 Mt due to some of the Underground Inferred Resource being included within the updated pit shell.

The additional drilling brings the total amount of resource drilling specifically for Santa Rita to 675 holes for 190,660 metres.

MIRABELA NICKEL LTD

FINANCIAL REVIEW

THREE MONTHS ENDED SEPTEMBER 30, 2012

NET SALES REVENUE

Sales generated during the quarter comprised 5,381 tonnes of nickel in concentrate at an average realised nickel price of $6.54/lb excluding realised hedges, and 1,780 tonnes of copper in concentrate at an average copper price of $3.27/lb excluding realised hedges. This resulted in gross nickel revenue of $85.38 million, copper revenue of $9.12 million, cobalt revenue of $1.10 million and platinum and other metals revenue of $1.79 million. Treatment, refining and transport charges associated with the sale of concentrate totalled $20.16 million.

The comparative quarter ended September 30, 2011 comprised 4,228 tonnes of nickel in concentrate at an average realised nickel price of $9.19/lb excluding realised hedges, and 1,262 tonnes of copper in concentrate at an average copper price of $3.99/lb excluding realised hedges. This resulted in gross nickel revenue of $65.30 million, copper revenue of $7.50 million, cobalt revenue of $1.11 million, platinum and other metals revenue of $1.41 million. Treatment, refining and transport charges totalled $15.19 million. The higher sales revenue for the current quarter was driven by the higher sales volume, offset by the lower average commodity prices.

COST OF SALES

Cost of sales for the quarter of $69.31 million comprised direct costs of $50.06 million, royalties of $3.71 million and indirect costs of $15.54 million. Direct costs were driven by expenditure on mining ($28.27 million), processing & plant ($14.36 million), administration ($4.63 million), and stockpile movements ($2.81 million) associated with the timing of production and sales.

Cost of sales for the comparative quarter ended September 30, 2011 of $68.26 million comprised direct costs of $51.44 million, royalties of $4.16 million and indirect costs of $12.66 million.

The higher cost of sales during the current quarter was driven by higher direct and indirect operating costs associated with increased production. This was offset by a softening of the BRL against the USD (period to September 30, 2012: US$1: R$2.03 vs. period to September 30, 2011: US$1: R$1.64).

Royalties of $3.71 million reflect the leasing of mining rights for the mining of nickel sulphide ore, federal royalties and royalty agreements with former landowners.

Depreciation and amortization (indirect costs) of $12.99 million reflects the Company's use of its assets based on a combination of a unit of production calculation and the useful life of equipment.

LOSS FOR THE QUARTER

The Santa Rita Operation incurred a gross profit for the quarter of $7.92 million and a net loss of $0.51 million for the quarter (September 30, 2011: gross loss of $8.12 million and a net loss of $8.42 million). The net loss was driven by financing costs, offset by the gross profit from operations as discussed above and foreign exchange gains. The comparative quarter net loss was mainly due to the gross loss from operations and financing costs, offset by favourable foreign exchange movements.

Net financing costs for the quarter ended September 30, 2012 of $8.24 million, mainly comprise of interest expense ($10.72 million) associated with the Senior Unsecured Notes, Banco Bradesco S.A. working capital facility and the Caterpillar and Atlas Copco finance lease facilities. Net financing costs for the comparative quarter ended September 30, 2011 comprised net interest expense of $9.32 million. The lower net interest expense for the current quarter was driven by higher interest income on short term investments.

Foreign exchange gains of $4.86 million comprise of realised and unrealised movements on the conversion of functional currency on cash held and borrowings. The comparative quarter ended September 30, 2011 reflected a foreign exchange gain of $12.43 million primarily related to realised and unrealised movements on the conversion of functional currency on cash held and borrowings.

Other expenses of $1.70 million for the quarter ended September 30, 2012 mainly comprises of exploration expenditure, transaction fees and general expenditure.

UNIT CASH COSTS

Unit cash costs represent the total of all cash costs directly attributable to operations after deductions of credits in respect of by-product sales.

Unit cash costs are presented in US dollars. A strengthening of the Brazilian real against the US dollar will have a negative effect on unit cash costs, whilst a weakening of the Brazilian real to the US dollar will have a positive effect on unit cash costs.

By-product credits, in particular copper (9% of sales revenue) and cobalt (1% of sales revenue), are an important factor in determining cash costs. The Company's cost per pound will be positively affected by increases in the prices for copper and cobalt, and adversely affected with decreases in those prices.

The C1 unit cash cost significantly improved for the second consecutive quarter, reducing from US$7.37/lb during the first quarter to US$5.38/lb during the third quarter. The improvement on the second quarter C1 cash cost of $6.03/lb, was primarily driven by the increase in nickel production (up 27% from Q2); cost reduction and optimisation initiatives; and the BRL softening against the USD (Q3 2012: 2.03 versus Q2 2012; 1.96).

The primary focus for the fourth quarter is to consolidate at the new operating platform achieved by the team over the last six months. Further cost reduction initiatives are underway with the main opportunity areas being process plant nickel recovery optimisation and improved mobile fleet efficiencies.

The following table reflects a reconciliation of the Company's unit cash cost to the income statement prepared in accordance with GAAP:

	Three months ended Sep 30, 2012	**Three months ended Sep 30, 2011**
Costs as reported in the income statement (US$000):		
Gross profit/(loss)	7,925	(8,124)
Add back:		
Royalties	3,710	4,162
Depreciation, amortization and depletion	15,544	12,657
Direct concentrate stockpile movement	274	10,042
Copper Hedge expense	491	-
Less:		
Nickel sales revenue	(85,380)	(79,364)
Total cash operating cost of production (US$000)	**57,436**	**60,627**
Payable nickel (pounds)	10,675,850	9,035,318
Unit Cash Cost (US$) per pound of payable nickel	**5.38**	**6.71**

NINE MONTHS ENDED SEPTEMBER 30, 2012

NET SALES REVENUE

Sales generated during the nine month period comprised 14,323 tonnes of nickel in concentrate at an average nickel price of $7.51/lb excluding realised hedges, and 4,799 tonnes of copper in concentrate at an average copper price of $3.48/lb excluding realised hedges. This resulted in gross nickel revenue of $230.84 million, copper revenue of $26.75 million, cobalt revenue of $3.17 million, platinum and other metals revenue of $4.05. Treatment, refining and transport charges associated with the sale of concentrate totalled $53.87 million.

The comparative period ended September 30, 2011 comprised 10,220 tonnes of nickel in concentrate at an average nickel price of $11.19/lb excluding realised hedges, and 3,192 tonnes of copper in concentrate at an average copper price of $4.16/lb excluding realised hedges. This resulted in gross nickel revenue of $170.62 million, copper revenue of $21.24 million, cobalt revenue of $3.10 million, platinum and other metals revenue of $3.93 million. Treatment, refining and transport charges totalled $38.24 million. The higher sales revenue for the current period was driven by the higher sales volume, offset by the lower average commodity prices.

COST OF SALES

Cost of sales for the nine month period of $220.55 million comprised direct costs of $157.32 million, royalties of $11.30 million and indirect costs of $51.92 million. Direct costs were driven by expenditure on mining ($90.24 million), processing & plant ($46.87 million), administration ($15.01 million), and stockpile movements ($5.20 million) associated with the timing of production and sales.

Cost of sales for the comparative period ended September 30, 2011 of $184.82 million comprised direct costs of $137.43 million, royalties of $11.73 million and indirect costs of $35.65 million.

The higher cost of sales during the current period was driven by higher direct and indirect operating costs associated with increased production, offset by the weaker Real/USD exchange rate (period to September 30, 2012: US$1: R$1.92 vs. period to September 30, 2011: US$1:R$1.63).

Royalties of $11.30 million reflect the leasing of mining rights to nickel sulphide ore, federal royalties and landowner royalties in connection with surface rights.

Depreciation and amortization (indirect costs) of $50.40 million reflects the Company's use of its assets based on a combination of a unit of production calculation and the useful life of equipment.

LOSS FOR THE PERIOD

The Santa Rita Operation incurred a gross loss for the period of $9.61 million and a net loss of $61.13 million for the period (September 30, 2011: gross loss of $24.17 million and a net loss of $45.66 million), mainly driven by the gross loss from operations discussed above, as well as net financing costs, general and administrative costs, foreign exchange losses and other costs. The comparative period net loss was mainly due to the gross loss from operations, general and administration costs, net financing costs and other costs offset by favourable foreign exchange movements.

Net financing costs for the period ended September 30, 2012 of $27.85 million, mainly comprise of net interest expense ($31.84 million) associated with the Senior Unsecured Notes, Banco Bradesco S.A. working capital facility and the Caterpillar and Atlas Copco finance lease facilities. Net financing costs for the comparative period ended September 30, 2011 was $26.69 million. The higher interest expense in the current period reflects the increase in long term debt following the refinancing through high yield bonds during April 2011 and draw down of the Banco Bradesco S.A working capital facility during March 2012.

There were no gains on financial derivatives for the nine months ended September 30, 2012 as all the nickel and copper call options were closed out following the refinancing completed in April 2011. The comparative period gain of $0.25 million was mainly driven by favourable movement on Norilsk options ($1.03 million) offset by losses on call options and interest rate swap.

Foreign exchange losses of $8.57 million comprise of realised and unrealised movements on the conversion of functional currency on cash held and borrowings. The comparative period ended September 30, 2011 reflected a foreign exchange gain of $20.30 million primarily related to realised and unrealised movements on the conversion of functional currency on cash held and borrowings.

Other expenses of $4.90 million for the nine months ended September 30, 2012 comprised of exploration expenditure, transaction fees and general expenditure.

UNIT CASH COSTS

Unit cash costs represent the total of all cash costs directly attributable to operations after deductions of credits in respect of by-product sales.

Unit cash costs are presented in US dollars. A strengthening of the Brazilian real against the US dollar will have a negative effect on unit cash costs, whilst a weakening of the Brazilian real to the US dollar will have a positive effect on unit cash costs.

By-product credits, in particular copper (10% of sales revenue) and cobalt (1% of sales revenue), are an important factor in determining cash costs. The Company's cost per pound will be positively affected by increases in the prices for copper and cobalt, and adversely affected with decreases in those prices.

The unit cash cost of production for the nine months ended September 30, 2012 was $6.17 per pound of payable nickel (September 30, 2011: $7.13 per pound). The improvement was mainly driven by increased nickel production volumes and the weaker Real / USD exchange rate (period to September 30, 2012: US$1: R$1.92 vs. period to September 30, 2011: US$1: R$1.63) and was offset by higher shipping charges due to five Norilsk Nickel shipments during the nine months compared to only three shipments in the comparative period.

The following table reflects a reconciliation of the Company's unit cash cost to the income statement prepared in accordance with GAAP:

	Nine months ended Sep 30, 2012	Nine months ended Sep 30, 2011
Costs as reported in the income statement (US$000):		
Gross loss	(9,609)	(24,170)
Add back:		
Royalties	11,304	11,733
Depreciation, amortization and depletion	51,916	35,652
Copper Hedge expense	875	-
Direct concentrate stockpile movement	7,317	-
Less:		
Nickel sales revenue	(230,836)	(170,616)
Direct concentrate stockpile movement	-	(4,043)
Total cash operating cost of production (US$000)	**169,033**	**151,444**
Payable nickel (pounds)	27,395,915	21,240,780
Unit Cash Cost (US$) per pound of payable nickel	**6.17**	**7.13**

SUMMARY OF QUARTERLY RESULTS

Selected financial data for each of the eight most recently completed quarters is included in the table below.

For the three months ended *	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10
Sales revenue	97,393	84,791	82,625	104,754	75,326	80,307	43,255	64,063
Net sales revenue	77,236	66,008	67,695	83,749	60,132	66,228	34,288	54,096
Cost of Sales	(69,311)	(71,727)	(79,510)	(87,467)	(68,256)	(77,648)	(38,914)	(51,071)
Gross (loss)/profit	7,925	(5,719)	(11,815)	(3,718)	(8,124)	(11,420)	(4,626)	3,025
Expenses	(8,442)	(27,391)	(15,687)	(1,382)	(294)	(14,831)	(6,366)	(23,692)
(Loss)/profit for the period	(517)	(33,110)	(27,502)	(5,100)	(8,418)	(26,251)	(10,992)	(20,667)
Basic (loss)/profit per share ($ per share)	(0.001)	(0.052)	(0.056)	(0.010)	(0.017)	(0.053)	(0.022)	(0.043)
Diluted (loss)/profit per share ($ per share)	(0.001)	(0.052)	(0.056)	(0.010)	(0.017)	(0.053)	(0.022)	(0.043)

** Quarterly results have been prepared in accordance with International Financial Reporting Standards. The Group's quarterly results are presented in US dollars, which is the Group's presentation currency. The Company's functional currency is Australian dollars and the functional currency of the Company's foreign subsidiary is Brazilian Real. Revenue and expenses have been converted using the average exchange rates, ranging from BRL$1 = US$1.5639 to US$2.0492 during the period October 2010 to September 2012.*

The Company's results for 2012 are discussed throughout this document, with further information disclosed for previous quarters within the respective quarterly financial statements and related management's discussion and analysis located on www.sedar.com.

LIQUIDITY

The following sets out the Company's cash flows for the quarter and nine months ended September 30, 2012 as compared to the periods ended September 30, 2011:

Cash Flows from	Three months ended		Nine months ended	
	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Operating activities	4,825	15,767	(4,448)	(20,353)
Investing activities	(6,797)	(29,389)	(39,401)	(74,173)
Financing activities	(5,098)	22,450	141,659	113,747

Net cash inflows from operating activities for the quarter ended September 30, 2012 were $4.82 million, compared to $15.77 million inflow for the three month period ended September 30, 2011. Cash receipts totalled $62.60 million, reflecting the sale of 5,381 tonnes of nickel in concentrate to Votorantim and Norilsk Nickel and finalisations of all nickel sales that occurred between January and March 2012 at an average finalisation price of $8.11/lb compared to an average provisional price of $8.82/lb ($5.70 million). This was offset by cash outflows of $60.48 million, driven primarily by mining costs, plant maintenance costs and increased operational costs resulting from increased production.

Net cash outflows from investing activities for the three month period were $6.78 million, compared to $29.39 million outflow for the three month period ended September 30, 2011. The cash outflow for the current period included the completion and optimisation of the second line primary crusher, optimisation of the desliming plant, planned rebuilds on the truck and power shovel fleets as well as the purchase of critical stores and spare parts. The cash outflow for the comparative period included the strengthening of the drilling fleet with the addition of an Atlas Copco Pit Viper 271 and an Atlas Copco L8 drill rig, together with the installation of the second ball mill, second pebble crusher and second Larox filter related to the 7.2Mtpa plant upgrade.

The net cash outflow from financing activities of $5.10 million mainly reflects principal repayments on the Caterpillar and Atlas Copco finance lease facilities ($2.78 million), as well as interest paid on the Banco Bradesco S.A. working capital facility and the Atlas Copco and Caterpillar finance lease facilities ($2.09 million). The net cash inflow for the comparative quarter ended September 30, 2011 of $22.45 million reflects the release of cash collateral ($25 million) by the hedge financiers upon the perfection of the security in the mineral rights in their favour, marginally offset by repayments under the Caterpillar lease facility.

FINANCIAL POSITION

The Group held cash on hand and on deposit as at September 30, 2012 of $160.19 million (December 31, 2011: $61.20 million). As at September 30, 2012 the Group had a net working capital surplus of $189.99 million (December 31, 2011: $98.78 million surplus). For the three month period ended September 30, 2012 the Group incurred a loss of $0.51 million (September 30, 2011: $8.42 million) and had a net operating cash inflow of $4.82 million. At September 30, 2012 the Group held net assets of $513.87 million (December 31, 2011: $525.51 million).

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

FINANCING

During the quarter the Company paid the first bi-annual interest instalment on the 35 month working capital facility held with Banco Bradesco S.A ($1.72 million).

In addition, during the quarter the Company also paid the second semi-annual instalment to Atlas Copco Customer Finance ($0.74 million).

SHARE CAPITAL

As at September 30, 2012 the Company's issued share capital consisted of 876,582,736 ordinary shares. A balance of 4,150,000 unlisted options and 2,144,857 performance rights were outstanding.

The Company issued 11,091 shares during the quarter as a result of the conversion of 11,091 performance rights into shares, granted 16,209 new performance rights and cancelled 546,676 performance rights in accordance with the Mirabela Nickel Ltd performance rights plan. During the quarter 300,000 options were not exercised at the expiry date and have lapsed.

CONTRACTUAL COMMITMENTS

The Company's contractual commitments as at September 30, 2012 are as follows:

		Payments due by period			
As at September 30, 2012	**Total**	**Within 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating leases	2,452	855	1,597	-	-
Exploration	2,530	2,530	-	-	-
Purchase obligations	132,967	64,735	65,635	2,597	-
Loans and borrowings	451,488	34,564	38,257	-	378,667
Provision for rehabilitation	8,640	-	-	-	8,640
Total	**598,077**	**102,684**	**105,489**	**2,597**	**387,307**

The table on contractual commitments excludes trade payables, and should be read in conjunction with the table under the heading "loans and borrowings". Operating lease commitments relate to the Company's rental properties. Exploration commitments are those required to maintain Mirabela's rights to its exploration tenements in good standing.

Purchase obligations reflect contracts entered into during the ramp up of the Company's operations and consist primarily of contracts relating to fuel, electricity, mining equipment and explosives.

PROJECT CAPITAL

Capital expenditure is within the full year guidance of $60 million with $10.76 million spent during the third quarter and $41 million spent year to date. Capital expenditure to date mainly comprises the completion of the processing plant 7.2 Mtpa construction program; the completion and optimisation of both the second crusher and desliming plant; purchase of critical stores and spares and planned rebuilds on truck and power shovel fleets. It is expected that capital expenditure for the fourth quarter will be in line with expenditure during the third quarter.

CAPITAL RESOURCES

LOANS AND BORROWINGS

The following interest-bearing loans entered into for the financing of the Santa Rita mine (non-current and current) were outstanding as at September 30, 2012:

	Senior unsecured notes*	Caterpillar finance lease facility	Bradesco loan	Atlas Copco finance lease facility	Total
Current borrowings	-	8,091	25,000	1,473	34,564
Non-current borrowings	378,667	11,047	25,000	2,210	416,924
Total	**378,667**	**19,138**	**50,000**	**3,683**	**451,488**

** US$395 million senior unsecured notes, offset by unamortised capitalised borrowing costs of $16.33 million.*

$395 million of 8.75% senior unsecured notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd and Mirabela Mineração do Brasil Ltda. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year during the term of the notes. Borrowing costs of $20.48 million to secure this funding have been offset against the principal borrowings amount and are amortised using the effective interest rate method. Effective interest for the period relating to the capitalised borrowing costs was $2.18 million.

The $55 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 $40.80 million as at September 30, 2012, with $19.14 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. The Company does not intend to drawdown further on this facility. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request as the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted average interest rate of 4.54%).

During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração Ltda, entered into a $50 million; 35 month working capital facility with Banco Bradesco S.A. Principal is repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. Interest is payable bi-annually at a rate of LIBOR plus 6%. The loan is unsubordinated and secured by a Guarantee from Mirabela Nickel Ltd and a fiduciary assignment on the Votorantim receivables. This facility was drawn down in March 2012.

The Company entered in a $5.20 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of $0.78 million was made at commencement of the facility, with the remaining principal repayable in six semi-annual equal instalments (plus interest at a fixed rate of 6%) commencing July 2012.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2012 there were no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities may enter into transactions with the Company or its subsidiaries. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-director related entities dealing at arm's length with the Company.

During the three months ended September 30, 2012, there were no transactions between the Company and the key management personnel or any other related parties (three months ended September 30, 2011: Nil).

SUBSEQUENT EVENTS

During October 2012 the Company announced a significant increase in Resources after the successful open pit extension drilling program, which was completed during the second quarter.

The revised remaining Resources as at September 30, 2012 increased to 204.0 Mt @ 0.49% nickel (Measured, Indicated) and 79.6 Mt @56% nickel (Inferred). The current mine life of 22 years is based solely on the previously stated Reserves of 159.0 Mt @ 52% nickel and 0.14% copper as at the end of December 2010 and a mine rate of 7.2 Mtpa of ore.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. While management believe the estimates and assumptions to be reasonable, actual future results may vary significantly. A summary of the Company's critical accounting estimates is set out below.

PROPERTY, PLANT AND EQUIPMENT, INCLUDING DETERMINATION OF RESERVES AND RESOURCES

Reserves are estimates of the amount of nickel product that can be economically extracted from the Group's mine properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grade, production techniques, recovery rates, production costs, future capital requirements, short and long term nickel prices and exchange rates. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and position in a number of ways including:

- Asset carrying values may be impacted due to changes in the estimated future cash flows;

- Depreciation and amortisation charged in the statement of comprehensive income may change where such changes are calculated using the units of production basis; and
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

The carrying value of property plant and equipment is assessed for impairment at each reporting date, or upon any changes in circumstances that may indicate that the carrying amounts may not be recoverable. The Company assesses the recoverability of its assets carrying values based on estimated future cash flows, having consideration to the quantity of mineral reserves and resources, future metal prices, and expected future operating and capital costs. The uncertainty of future events requires the Company to make assumptions that may result in accounting estimates changing from one period to another. This may result in asset balances being materially impacted if other assumptions and estimates had been used. Further, future operating results could be impacted if different assumptions and estimates are applied in future periods.

REVENUE RECOGNITION

The Company's offtake agreements require nickel and other commodity sales to be determined on a provisional basis at the time of sale, with final prices to be determined in a future period. For this purpose, it is necessary for management to estimate the final prices received. Significant volatility in metal prices may result in actual results upon sales finalisation being materially different to those estimated. Management follows the industry practice of re-pricing any provisionally priced sales at the end of each reporting period based on published forward curve prices with differences being recorded in the current period's earnings.

INCOME TAX

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

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

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

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

PROVISION FOR MINE CLOSURE AND RESTORATION

The rehabilitation provision is an estimate of the value of future costs for the dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Santa Rita Operation site. The Company relies on estimates from third parties to estimate these costs. The estimate is subject to change over the life of the mine as more data becomes available. As at September 30, 2012 the Company has recognised a liability of $8.64 million (present value) for rehabilitation costs at the Santa Rita Operation and will accrete costs through periodic charges to the income statement. In addition, the rehabilitation obligation asset has been recognised and will be amortised over the life of the mine. Future changes to the rehabilitation obligation will be prospectively reflected in the year the estimates change.

SHARE BASED PAYMENTS

The fair value of performance rights granted to employees at grant date is recognised as an employee expense, and is not required to adjust the fair value afterwards (even if it becomes more or less valuable or does not ultimately vest) unless the award is modified. The performance rights are subjected to both service and performance conditions. Service conditions require the employee to complete a specified period of service with failure to do so resulting in forfeiture of the award. Performance conditions require the employee to complete a specified period of service and meet performance targets. A performance condition can either be market vesting or non-market vesting. For market vesting conditions, the Group is required to take into consideration the probability of reaching the target share price when estimating the fair value of the equity instruments at grant date. For non-market vesting conditions, the Group does not take into account the vesting conditions when estimating the fair value of the equity instruments granted. Therefore, the Group will only consider the vesting conditions in their calculation when estimating the number of equity instruments expected to vest during the vesting period.

The Company utilises the binomial model for valuing options. The value derived from the option pricing model is highly subjective and depends entirely on the input assumptions made. These input assumptions include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the three month periods ended September 30, 2012 and September 30, 2011.

FINANCIAL INSTRUMENTS

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

The Group has no derivative financial instruments.

OTHER MD&A REQUIREMENTS

Information about the Company and its business activities, including its annual financial statements and annual information form (AIF), is available under the Company's profile at www.sedar.com and on the Company's website at www.mirabela.com.au.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management to allow timely decisions regarding the required disclosure.

The internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS.

The Company's management are of the opinion that any disclosure controls and processes or internal controls over financial reporting, no matter how well developed and executed, can provide only reasonable and not absolute assurance that the objectives of the control systems are met.

During the quarter ended September 30, 2012 no material changes were made to the Company's disclosure and internal controls over financial reporting. The Company is committed to monitor and improve the control environment on an ongoing basis.

The CEO and CFO conducted an evaluation of the Company's disclosure controls and processes and internal controls over financial reporting for the period ended September 30, 2012 and have concluded that the controls were effective.

RISKS AND UNCERTAINTIES

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Mirabela and the value of its ordinary shares. These include risks that are widespread and associated with any form of business and specific risks associated with Mirabela's business and its involvement in the exploration and mining industry generally and in Brazil in particular. While most risk factors are largely beyond the control of Mirabela and its directors, the Company will seek to mitigate the risks where possible. An investment in the Company's shares is considered to be speculative due to the nature of Mirabela's business and the present stage of its development. In addition to the risk factors disclosed in Mirabela's public filings available at www.sedar.com and www.asx.com.au, investors and prospective investors should consider the risk factors below.

DECREASES IN THE PRICE OF NICKEL

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

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

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

PRODUCTION ESTIMATES

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

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

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

COST ESTIMATES

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

Rita Operation could cause the Company to suspend operation of the Santa Rita Operation as currently planned, either temporarily or permanently.

THE COMPANY'S FINANCIAL CONDITION

As at September 30, 2012 the Company had a net working capital surplus of $189.99 million (December 31, 2011: $98.78 million surplus). For the three month period ended September 30, 2012 the Group incurred a loss of $0.51 million (September 30, 2011: $8.42 million) and had a net operating cash inflow of $4.83 million. At September 30, 2012 the Company held net assets of $513.87 million (December 31, 2011: $525.51 million).

There can be no assurance that the Company will not continue to incur losses. Numerous factors, including declining metal prices, adverse currency exchange rate movements (in particular the Brazilian Real and United States dollar), lower than expected ore grades or higher than expected operating costs (including increased commodity prices), and impairment write-offs of mine property and/or exploration property costs, could cause the Company to continue to be unprofitable in the future. Continued losses could have important consequences, including the following:

- Increasing the Company's vulnerability to general adverse economic conditions and industry conditions;
- Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to dedicate a significant portion of the Company's cash flow from operations, anticipated from the Santa Rita Operation, to make debt service payments, which would reduce its ability to fund working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- Requiring the Company to re-assess the recoverability of the carrying value of its assets based on estimated future cash flows, that could result in a write down in the value of its assets;
- Limiting the Company's flexibility in planning for, or reacting to, changes in our business and the industry; and
- Placing the Company at a disadvantage when compared to its competitors that have less debt relative to their market capitalisation.

ADDITIONAL FUNDING MAY BE REQUIRED

The Company is not cash flow positive. Becoming cash flow positive will depend on a number of factors including, but not limited to, the price of nickel and other base metals, the optimisation of operations without delay, operating costs, production, recovery and exchange rates.

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

The success and the pricing of any such capital raisings and/or debt financing will be dependent upon the prevailing market conditions at that time and upon the ability of a company without significant projects already in production and with significant amounts of existing indebtedness, to attract significant amounts of debt and/or equity. There is no assurance that such financing will be obtained or on terms satisfactory to the Company. Failure to obtain sufficient financing, as and when required, could cause the Company to realise assets and extinguish liabilities other than in the normal course of business and not be able to continue as a going concern.

MINERAL RESERVES AND MINERAL RESOURCES ESTIMATES

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

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

FOREIGN EXCHANGE RISK

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

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

DELAYS IN PROCURING NEW EQUIPMENT

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

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

CONCENTRATE SPECIFICATIONS

The Company's concentrate is subject to risks of process upsets and equipment malfunctions. Head grade, mill throughput recovery rates, or anticipated metallurgical recoveries may ultimately be lower than expected. Concentrate produced by Mirabela until 2014 is subject to off-take agreements and must meet certain specifications. Failure to meet such specifications could entitle purchasers to refuse delivery or seek price adjustments, which in either case, could have a material adverse effect on the Company's revenue, cash flows and financial condition.

ENVIRONMENTAL RISKS AND REGULATIONS

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

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

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

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

CHANGES IN THE TERMS OF THE LEASING FACILITY

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

By the terms of the Leasing Facility, Caterpillar Financial may syndicate up to $30 million of the Leasing Facility and is entitled to make changes to the pricing and structure of the Leasing Facility (subject to limitations to be determined by the parties), in order to achieve a successful syndication (such changes applying only to the syndicated portion of the facility). There can be no assurance that such changes to the pricing and structure of the Leasing Facility will not have an adverse effect on the Company and its financial condition.

FORWARD LOOKING INFORMATION

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflect management's expectations regarding Mirabela's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. In this MD&A this specifically includes statements regarding C1 unit cash cost being below $6.00/lb for the remainder of calendar 2012 and production of between 19,000 and 21,000 tonnes of nickel in concentrate for 2012. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

NON-GAAP/IFRS MEASURES

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

- "Cash operating cost per pound of nickel produced" or to "unit cash costs". This includes all mining, processing, site administration, transport and smelter costs, less by-product credits;
- "Realised nickel price". This includes total gross nickel revenue, prior period quotational period adjustments, realised nickel and foreign exchange hedges, but excludes call options;
- "Realised copper price". This includes total gross copper revenue, prior period quotational period adjustments, realised copper and foreign exchange hedges, but excludes call option adjustments;
- "EBITDA". This includes earnings before net financial expense, net derivative loss, net foreign exchange gain, taxation, other expenses, depreciation, amortisation and depletion.

Appendix 1: Assessment and Reporting Criteria Tables

The following table provides a summary of important criteria related to the assessment and reporting of the Santa Rita Mineral Resources as presented in Table 1 of the Australian code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004).

Criteria	Explanation
Sampling Techniques and Data	
Drilling Techniques	All 675 drill holes used in the Santa Rita resource interpretation are Diamond (predominantly NQ with some HQ and PQ) drill holes for 190,660.3m.
Drill sample Recovery	Diamond core recovery within the ore averaged 97.6%, with 98.9% of samples having a sample recovery greater than 80%.
Logging	Diamond core was logged into a validated Excel spread sheet logging system and imported into industry standard drill hole database management software. All core was photographed, logged, cut, sampled and is stored at Mirabela's exploration office and core shed in Ipiau, Bahia State, Brazil (within 5 km of the Santa Rita mine).
Sampling techniques and preparation	Core is oriented along the bottom of the hole. All samples were taken as half core using a diamond core saw.
Quality of assay data and laboratory tests	Quality control for all drilling was carried out involving certified reference standards, field and coarse crush duplicates and blank samples to monitor the accuracy and precision of the laboratory data. Samples were prepared and ALS Global's facility in Belo Horizonte, Minas Gerais State, Brazil. Analyses were determined using 4 Acid digest ICP Atomic Emission Spectrometry by ALS Global's ISO 9001:2000 accredited laboratories in Vancouver (Canada), Perth (Australia) and Lima (Peru). All samples returning nickel grades greater than 0.6% from the ICP-AES method were re-analysed using ALS's specific ore grade method. Platinum, palladium and gold grades were determined by 30g Fire Assay with ICP-MS finish by ALS in Vancouver, Perth and Lima.
Verification of sampling and assaying	Umpire assay checks were also completed by ACME Analytical Laboratory Ltd (ISO 9001:2000 accredited) in Vancouver, Canada, and Ultra Trace Analytical Laboratories (ISO 17025 accredited), in Perth, Australia.
Location of Data Points	All diamond drill holes have been located by DGPS with a horizontal accuracy of +/-0.5m and a vertical accuracy of +/-1m, and subsequently surveyed by contract and/or Mirabela surveyors. All holes had magnetic downhole surveys taken initially at 10m downhole – and then at approximately 30m intervals. For quality control purposes, approximately 100 holes were also surveyed post-drilling by Downhole Surveys DHS Pty Ltd. using a north-seeking gyroscope. The initial magnetic downhole surveys were checked against the gyroscope results with all matching to acceptable standard.
Data Spacing and distribution	Drilling has been completed on nominal east-west sections with 40-60m spacing to support Indicated resource classification. In areas, infill has been completed to 20-25m spacing to support Measured resource class and more open spacing 100-120m spacing in the deeper parts supporting Inferred resources.
Data Spacing and distribution	The vast majority of the drilling was angled to intersect perpendicular to the trend of the geology and mineralised zone. Roughly 10% of the drill holes were drilled at other orientations for geotechnical, metallurgical sampling or for testing geological and mineralisation continuity.
Estimating and Reporting of Mineral Resources	
Construction of geological, structural and mineralisation models	A 3-D model has been constructed using industry standard resource modelling software. Lithological contracts, faults, dolerite dykes and the mineralised zone were all modelled into 3-D wireframes then used to populate the block model and flag the mineralised zone composites for use in the estimation process.
Estimation and modelling techniques	Ordinary Kriging (OK) to the parent block size (20mE x 25mN x 5mRL) was used to estimate Ni, Cu, Co, Pd, Pt, Au, Fe, Mg and S, based on 3m composited drill hole grades. A recoverable Ni attribute (NiRec) calculated for each composite using a regression equation established from plant operating

Criteria	Explanation
	data was also estimated. All data was transformed into "flattened space" where the OK estimate was conducted. The estimated blocks were then transformed back into their original spatial location, for reporting purposes. Three estimation passes were used for all elements with distance limits of 40m, 80m and 160m consecutively. A maximum of 24 samples and minimum of 8 samples of which no more than 5 were from any one hole was used for each pass. For all estimations a discretisation matrix of 3x3x3 was used.
Moisture	Tonnes have been estimated on a dry basis.
Cut-off parameters	Mineral Resources have been reported using a recoverable nickel cut-off of 0.13%.
Mining factors or assumptions	No mining assumptions have been built into the resource.
Metallurgical factors or assumptions	No metallurgical factors or assumptions have been built into the resource.
Bulk density	16,726 core samples have been measured for density from the drill holes used in the modelling and resource estimation. The method used the air dried half core sample weighed in air and then when immersed in water, the results of which were used to estimate the density. Samples were selected from the oxide zone through to the fresh zone with wax coating methods applied where necessary to core samples to ensure representative results.
Classification	Mineral Resources have been classified on the basis of confidence in the geological and grade continuity using the drilling density, geological model and pass in which the nickel was estimated. Measured Resources have been defined generally in areas of 20m to 25m drill spacing and in Pass 1. Indicated Resources have been defined generally in areas of 40m to 60m drill spacing and in Pass 2. Inferred Mineral Resources have been defined generally in areas of 100m to 120m drill spacing and in Pass 3.
Block Model Verification	Swath plots were generated along east-west and elevation sections and the block grades compared well with the composite grades. Visual 3D comparisons were also completed with the estimated blocks and composited drill hole data, to check that the continuity and grade was reflected in the estimated blocks.
Audits or reviews	A high level audit of the interpretation, compositing, top cuts, estimation modelling parameters and classifications was carried out by Coffey Mining. No matters were noted that would impair the validity of the Mineral Resource Estimate.

Competent Persons

The information in this report that relates to the updated October 2012 Mineral Resources for the Santa Rita Nickel Deposit is 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 Limited.

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 employed as a Principal Resource Consultant with Coffey Mining Pty Limited.

Messrs. Barnes and Corley qualify as both a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) and as a Qualified Person in accordance with NI 43-101. Each is independent of Mirabela Nickel Limited within the meaning of NI 43-101. Messrs. Barnes and Corley have verified the data underlying the disclosures in this announcement. Messrs. Barnes and Corley approve and consent to the inclusion in the presentation of the matters and defined Resources information based on their information in the form and context in which it appears.