MIRABELA NICKEL LTD

ABN 23 108 161 593

Condensed Interim Consolidated Financial Report

For the half-year ended 30 June 2013

Incorporating Appendix 4D

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

CONTENTS

APPENDIX 4D

Reporting Period

The reporting period is the half-year ended 30 June 2013. The previous corresponding period is 30 June 2012.

Results for announcement to the market

		% change		30-Jun-13 US$000
Revenue from ordinary activities	Down	26%	To	**124,279**
Loss from ordinary activities after tax	Up	14%	To	**(68,911)**
Loss attributable to equity holders	Up	14%	To	**(68,911)**

No dividend was paid or proposed during the half-year ended 30 June 2013 (half-year ended 30 June 2012: Nil).

The Group incurred a gross loss for the period of US$11.051 million (30 June 2012: gross loss of US$17.534 million) and a net loss for the period of US$68.911 million (30 June 2012: net loss of US$60.612 million). Sales generated comprised 8,075 tonnes of nickel and 2,262 tonnes of copper, contributing to gross sales of US$124.279 million, offset by treatment, refining and transport charges of US$24.557 million and cost of sales of US$110.773 million. The Group's net loss of US$68.911 million for the period was primarily driven by the gross loss, financing costs and foreign exchange losses.

Net tangible assets

The net tangible assets per ordinary share for the half-year ended 30 June 2013 was US$0.04 (31 December 2012: US$0.14).

Investments in controlled entities

During the period, there were no changes in control over Group entities.

Wholly owned subsidiaries of Mirabela Nickel Limited included the following:

- Mirabela Mineração do Brasil Ltda
- Mirabela Investments Pty Ltd

Mirabela Nickel Limited owns 100% of the Santa Rita nickel sulphide project in Bahia, Brazil, which is the Group's principal revenue-generating asset.

Investments in associates and joint ventures

Mirabela Nickel Limited does not have any interests in associates or joint venture entities.

Review and accounting standards

The report is based on the condensed interim consolidated financial report that has been subjected to a review by the Company's auditor. All entities incorporated into the consolidated Group's results were prepared under IFRS.

Directors' report

The Directors of the Company present their report, together with the condensed interim consolidated financial report of Mirabela Nickel Limited ('the Company'), for the half-year ended 30 June 2013.

Directors

The Directors of the Company at any time during, or since the end of the half-year are, unless otherwise stated:

Geoffrey Handley	Non-executive Chairman
Ian Purdy	Chief Executive Officer & Managing Director
Ian McCubbing	Non-executive Director
Peter Nicholson	Non-executive Director
Nicholas Sheard	Non-executive Director
Colin Steyn	Non-executive Director

Operating and financial review

Mirabela Nickel Limited 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 Australian Securities Exchange under the symbol "MBN" and on the Toronto Stock Exchange under the symbol "MNB".

Mirabela's principal asset is the 100% owned Santa Rita nickel sulphide, open pit operation in Bahia State, Brazil. The Santa Rita operation is a world class asset, producing a high quality metal concentrate via a state of the art nickel flotation processing plant and supported by an open pit with a current life of mine of 21 years remaining reserves. Mirabela has secured its strategic importance in the nickel market through the successful delivery of the Santa Rita Project into full production at a globally competitive cost, underpinned by excellent safety and environmental records. Mirabela also has a number of near-mine and regional exploration prospects that have a potential to provide additional, organic growth.

OPERATING REVIEW

Mirabela completed a challenging first quarter of 2013 with lower than expected performance in both the open pit mine and the processing plant. The open pit continued to be affected by excavator performance as well as access restrictions in the South zone, resulting in lower quality ore through the plant.

During April 2013, the Company implemented structural changes to its mining operations, including the replacement of its three underperforming O&K 120 tonne excavators with two Hitachi 2600 excavators owned and operated by the Company's contract mining service provider, U&M.

Mirabela's second quarter saw the open pit material movement return to expected levels with the successful reconfiguration of the excavator fleet. Remediation works on the primary crusher and the remediation of the geotechnical fault zone, between the Central zone and South zone of the open pit, progressed to plan during the quarter. Nickel production continued to be restricted by ore quality limitations.

Capital expenditure for the six month period was US$18.872 million, including deferred stripping costs of US$7.491 million.

Despite the lower production volumes for the first half of the year, the Company achieved unit cash costs of US$5.48/lb which is within guidance expectations of between US$5.00/lb to US$6.00/lb for the full year.

Directors' report

Safety

Mirabela's safety performance included two lost time injuries during the six month period. The Company's safety performance remains strong with the 12 month moving average Lost Time Injury Frequency Rate closing the period at 1.12. Mirabela continues to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes. The Company completed a comprehensive safety review and third party audit with DuPont during the period. The audit highlighted areas for further improvement which will be implemented with the assistance of DuPont.

Mining

Total material movement for the six month period was 18.9 million tonnes of material moved for 2.8 million tonnes of ore.

Material movement for the first quarter of 2013 was below expectations mainly due to restricted excavator and loader availabilities. Activities undertaken to improve availability included: the services of a dedicated maintenance consultant; improved contamination control for both fuel and lubricants; improved housekeeping; and extended shut downs for clearing equipment maintenance backlogs. Despite these initiatives, excavator issues continued during the first quarter, driven by the inability to obtain spare parts in-country for the problematic O&K equipment, (including hydraulic pumps), and difficulty in obtaining quality technical support.

Material movement for the second quarter of 2013 was in line with expectations with the result driven by improved excavator performance following the outsourcing of excavator services to U&M during April 2013. The higher excavator availability and volumes were achieved using U&M's two Hitachi 2600 excavators which were fully commissioned during the second quarter. Both machines performed above expectations in terms of tonnes mined per hour and total material movement, and realised additional benefits such as savings on ground engaging tools, fuel and lubrication. The improved excavator performance allowed the Company to park-up its underperforming O&K excavator fleet during the quarter. The removal of the excavators from the open pit has resulted in less congestion and larger mining areas.

During the first quarter of 2013, low mine grades of 0.48% were primarily driven by the sourcing of lower grade ore from the Central zone. Access to the better quality ore in the South zone continued to be restricted by geotechnical instability in the temporary pit wall between the higher Central zone and lower South zone. Mine grades of 0.50% were marginally higher in the second quarter of 2013 although ore quality remained below expectations due to elevated levels of MgO, (over 30%), continuing in the Central zone ore. Remedial works to remove the geotechnical fault between the South and Central zones advanced as planned during the second quarter with access to the South zone re-established for the second half of the year.

In late June 2013 a disruption to the supply of nitrate in Brazil restricted the supply of explosives to the Company, severely limiting material movement and ore production in the open pit. Restricted mining operations continued during July 2013 with a return to normal nitrate deliveries occurring at end of July 2013.

Processing

During the six months period ended 30 June 2013 a total of 3.3 million tonnes of ore was milled, at an average head grade of 0.47% nickel and achieving an average recovery of 53%.

During the first quarter of 2013, low-grade stockpiled material was processed due to restricted ore availability in the mine. The recovery performance for the first quarter was better than the expected grade vs. recovery algorithm for ore quality processed due to continued improvements in the process plant setup and the reagent regime.

Ore quality limitations were the most significant limitation on nickel production levels in the second quarter of 2013. However, continuing from the first quarter, recovery performance remained in line or above the expected grade vs.

Directors' report

recovery algorithm for processed ore quality due to continued improvements in the process plant setup and the reagent regime.

The lower plant throughput in quarter one of 2013 was driven by several factors including: the reduced availability of quality ore to process; plant instability caused by local power failures associated with heavy rainfall; and restricted availability of the primary crusher. In the second quarter of 2013, the marginally lower than target processing plant throughput was primarily driven by ongoing remediation work on the primary crusher. The Company continues to work with Metso Brazil and Lycopodium to improve the performance of its gyratory crusher and resolve stress problems in the civil footings.

During the six month period, a total of 8,231 tonnes of contained nickel in concentrate, 2,294 tonnes of contained copper in concentrate, and 143 tonnes of contained cobalt in concentrate were produced.

Sale of concentrate

During the six months ended 30 June 2013, a total of 8,075 tonnes of nickel in concentrate was sold to Mirabela's customers, Votorantim Metais Niquel S.A. ("Votorantim") and Norilsk Nickel Harjavalta OY ("Norilsk"). The split of sales for the six month period consists of 74% to Votorantim and 26% to Norilsk. Further export sales to Norilsk are expected to occur during the remainder of the year with deliveries to Votorantim to remain steady.

Outlook

In July 2013, the Company provided updated guidance for 2013 with production expected to be 17,000 to 18,500 tonnes of nickel in concentrate; capital expenditure, exploration and study costs at between US$35 million and US$45 million; and unit cash cost expected to average between US$5.00/Ib to US$6.00/Ib for the year.

Exploration and Studies

Exploration activity for the six month period continued to focus on tenement maintenance only. Due to the current depressed nickel market, growth activities remain deferred in order to preserve cash.

EXECUTIVE AND BOARD CHANGES

There were no executive and/or Board changes during the six month period ended 30 June 2013.

FINANCIAL REVIEW

The current low nickel prices continued to impact net revenues for the six months ended 30 June 2013, and coupled with impacts on mining volumes and production throughput the resulting net loss for the period was US$68.911 million (30 June 2012: net loss of US$60.612). The net loss has also been materially impacted by net foreign exchange losses of US$32.855 million mainly resulting from unrealised movements on the conversion of functional currency on cash held and borrowings; plus interest charges (US$21.111 million) associated with the Senior Unsecured Notes, Banco Bradesco S.A. working capital facility and the Caterpillar and Atlas Copco finance lease facilities.

The net loss for the period has been softened by ongoing cost saving initiatives; lower depreciation and amortisation charges, as a result of the 31 December 2012 impairment charge on production assets; and the continued softening BRL/USD exchange rate (period to 30 June 2013: US$1 : R$2.03 versus period to 30 June 2012: US$1 : R$1.87).

Net working capital surplus for the period was US$134.424 million, whilst net assets decreased from 31 December 2012 by US$79.446 million. This decrease was mostly driven by net cash outflows; unrealised foreign exchange movements due to conversion of closing BRL and AUD held cash into the Company's presentation currency (USD); decrease in property, plant and equipment primarily due to the continued weakening of the BRL/USD exchange rate during the

Directors' report

period (30 June 2013: US$1: R$2.21 versus 31 December 2012: US$1: R$2.04); and a write-down of broken ore inventory to net realisable value. This was slightly offset by a US$5.130 million decrease in total liabilities.

FINANCIAL POSITION

Cash on hand and on deposit at 30 June 2013 was US$108.117 million. Excluding the effect of changes in foreign currency, net cash outflows for the six month period ended 30 June 2013 equated to US$24.645 million, principally driven by positive cash from operating activities (US$19.094) being offset by interest payments on the existing debt facilities (US$19.459 million) and budgeted capital expenditure, including planned machinery rebuilds (US$18.872 million).

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast depends upon the successful execution of mining and production activities in accordance with the budget, nickel price and foreign exchange assumptions. Should the operations not successfully achieve budgeted production or forecast nickel prices and foreign exchange assumptions not be achieved, the Group may be required to source additional funds through debt or equity markets or a combination of the two.

SHARE CAPITAL

At 30 June 2013 the Company's issued share capital consisted of 876,801,147 ordinary shares. A balance of 4,150,000 unlisted options and 5,091,810 performance rights were outstanding.

During the half-year ended 30 June 2013, the Company issued 218,411 shares as a result of the conversion of 218,411 performance rights into shares; 827,587 performance rights were cancelled and 344,679 performance rights were forfeited in accordance with the Mirabela Nickel Ltd Performance Rights Plan. 338,847 performance rights that had been previously issued in prior years were not finally granted by the Board and are included in the number forfeited during the period. The Mirabela Nickel Ltd Performance Rights Plan was cancelled on 30 May 2013.

Additionally, 4,609,547 performance rights were granted pursuant to the Mirabela Nickel Limited 2013 Performance Rights Plan, approved by shareholders on 30 May 2013.

No options were exercised during the period.

SUBSEQUENT EVENTS

On 7 July 2013 a total of 3,750,000 options previously issued at an exercise price of A$3.00 (US$2.75) were unexercised and as a result have expired.

COMPARATIVE INFORMATION

Comparative information is presented for the half-year ended 30 June 2012 for the statement of profit or loss and other comprehensive income and as at 31 December 2012 for the statement of financial position.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 308C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the half-year ended 30 June 2013.

Directors' report

ROUNDING

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

Signed in accordance with a resolution of the directors:

Geoffrey Handley
Non-Executive Chairman

Perth, 13 August 2013

Ian Purdy
Chief Executive Officer & Managing Director

Perth, 13 August 2013

Directors' declaration

In the opinion of the directors of Mirabela Nickel Limited (the Company):

1. the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

   b. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Geoffrey Handley
Non-Executive Chairman

Perth, 13 August 2013

Ian Purdy
Chief Executive Officer & Managing Director

Perth, 13 August 2013

Lead auditor's independence declaration

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

To: the directors of Mirabela Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2013 there have been:

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

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

KPMG

KPMG

Graham Hogg
Partner

Perth

13 August 2013

Independent auditor's review report to the members of Mirabela Nickel Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Mirabela Nickel Limited, which comprises the condensed interim consolidated statement of financial position as at 30 June 2013, condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the half-year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Mirabela Nickel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Independent auditor's review report

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Mirabela Nickel Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

KPMG

Graham Hogg
Partner

Perth

13 August 2013

Condensed interim consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$000	Half-year ended 30 June 2012 US$000
Sales revenue	*7*	124,279	167,416
Treatment, refining and transport charges		(24,557)	(33,713)
Net sales revenue		**99,722**	**133,703**
Direct costs		(90,269)	(107,271)
Royalties		(5,754)	(7,594)
Depreciation, amortisation and depletion		(14,750)	(36,372)
Cost of sales		**(110,773)**	**(151,237)**
Gross loss		**(11,051)**	**(17,534)**
Expenses			
General and administration		(5,762)	(6,829)
Financial income	*8*	3,342	1,980
Financial expense	*8*	(21,751)	(21,594)
Net foreign exchange loss		(32,855)	(13,430)
Other expenses		(834)	(3,205)
		(57,860)	(43,078)
Loss before income tax		(68,911)	(60,612)
Income tax		-	-
Loss for the period		**(68,911)**	**(60,612)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(12,679)	(55,791)
Net change in fair value of cash flow hedges transferred to profit or loss		2,261	(3,370)
Other comprehensive expense for the period, net of tax		**(10,418)**	**(59,161)**
Total comprehensive expense for the period		**(79,329)**	**(119,773)**
LOSS PER SHARE			
Basic loss per share ($ per share)		(0.08)	(0.11)
Diluted loss per share ($ per share)		(0.08)	(0.11)
Weighted basic average number of shares outstanding (000's)		876,749	568,648
Weighted diluted average number of shares outstanding (000's)		876,749	568,648

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

Condensed interim consolidated statement of changes in equity
For the half-year ended 30 June 2013

		Attributable to equity holders of the Group					
Half-year ended 30 June 2013	Note	Issued capital US$000	Translation reserve US$000	Share based payments reserve US$000	Hedging reserve US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 January 2013		**797,110**	**(115,379)**	**7,186**	**(14,403)**	**(555,825)**	**118,689**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(68,911)	(68,911)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(12,679)	-	-	-	(12,679)
Net change in fair value of cash flow hedges transferred to profit or loss	*12*	-	-	-	2,261	-	2,261
Total other comprehensive expense		-	(12,679)	-	2,261	-	(10,418)
Total comprehensive expense for the period		-	(12,679)	-	2,261	(68,911)	(79,329)
TRANSACTIONS WITH EQUITY HOLDERS							
Share issue cost		(593)	-	-	-	-	(593)
Share based payment recognised		-	-	476	-	-	476
Total transactions with equity holders		(593)	-	476	-	-	(117)
Balance at 30 June 2013	*18*	**796,517**	**(128,058)**	**7,662**	**(12,142)**	**(624,736)**	**39,243**

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

Condensed interim consolidated statement of changes in equity
For the half-year ended 30 June 2013

		Attributable to equity holders of the Group					
Half-year ended 30 June 2012	***Note***	**Issued capital US$000**	**Translation reserve US$000**	**Share based payments reserve US$000**	**Hedging reserve US$000**	**Accumulated losses US$000**	**Total equity US$000**
Balance at 1 January 2012		**683,108**	**(47,906)**	**6,742**	**(12,761)**	**(103,673)**	**525,510**
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD							
Loss for the period		-	-	-	-	(60,612)	(60,612)
Other comprehensive income/ (expense)							
Foreign currency translation differences		-	(55,791)	-	-	-	(55,791)
Net change in fair value of cash flow hedges transferred to profit or loss	*12*	-	-	-	(3,370)	-	(3,370)
Total other comprehensive expense		-	(55,791)	-	(3,370)	-	(59,161)
Total comprehensive expense for the period		-	(55,791)	-	(3,370)	(60,612)	(119,773)
TRANSACTIONS WITH EQUITY HOLDERS							
Shares issued during the period net of issue cost		114,240	-	-	-	-	114,240
Share based payment recognised		-	-	655	-	-	655
Total transactions with equity holders		114,240	-	655	-	-	114,895
Balance at 30 June 2012	*18*	**797,348**	**(103,697)**	**7,397**	**(16,131)**	**(164,285)**	**520,632**

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

Condensed interim consolidated statement of financial position
As at 30 June 2013

	Note	30 June 2013 US$000	31 December 2012 US$000
ASSETS			
Cash and cash equivalents	*9*	108,117	143,007
Trade and other receivables	*10*	48,059	63,044
Inventories	*11*	50,738	56,892
Total current assets		**206,914**	**262,943**
Trade and other receivables	*10*	7,418	10,963
Property, plant and equipment	*14*	334,299	358,613
Exploration and evaluation assets	*13*	2,802	3,490
Total non-current assets		**344,519**	**373,066**
Total assets		**551,433**	**636,009**
LIABILITIES			
Trade and other payables	*15*	42,669	46,006
Provisions	*16*	3,814	3,281
Borrowings	*17*	26,007	34,920
Total current liabilities		**72,490**	**84,207**
Provisions	*16*	17,314	17,777
Borrowings	*17*	422,386	415,336
Total non-current liabilities		**439,700**	**433,113**
Total liabilities		**512,190**	**517,320**
Net assets		**39,243**	**118,689**
EQUITY			
Contributed equity	*18*	796,517	797,110
Reserves		(132,538)	(122,596)
Accumulated losses		(624,736)	(555,825)
Total equity		**39,243**	**118,689**

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

Condensed interim consolidated statement of cash flow
For the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US$000	Half-year ended 30 June 2012 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		141,750	165,336
Cash paid to suppliers and employees		(125,998)	(176,589)
Interest received		3,342	1,980
Net cash from/(used in) operating activities		**19,094**	**(9,273)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(18,872)	(30,248)
Payment for exploration and evaluation expenditure		-	(2,356)
Net cash used in investing activities		**(18,872)**	**(32,604)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(19,459)	(17,823)
Repayment of borrowings		(4,815)	(4,860)
Share issue costs		(593)	(5,281)
Proceeds from the issue of share capital		-	119,521
Proceeds from borrowings		-	55,200
Net cash (used in)/from financing activities		**(24,867)**	**146,757**
Net (decrease)/increase in cash and cash equivalents		(24,645)	104,880
Cash and cash equivalents at beginning of the period		143,007	61,198
Effect of changes in foreign currency		(10,245)	282
Cash and cash equivalents at end of the period	*9*	**108,117**	**166,360**

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

Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2013

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 condensed interim consolidated financial report of the Company for the half-year ended 30 June 2013 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 condensed interim consolidated 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 condensed interim consolidated 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 of the Group as at and for the financial year ended 31 December 2012.

The condensed interim consolidated financial report was approved by the Board of Directors on 13 August 2013.

(b) Basis of measurement

The condensed interim consolidated 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 payment 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 31 December 2012.

Certain comparative amounts in the condensed interim consolidated financial report have been reclassified to conform with the current year's presentation.

(c) Functional and presentation currency

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

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

(d) Financial position

The Group held cash on hand and on deposit as at 30 June 2013 of US$108.117 million.

As at 30 June 2013 the Group held net assets of US$39.243 million and had a net working capital surplus of US$134.424 million. For the half-year ended 30 June 2013 the Group incurred a loss of US$68.911 million. Net cash outflows from operations and investing activities for the half-year ended 30 June 2013 were US$0.222 million.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast depends upon the successful execution of mining and production activities in accordance with the budget, nickel price and foreign exchange assumptions. Should the operations not successfully achieve budgeted production or forecast nickel prices and foreign exchange assumptions not be achieved, the Group may be required to source additional funds through debt or equity markets or a combination of the two.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed interim consolidated financial report are consistent with those applied by the Group in its consolidated annual financial report as at and for the financial year ended 31 December 2012, except for the following:

Deferred stripping cost

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

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

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

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 of the Group's consolidated annual financial report as at and for the financial year ended 31 December 2012:

- Note 3(i) - revenue
- Note 12 - share based payments
- Note 13 - income tax expense
- Note 20 - property, plant and equipment
- Note 22 - provisions
- Note 27 - financial instruments

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 31 December 2012.

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 31 December 2012.

6. SEGMENT REPORTING

During the financial period, Mirabela Nickel Limited operated in one business and operating segment, mineral exploration and production, and in one primary geographical area, Brazil, with two customers: Votorantim Metais Niquel S.A. (Votorantim) (subsidiary of Votorantim Metais Ltda) and Norilsk Nickel Harjavalta Oy (Norilsk), subsidiary of OJSC MMC Norilsk Nickel. Sales for the half-year ended 30 June 2013 were split 74% to Votorantim and 26% to Norilsk (half-year ended 30 June 2012: 53% to Votorantim and 47% to Norilsk). Mirabela works actively with its customers to prioritise shipments as per the customers' requirements.

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

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

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

7. SALES REVENUE

	Half-year ended 30 June 2013 US$000	**Half-year ended 30 June 2012 US$000**
Nickel Sales	104,357	145,456
Copper Sales	10,809	17,626
Cobalt Sales	1,409	2,069
Other Sales	7,704	2,265
Sales Revenue	**124,279**	**167,416**

Nickel sales are comprised as follows:

	Half-year ended 30 June 2013 US$000	**Half-year ended 30 June 2012 US$000**
Realised nickel sales	118,989	142,006
Revaluation of unrealised nickel sales	(13,629)	(266)
Unwinding of metal and foreign exchange forward contracts designated as hedges	(1,003)	3,716
Nickel Sales	**104,357**	**145,456**

Realised nickel sales for the half-year ended 30 June 2013 comprised 8,075 tonnes of nickel in concentrate (half-year ended 30 June 2012: 8,942 tonnes), 89% being payable at an average realised nickel price of US$7.54/lb; (half-year ended 30 June 2012: US$8.10/lb).

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

Upon early termination of the metal and foreign exchange forward contracts designated as hedges during the year ended 31 December 2011, the fair value of these hedges crystalised in the hedge reserve. This hedge reserve unwinds to revenue upon realisation of the original underlying hedged transactions (refer note 12).

8. FINANCIAL INCOME/(EXPENSE)

	Half-year ended 30 June 2013 US$000	Half-year ended 30 June 2012 US$000
Interest received	3,342	1,980
Financial income	**3,342**	**1,980**
Interest expense	(21,111)	(21,120)
Discounting of rehabilitation costs	(640)	(474)
Financial expense	**(21,751)**	**(21,594)**

9. CASH AND CASH EQUIVALENTS

	30 June 2013 US$000	31 December 2012 US$000
Cash at bank and on hand	24,535	26,414
Call deposits	83,582	116,593
	108,117	**143,007**

10. TRADE AND OTHER RECEIVABLES

	30 June 2013 US$000	31 December 2012 US$000
Current asset		
Trade receivables	16,700	39,816
Prepayments	31,359	23,228
	48,059	**63,044**
Non-current asset		
Other receivables	999	1,945
Prepayments	6,419	9,018
	7,418	**10,963**

Prepayments for the half-year ended 30 June 2013 include:

(a) payments in advance for consumables not yet delivered; and

(b) recoverable Brazilian federal and state taxes arising from the construction and commissioning stages of the Santa Rita operation as well as 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

	30 June 2013 US$000	31 December 2012 US$000
Broken ore – net realisable value (31 December 2012: at cost)	16,321	21,621
Concentrate - cost	1,026	4,166
Stores, spares and consumables - cost	33,391	31,105
	50,738	**56,892**

Stores, spares and consumables represent materials and supplies consumed in the production process. All stocks have been calculated at 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 the estimated cost of completion and the estimated costs necessary to make the sale.

During the half-year ended 30 June 2013 the write-down of broken ore inventories to net realisable value amounted to US$3.191 million (half-year ended 30 June 2012: Nil), which is included in direct costs in the statement of profit or loss and other comprehensive income.

12. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGES

As at 30 June 2013 there were no metal and foreign exchange forward contracts designated as hedges. These contracts were terminated during the year ended 31 December 2011. The remaining effective portion of the hedges was recognised in the hedge reserve and is unwound to revenue upon realisation of the underlying hedge transactions.

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

	Half-year ended 30 June 2013 US$000	Half-year ended 30 June 2012 US$000
Nickel and Copper- forward contracts	3,726	960
Foreign exchange - forward contracts	(1,465)	(4,330)
	2,261	**(3,370)**

13. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2013 US$000	31 December 2012 US$000
Balance at the beginning of the period	3,490	476
Expenditure incurred during the period	-	3,119
Transferred to construction and development in progress	(454)	-
Effect of movements in foreign exchange	(234)	(105)
Balance at the period end	**2,802**	**3,490**

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

14. PROPERTY, PLANT & EQUIPMENT

30 June 2013 US$000	Plant & equipment	Leased assets	Land	Mine properties[(a)]	Construction & development expenditure	Total
Cost						
Balance at 1 January 2013	452,460	32,169	11,315	386,573	375	882,892
Additions	7,391	2,715	-	7,491	1,275	18,872
Transfers from exploration and evaluation expenditure	-	-	-	-	454	454
Transfer to stores spares and consumables	(829)	-	-	-	-	(829)
Transfers	(27,708)	27,775	-	-	(67)	-
Effect of movement in exchange rates	(33,227)	(5,496)	(879)	(32,624)	(223)	(72,449)
Balance at 30 June 2013	**398,087**	**57,163**	**10,436**	**361,440**	**1,814**	**828,940**
Depreciation						
Balance at 1 January 2013	(275,353)	(26,397)	(5,822)	(216,516)	(191)	(524,279)
Depreciation charge for the period	(4,064)	(3,116)	-	(4,079)	-	(11,259)
Transfers	20,787	(20,787)	-	-	-	-
Reclassification of critical spares	(1,982)	-	-	-	-	(1,982)
Effect of movement in exchange rates	19,826	4,236	452	18,365	-	42,879
Balance at 30 June 2013	**(240,786)**	**(46,064)**	**(5,370)**	**(202,230)**	**(191)**	**(494,641)**
Net book value at 30 June 2013	**157,301**	**11,099**	**5,066**	**159,210**	**1,623**	**334,299**

(a) Mine properties include deferred stripping costs of US$55.786 million (31 December 2012: US$48.296 million).

Recoverable Amount

As the Group identified impairment indicators such as declining nickel prices, a reduction in market capitalisation and a significant decline in the market value of entities producing the same commodity, the Group performed an impairment test on the recoverability of its assets.

The Group is a single asset, single commodity producer and therefore the Group as a whole was determined a cash generating unit (CGU) for impairment purposes. The recoverable amount of the CGU was determined based on fair value less cost to sell (FVLCS). FVLCS was determined as the present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cash flows were discounted using a real after-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The basis for determination of the recoverable amount was:

- *Nickel price* – future nickel prices were based on the 2013 consensus views from market participants in the period;
- *Nickel production* – future nickel production was based on the Group's Life of Mine Plan;
- *Operating and capital cost* – these costs were based on management's best estimates at the time of the impairment testing;
- *Foreign exchange rates* – Brazilian Real to US dollar exchange rates were based on the forward curve and consensus views;
- *Discount rate* – a post–tax real discount rate of 9.92%; and
- *Underground inferred resource* – the fair value attributed to the underground inferred resource has continued to be excluded due to current views of long-term nickel prices, which will be reassessed on an on-going basis.

Based on the above review, the Group is of the opinion that no impairment exists for the half-year ended 30 June 2013. However, any material negative change in the above assumptions may result in a future impairment occurring.

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

15. TRADE AND OTHER PAYABLES

	30 June 2013	31 December 2012
	US$000	US$000
Trade payables	24,331	22,687
Other payables and accrued expenses	18,338	23,319
	42,669	**46,006**

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

	30 June 2013	31 December 2012
	US$000	US$000
Current liability		
Provision for annual leave	3,814	3,281
	3,814	**3,281**
Non-current liability		
Provision for rehabilitation	16,984	17,777
Other provision non-current	330	-
	17,314	**17,777**
Reconciliation of movements in provisions		
Annual leave provision		
Balance at beginning of period	3,281	3,835
Provision made/(reversed) during the period	812	(275)
Effect of movements in foreign exchange	(279)	(279)
Balance at period end	**3,814**	**3,281**
Rehabilitation provision		
Balance at beginning of period	17,777	8,639
Accretion expense	640	932
Discount and inflation rate adjustment	-	8,960
Effect of movements in foreign exchange	(1,433)	(754)
Balance at period end	**16,984**	**17,777**
Other provision non-current		
Balance at beginning of period	-	2,231
Provision made/(used) during the period	360	(2,045)
Effect of movements in foreign exchange	(30)	(186)
Balance at period end	**330**	**-**

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

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

17. BORROWINGS

30 June 2013 US$000	Senior unsecured notes (i)	Caterpillar finance lease facility (ii)	Bradesco loan (iii)	Atlas Copco finance lease facility (iv)	Total
Nominal Interest Rate	8.75%	COF + LIBOR + 2.75%	6.00% + LIBOR	6.00%	
Loan Term	2011 to 2018	2009 to 2014	2012 to 2014	2012 to 2015	
Carrying Value	**382,418**	**13,029**	**50,000**	**2,946**	**448,393**
Current borrowings	-	7,867	16,667	1,473	26,007
Non-current borrowings	382,418	5,162	33,333	1,473	422,386
	382,418	**13,029**	**50,000**	**2,946**	**448,393**

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

(i) US$395.000 million of 8.75% Senior Unsecured Notes due 2018 were issued in the International and United States Rule 144A debt capital markets during April 2011. The notes are guaranteed by Mirabela Investments Pty Ltd 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 US$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 US$1.391 million. The fair value of the Senior Unsecured Notes at 30 June 2013 is US$308.594 million (31 December 2012: 349.575 million).

(ii) The US$55.000 million master funding and leasing agreement is for the purpose of lease financing of up to 90% of the purchase price of Caterpillar mobile equipment. The facility was drawn down to US$40.795 million as at 30 June 2013, with US$13.029 million outstanding after repayments. Further drawdown under the leasing facility will require approval from Caterpillar prior to the drawdown. Lease payments under the facility are calculated on the basis of a 60 month term, and include interest determined at the date of the particular funding request at the prevailing 3 month US$ LIBOR rate plus COF plus 2.75% per annum (weighted-average interest rate of 4.29%).

(iii) During January 2012, the Company's Brazilian subsidiary, Mirabela Mineração do Brasil Ltda, entered into a US$50.000 million, 35 month working capital facility with Banco Bradesco S.A. Principal was repayable in instalments, being 50% in month 12, and the remainder in equal instalments in months 24, 30 and 35. During February 2013, the Company negotiated revised repayment terms on the Facility. Revised repayment terms provided for three equal instalments, with the first in January 2014, the second in July 2014 and the final instalment in December 2014. Interest remains 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. These terms are unchanged.

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

18. CONTRIBUTED EQUITY

Movement in share capital for the half-year ended 30 June 2013

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

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

Movement in share capital for the half-year ended 30 June 2012

	Ordinary shares	Number of shares	Issue price	US$
1 January 2012	Opening balance	491,781,237		683,108,327
2 February 2012	Shares issued on conversion of performance rights (Issued at A$1.84) (1)	734,926	-	-
18 April 2012	Shares issued on conversion of performance rights (Issued at A$1.84) (1)	123,427	-	-
17 May 2012	Issue of ordinary shares fully paid (issued at A$0.40) (2)	50,000,000	US$0.40	19,908,000
29 May 2012	Issue of ordinary shares fully paid (issued at A$0.30) (3)	183,637,836	US$0.30	54,837,931
29 May 2012	Issue of ordinary shares fully paid (issued at C$0.30) (3)	82,277,147	US$0.30	24,478,541
5 June 2012	Issue of ordinary shares fully paid (issued at A$0.30) (4)	13,691,530	US$0.30	4,102,015
12 June 2012	Issue of ordinary shares fully paid (issued at A$0.30) (5)	39,560,413	US$0.30	11,854,238
12 June 2012	Issue of ordinary shares fully paid (issued at C$0.30) (5)	14,765,129	US$0.30	4,340,115
30 June 2012	**Closing balance**	**876,571,645**		**802,629,167**
Less:	Share issue cost – current period	-		(5,281,128)
		876,571,645		**797,348,039**

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

Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2013

Unissued Shares under Performance Rights at 30 June 2013

Vesting date	Number of Performance Rights
31 December 2013	482,263
31 December 2015	4,609,547
Balance	**5,091,810**

Unissued Shares under Performance Rights at 31 December 2012

Vesting date	Number of Performance Rights
31 December 2012	182,358
31 December 2013	506,900
31 March 2014	140,806
30 June 2014	704,029
31 December 2014	338,847
Balance	**1,872,940**

During the half-year ended 30 June 2013, the Company issued 218,411 shares as a result of the conversion of 218,411 performance rights into shares; 827,587 performance rights were cancelled and 344,679 performance rights were forfeited in accordance with the Mirabela Nickel Ltd Performance Rights Plan. 338,847 performance rights that had been provisionally issued in prior years were not finally granted by the Board and are included in the number forfeited during the period.

Additionally, 4,609,547 performance rights were granted pursuant to the Mirabela Nickel Limited 2013 Performance Rights Plan, approved by shareholders on 30 May 2013.

For the 2013 grant of Performance Rights, the performance conditions comprise two components, being:

(a) 2013 non-market strategic objectives: 50% of the performance rights subject to the Company's Adjusted EBITDA per Share performance over the 2013 – 2015 performance period: and

(b) 2013 market performance objectives: 50% of the performance rights subject to the Company's relative total shareholder return performance (***RTSR***) over the 2013 – 2015 performance period.

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

2013 non-market strategic objectives:

These performance rights are subjected to both service conditions and non-market performance conditions. The service conditions and non-market vesting conditions are not included in estimating the fair value at grant date. Therefore the Group only considered the vesting conditions when estimating the number of equity instruments expected to vest during the vesting period.

For these performance rights, the fair value is measured at the market price of the entity's shares on grant date adjusted to take into account the terms and conditions upon which the rights were granted.

Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2013

The Adjusted EBITDA per Share milestone will measure the Company's total Adjusted EBITDA per Share over the 2013-2015 performance period against target and stretch performance hurdles.

EBITDA will be the reported EBITDA in the Company's financial statements adding back or deducting for exploration expenditure, impairment adjustments and other material non-cash adjustments. The number of shares will be the weighted average basic number of shares over the 2013-2015 performance period.

The Target and Stretch Adjusted EBITDA per Share will be reviewed by the Board after the end of each calendar year and may be adjusted, at the Board's absolute discretion, for exploration expenditure, impairment adjustments, other material non-cash adjustments to EBITDA; target and stretch may be lowered if realised nickel prices are materially lower than budget; and target and stretch may be lowered if additional shares are issued by the Company.

Within three months of the end of each performance period, the Board will review whether the performance conditions have been satisfied or partially satisfied. Performance rights will be cancelled to the extent the relevant performance conditions have not been satisfied.

The Board may make adjustments to ensure that the performance targets are fair and appropriate in light of the volatile nickel markets. Any adjustments made by the Board to the Target and Stretch EBITDA per Share will be communicated to all Participants.

2013 market performance objectives:

These performance rights are subjected to both service conditions and 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 these equity instruments at grant date. On this basis, the Group will continue to recognise expenses associated with providing this share based payment award to the employee as long as the service condition has been achieved, irrespective of whether the market condition is satisfied.

The fair value of services received in return for these performance rights granted are measured by reference to the fair value of the performance rights. On grant date the estimate of the fair value of the services received is measured based on the Monte Carlo pricing model. The contractual life of the performance right is used as an input into this model.

The expected volatility is based on the historic volatility (calculated based on the weighted-average remaining life of the performance rights), adjusted for any expected changes to future volatility based on publicly available information.

The RTSR milestone will measure the return on investment in the Shares (capital growth together with income returned to Shareholders) against that of a selected group of peer companies listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX), representing a broad base of mid-tier mining companies.

The following table presents the TSR Performance Condition targets and the percentage of the maximum number of Performance Based Shares:

Company's TSR relative to the TSR of the comparator group over the Performance Period	Maximum percentage of Performance Based Shares
Less than the 50th percentile	Nil
50th percentile	25%
Greater than the 50th percentile but less than the 75th percentile	Pro-rata straight-line between 25% and 50%
Greater than or equal to the 75th percentile	50%

Notes to condensed interim consolidated financial report
For the half-year ended 30 June 2013

The following table summarises the key data in relation to the valuation of performance rights granted under the 2013 Plan are as follows:

2013 Plan Terms		
Performance condition	**Adjusted EBITDA per share performance over the performance period (31 Dec 2012 and 31 Dec 2015)**	**Company's share price against group of peer companies for 2015**
Market or non-market based	Non-Market	Market
Underlying spot price	A$0.18	A$0.18
Exercise price	$0.00	$0.00
Valuation date	30 May 2013	30 May 2013
Vesting date	31 December 2015	31 December 2015
Vesting period from grant date (Days)	1,094	1,094
Number of rights	2,304,774	2,304,773
Valuation per right	A$0.18	A$0.07
Valuation per performance condition	A$414,859	A$161,334
Entitled number of employees	19	19

Unissued Shares under Options at 30 June 2013

Exercise Price A$	Exercise Price US$(1)	Expiry Date	Number of Options
A$3.00	US$2.75	7 July 2013	3,000,000
A$3.00	US$2.75	7 July 2013	750,000
A$3.00	US$2.75	30 June 2014	400,000
Balance			**4,150,000**

(1) All options are exercisable in A$ (presented in US$ at 30 June 2013 rate of 0.917)

Unissued Shares under Options at 31 December 2012

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

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

19. CAPITAL AND OTHER COMMITMENTS

	30 June 2013 US$000	31 December 2012 US$000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	783	864
One year or later and no later than five years	822	1,375
	1,605	**2,239**
Exploration expenditure commitments		
Commitments for rental fees under exploration licence agreements:		
Within one year	1,229	1,324
	1,229	**1,324**
Contractual, capital and other commitments		
Contracted but not provided for and payable:		
Within one year	56,698	62,367
One year or later and no later than five years	53,795	86,177
	110,493	**148,544**

20. SHARE BASED PAYMENTS

During the half-year ended 30 June 2013, the Company recognised an employee share based payment expense of US$0.476 million (half-year ended 30 June 2012: US$0.655 million).

21. RELATED PARTIES

Key management personnel receive remuneration in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total remuneration of US$1.503 million for half-year ended 30 June 2013 (half-year ended 30 June 2012: US$1.984 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 half-year ended 30 June 2013, there were no such transactions between the Company and the key management personnel or their related parties.

22. SUBSEQUENT EVENTS

On 7 July 2013 a total of 3,750,000 options previously issued at an exercise price of A$3.00 (US$2.75) were unexercised and as a result have expired.