
Quarterly Activity Report for the Period Ended 31 December 2011

Perth, Australia – 23 January 2012: Mirabela Nickel Limited (“Mirabela” or the “Company”) (ASX: MBN, TSX: MNB) is pleased to announce its unaudited fourth quarter results for the period ended 31 December 2011.

HIGHLIGHTS

- Full year production within guidance at 15,854 tonnes of nickel in concentrate
- Record production of nickel in concentrate for the quarter of 5,029 tonnes (up 9% from Q3 2011: 4,605 tonnes) including record production in December of 2,003 tonnes of nickel in concentrate
- Record sales of 5,155 tonnes of nickel in concentrate for the quarter (up 22% from Q3 2011: 4,228 tonnes)
- Record total mining material moved of 12.2 million tonnes (up 17% from Q3 2011: 10.4 million tonnes) and record ore production of 2.0 million tonnes (up 18% from Q3 2011: 1.7 million tonnes)
- Average nickel recovery of 60% for the quarter (Q3 2011: 62%)
- Unit cash costs of US\$7.42/lb for the quarter (up 11% from Q3 2011: US\$6.71/lb) and full year unit cash costs of US\$7.27/lb
- Cash on hand and on deposit of US\$61 million at quarter end (Q3 2011: US\$117 million) and new debt facilities of US\$55M raised in January 2012
- Completion of the desliming and primary crusher upgrade projects delayed until the end of Q1 2012, due to unseasonal high rainfall in Brazil during Q4 2011

OPERATIONS

Mirabela finished the 2011 financial year with a second successive record production quarter, closing within production guidance at 15,854 tonnes of nickel in concentrate. During 2011 the Company successfully completed the ramp-up of the Santa Rita project.

For 2012, Mirabela is targeting 20,000 to 22,000 tonnes of nickel in concentrate with cash unit costs expected to move towards US\$6.0/lb by the end of 2012. Capital expenditure for 2012 is forecast at US\$60m, comprising sustaining capital (US\$12 million), carry-over of 2011 budgeted expenditure (US\$16 million) and mobile equipment rebuilds (US\$32 million).

Safety

Mirabela continued its strong safety performance since commencing operations, with only one lost time injury during the quarter. The 12 month moving average Lost Time Injury Frequency Rate closed the year at 1.27, improving from 1.50 at the end of Q3. The all injury frequency rate continued to fall and ended the year at 5.28, a 39% reduction for 2011. Mirabela will continue to target further improvements to this strong safety record through ongoing safety training and safety improvement programmes.

Production Statistics

		Three months ended 31 Dec 2011	Three months ended 30 Sep 2011	<i>% change</i>	Year to Date 2011
Mining					
Total Material Mined	Tonnes	12,163,355	10,435,162	17	40,760,646
Ore Mined	Tonnes	1,997,276	1,693,049	18	5,960,875
Nickel Grade	%	0.49	0.48	2	0.48
Processing					
Total Ore Processed	Tonnes	1,566,888	1,441,399	9	5,373,204
Nickel Grade	%	0.53	0.52	2	0.50
Copper Grade	%	0.15	0.14	7	0.14
Cobalt Grade	%	0.02	0.02	-	0.02
Nickel Recovery	%	60	62	(3)	59
Copper Recovery	%	66	68	(3)	68
Cobalt Recovery	%	32	35	(9)	33
Production					
Nickel in Concentrate Produced	DMT	5,029	4,605	9	15,854
Copper in Concentrate Produced	DMT	1,544	1,368	13	4,919
Cobalt in Concentrate Produced	DMT	79	76	4	273
Sales					
Nickel in Concentrate Sold ⁽¹⁾	DMT	5,155	4,228	22	15,375
Copper in Concentrate Sold	DMT	1,667	1,262	32	4,859
Cobalt in Concentrate Sold	DMT	85	77	10	275

⁽¹⁾ Includes nickel sales volume adjustments upon finalisation of assays.

Mining

Mirabela achieved record mining performance during the fourth quarter of 2011 with 12.2 million tonnes of material moved. During the fourth quarter record ore production of 2.0 million tonnes was mined at an average nickel grade of 0.49% and a strip ratio of 5.1:1.

Having strengthened the drilling fleet late in the third quarter, Mirabela achieved record drilling performance of 251,771m for the quarter (up 50% from Q3, 168,110 m), with approximately 30% of the drill meters performed by higher cost drill contractors. The improved drilling performance allowed Mirabela to terminate one of the drilling contractors, and the delivery of two drill rigs at the end of Q1 2012 will allow Mirabela to complete the full in-sourcing of production drilling, enabling improved drilling productivities and lower drilling costs.

The company preferentially used higher cost and quality tyres during Q4 2011 to maximise haulage capacity for the final quarter. As a result truck payloads, availability and utilisation improved during the quarter, albeit at a higher tyre costs. Loader productivities for both Mirabela and contractor fleets were above target for the quarter. The mine maintained production levels throughout the above average rainfall period experienced during the fourth quarter.

Full year total material movement was on target at 40.8 million tonnes. A similar total material movement is expected for 2012. Mining in the North pit has now ceased and will recommence late in 2012 when the South pit, Central pit and North pit will become one continuous open pit. The mining operations are in excellent order with good (and improving) equipment productivities, excellent housekeeping and a high level of control driven from the Modular Mining system.

Processing

A record 1.6 million tonnes of ore was milled during the quarter, grading at an average of 0.53% nickel and achieving an average recovery of 60%. During December the plant was run at 96% of the planned 7.2 Mtpa production capacity with 578,000 tonnes of ore processed through the plant.

During the quarter Mirabela produced 5,029 tonnes of contained nickel in concentrate (an increase of 9% from Q3 2011), 1,544 tonnes of contained copper in concentrate, and 79 tonnes of contained cobalt in concentrate. Mirabela achieved record monthly production in December of 2,003 tonnes of nickel in concentrate with average nickel recovery of 63%.

5,155 tonnes of nickel in concentrate was sold to Mirabela's off-take partners, Votorantim Metais Niquel S.A. and Norilsk Nickel, an increase of 22% from Q3 2011 (4,228 tonnes). Two export shipments to Norilsk Nickel were completed during the quarter with the next shipment expected to be completed during February 2012. Going forward during 2012, the company expects the timing of shipments to Norilsk Nickel to be approximately every second month. Steady deliveries to Votorantim continued throughout the quarter.

7.2Mtpa Processing Plant Upgrade

The processing plant upgrade was completed ahead of schedule and on budget and the plant was tested at 96% of nameplate capacity for the month of December. The desliming and primary crusher upgrade projects have both been delayed until the end of Q1 2012, due to construction delays caused by wide spread unseasonably high rainfall in Brazil during Q4 2012.

The feasibility work for the expansion of the open pit and processing plant to 9Mtpa has been expanded to include the results of the current open pit extension and exploration drilling scheduled for completion in July 2012. The target for completion of the 9 Mtpa feasibility study is Q1 2013.

Exploration

Mirabela's current exploration drilling program comprises of 15 drill holes focusing on extension of the Open Pit. The drilling is being undertaken by GEOSOL and is scheduled to be completed by the end of May 2012, with assaying, analysis and logging scheduled for completion by the end of July 2012. The first assay results are expected during Q1 2012.

Unit Cash Costs

		Three months ended 31 Dec 2011	Three months ended 30 Sep 2011	% change	Year to Date 2011
Payable Nickel Production ⁽¹⁾	Lbs	9,867,320	9,035,318	9	31,107,699
Production Costs					
Mining Cost	US\$/lb	3.61	3.66	1	3.67
Processing Costs	US\$/lb	2.03	1.89	(7)	2.11
Administration Cost	US\$/lb	0.80	0.66	(21)	0.87
Subtotal	US\$/lb	6.44	6.21	(4)	6.65
Selling Costs					
Transport/Shipping Cost	US\$/lb	0.25	0.23	(9)	0.19
By-Product Credit ⁽²⁾	US\$/lb	(1.16)	(1.21)	(4)	(1.31)
Smelter Charges	US\$/lb	1.89	1.48	(28)	1.74
Subtotal	US\$/lb	0.98	0.50	(96)	0.62
C1 Unit Cash Cost	US\$/lb	7.42	6.71	(11)	7.27
Unit Royalty Cost	US\$/lb	0.38	0.51	25	0.52
Realised Nickel Price ⁽³⁾	US\$/lb	8.22	9.22	(11)	9.51
Realised Copper Price ⁽³⁾	US\$/lb	3.27	3.62	(10)	3.78
Realised Cobalt Price ⁽³⁾	US\$/lb	12.54	14.88	(16)	15.00
Average US\$/Real Exchange Rate		1.80	1.64	10	1.67

(1) Average payability of 89%

(2) Including prior period QP adjustments and excludes hedging

(3) Including prior period QP adjustments and realised hedging

The unit cash cost for the quarter of US\$7.42/lb increased by 11% from Q3 2011 (US\$6.71/lb). The expected benefit of increased nickel volume and improved BRL/USD exchange rate were off-set by: the timing of smelter charges (two shipments to Norilsk Nickel during the quarter); higher processing costs due to a high level of fines in the mine feed during November adversely affecting plant costs and productivity; and year-end adjustments to stores and other accruals. Mining costs were negatively impacted due to

increased usage of higher quality, more expensive tyres on the trucks to maximise payloads and production for the quarter. Drilling costs were also high for the quarter due to termination costs on drilling contractors and higher than budgeted drill meters required for completing the final stage of ramp-up.

Cost Reduction Program

The company has commenced a comprehensive cost reduction and productivity improvement program. The first phase of the program is a review of the organisational structure which is being reassessed with the completion of the ramp-up of the operation. As part of this process Luis Nepomuceno (Managing Director – Brazil) and Claudio Lyra (Director, Operations Support), who were both instrumental in delivering the production ramp-up, finished at the company in early January 2012. Administration and operations support areas are currently being assessed.

Mirabela will also continue to benchmark the performance of the mobile fleet, both company owned and the contractor fleet, in order to improve mining costs. This work, together with the move to steady state production and the expected improvement in recoveries from the desliming plant, are expected to further reduce operating costs. The company expects unit cash costs to move from current levels towards \$US6/lb by year end as these improvements are realised.

CORPORATE

Board Restructure

During the quarter Mr. Geoffery Handley was appointed Non-Executive Chairman effective 1 January 2012, replacing Mr. Craig Burton who resigned from the board. Mr. William Clough also resigned from the Board effective 1 January 2012.

Cash and Debt

As at 31 December 2011, Mirabela held balances of cash on hand and on deposit of US\$61 million. The decrease of US\$56 million from 30 September 2011 is mainly due to: the payment of US\$20 million for close-out of the remaining nickel and copper hedges during October 2011; the first bi-annual interest payment of \$17 million on the US\$395 million Senior Unsecured Notes in October 2011; and the continued project capital expenditure programme that is expected to conclude by the end of Q1 2012.

During January 2012, the Company's Brazilian subsidiary, Mirabela Mineracao Ltda, entered into a US\$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. The US\$50 million will be held in a "blocked" account until the administrative processes of unwinding the security on the closed hedge book have been completed.

In addition to the working capital facility, the Company also negotiated a US\$5.2 million 36 month financing facility with Atlas Copco Customer Finance during January 2012, to finance four DML drill rigs. Down payment of US\$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.

Share Capital

As at 31 December 2011 the Company's issued share capital consisted of 491,781,237 ordinary shares, and a balance of 4,450,000 unlisted options and 2,216,126 performance rights were outstanding.

The Company granted 746,288 performance rights and cancelled 98,438 performance rights during the quarter in accordance with the Mirabela Nickel Ltd performance rights plan.

During the quarter 350,000 options were not exercised at the expiry date and have lapsed.

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