

# Mirabela Nickel Limited - Quarterly Activity Report for the Period Ended 30 June 2013

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PERTH, Australia, July 23, 2013 /CNW/ - [Mirabela Nickel Ltd.](#) ("Mirabela" or the "Company") (ASX: MBN, TSX: MNB) is pleased to announce its unaudited second quarter results for the period ended 30 June 2013.

## HIGHLIGHTS

- Production for the quarter of 4,080 tonnes of nickel in concentrate (Q1 2013: 4,151 tonnes)
- Sales for the quarter of 4,168 tonnes of nickel in concentrate (Q1 2013: 3,907 tonnes)
- Unit cash costs of US\$5.84/lb for the quarter (Q1 2013: US\$5.10/lb)
- First half production of 8,231 tonnes of nickel in concentrate at an average unit cash cost of US\$5.48/lb
- Average mined nickel grade of 0.50% for the quarter (Q1 2013: 0.48%) and total mining material movement of 10.4 million tonnes (Q1 2013: 8.5 million tonnes)
- Processing plant throughput of 1.7 million tonnes (Q1 2013: 1.6 million tonnes)
- Average processing plant nickel recovery of 51% (Q1 2013: 56%) and average nickel feed grade of 0.47% (Q1 2013: 0.47%) for the quarter
- Cash on hand and on deposit of US\$108 million at quarter end (Q1 2013: US\$141 million)

## OPERATIONS

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.

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 costs expected to average between US\$5.00/lb and US\$6.00/lb for the year.

## **Safety**

Mirabela's strong safety performance continued with no lost time injuries during the quarter. The Company's 12 month moving average Lost Time Injury Frequency Rate closed the quarter 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 quarter. The audit has highlighted areas for further improvement which will be implemented with the assistance of DuPont.

## **Production Statistics**

		Three months ended 30 Jun 2013	Three months ended 31 Mar 2013	% change favourable/ (unfavourable)	Year to Date 2013
<b>Mining</b>					
Total Material Mined	Tonnes	10,387,040	8,498,282	22	18,885,322
Ore Mined	Tonnes	1,661,192	1,164,561	43	2,825,753
Nickel Grade	%	0.50	0.48	4	0.49
<b>Processing</b>					
Total Ore Processed	Tonnes	1,695,559	1,579,963	7	3,275,522
Nickel Grade	%	0.47	0.47	-	0.47
Copper Grade	%	0.10	0.10	-	0.10
Cobalt Grade	%	0.02	0.02	-	0.02
Nickel Recovery	%	51	56	(9)	53
Copper Recovery	%	65	71	(8)	68
Cobalt Recovery	%	27	29	(7)	28
<b>Production</b>					
Nickel in Concentrate	DMT	4,080	4,151	(2)	8,231
Copper in Concentrate	DMT	1,125	1,169	(4)	2,294
Cobalt in Concentrate	DMT	71	72	(1)	143
<b>Sales</b>					
Nickel in Concentrate <sup>(1)</sup>	DMT	4,168	3,907	7	8,075
Copper in Concentrate <sup>(1)</sup>	DMT	1,143	1,119	2	2,262
Cobalt in Concentrate <sup>(1)</sup>	DMT	71	69	3	140

<sup>(1)</sup> Includes sales volume adjustments upon finalisation of assays.

## Mining

Total material movement for the quarter was 10.4 million tonnes of material moved for 1.7 million tonnes of ore. Material movement 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 quarter. Both machines have 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.

Mine grades of 0.50% were marginally higher than the previous quarter 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 quarter with access to the South pit 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 have continued during July with a return to normal nitrate deliveries expected towards the end of July.

## Processing

During the quarter 1.7 million tonnes of ore was milled, at an average head grade of 0.47% nickel and achieving an average recovery of 51%. Ore quality limitations were the most significant limitation on nickel production levels. Recovery performance remained in line or above the expected grade vs. recovery

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

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 quarter the primary crusher was stood down for 72 hours to inspect and repair the pinion end float. Metso supervised the repair of the pinion which has now been rectified and reinstalled. An inspection of the crusher casings was also undertaken, revealing no cracks but with some remediation work required to remove potential stress raisers. Inspection of the civil footings revealed that some redressing of the concrete footings would be required and that this work could be done insitu with no existing concrete required to be removed. The remaining remediation work on the primary crusher is estimated at 30 days and is planned to be performed via two shutdowns of 15 days each during the third and fourth quarters of 2013. The Company plans to optimise throughput during this time by maintaining sufficient crushed ore stockpile prior to the shutdowns and maximising the throughput of the second line crusher.

During the quarter Mirabela produced 4,080 tonnes of contained nickel in concentrate, 1,125 tonnes of contained copper in concentrate, and 71 tonnes of contained cobalt in concentrate. 4,168 tonnes of nickel in concentrate was sold to Mirabela's off-take partners, Votorantim Metais Niquel S.A. and Norilsk Nickel. One export shipment to Norilsk Nickel was completed during the quarter with steady deliveries to Votorantim continuing.

### Exploration & Studies

Exploration activity for the quarter continued to focus on tenement maintenance only. Growth activities remain deferred in order to preserve cash.

### Unit Cash Costs

		Three months ended 30 Jun 13	Three months ended 31 Mar 13	% change favourable/ (unfavourable)	Year to Date 2013
Payable Nickel Production <sup>(1)</sup>	Lbs	8,005,416	8,144,726	(2)	16,150,142
Production Costs					
Mining Cost	US\$/lb	3.44	2.50	(38)	2.98
Processing Costs	US\$/lb	1.69	1.69	-	1.69
Administration Cost	US\$/lb	0.65	0.57	(14)	0.61
Subtotal	US\$/lb	5.78	4.76	(21)	5.28
Selling Costs					
Transport/Shipping Cost	US\$/lb	0.16	0.13	(23)	0.15
By-Product Credit <sup>(2)</sup>	US\$/lb	(1.42)	(1.23)	15	(1.33)
Smelter Charges	US\$/lb	1.32	1.44	8	1.38
Subtotal	US\$/lb	0.06	0.34	82	0.20
C1 Unit Cash Cost	US\$/lb	5.84	5.10	(15)	5.48
Unit Royalty Cost	US\$/lb	0.33	0.40	18	0.36
Realised Nickel Price <sup>(2)</sup>	US\$/lb	7.27	7.82	(7)	7.54
Realised Copper Price <sup>(2)</sup>	US\$/lb	2.99	3.49	(14)	3.23
Realised Cobalt Price <sup>(2)</sup>	US\$/lb	10.83	9.49	14	10.11
Average US\$/Real Exchange Rate		2.07	2.00	3	2.03

- (1) Average payability of 89%  
(2) Including prior period QP adjustments

Mirabela recorded a C1 unit cash cost for the second quarter of US\$5.84/lb, taking the average unit cash cost for the first half of the year to US\$5.48/lb.

Unit mining costs per payable pound were higher in the second quarter primarily due to the higher level of mining activity during the quarter and lower capitalised mining costs. Total mining costs per tonne were steady quarter on quarter, (Q2: US\$3.03/tonne versus Q1: US\$3.06/tonne). Higher explosive costs, (due to higher nitrate prices), mining staff redundancies and higher usage of tyres were offset by improved efficiencies associated with the new excavators. Selling costs for the quarter were favourably impacted by PGM by-product credits.

The realised nickel price for the quarter was favourably impacted by the finalisation of prior period sales invoices which were subject to arbitration for a period of time.

## **CORPORATE**

### ***Cash and Debt***

Mirabela closed the second quarter with cash on hand and on deposit of US\$108.12 million. The decrease in cash on hand from 31 March 2013 (US\$140.80 million) included an unfavourable foreign exchange movement of US\$10.99 million upon the conversion of closing BRL and AUD held cash into the Company's presentational currency (USD). The remaining decrease in cash on hand was driven by: an interest payment of US\$17.28 million on the senior unsecured notes; budgeted capital expenditure of US\$8.32 million; and the repayment of US\$2.04 million relating to the Caterpillar finance lease facility. This cash outflow was offset in part by the finalisation of nickel sales that occurred in August, November and December 2012 at an average finalisation price of US\$7.96/lb compared to an average provisional price of US\$7.45/lb (US\$2.42 million) and positive cash flow from operations.

### ***Share Capital***

As 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.

The Company issued 36,053 shares during the quarter as a result of the conversion of 36,053 performance rights into shares. During the quarter 1,166,434 performance rights were cancelled and 5,832 performance rights were forfeited in accordance with the Mirabela Nickel Ltd. performance rights plan. Additionally, 4,609,547 performance rights were issued pursuant to the [Mirabela Nickel Ltd.](#) 2013 performance rights plan, approved by shareholders on 30 May 2013.

No options were exercised during the quarter.

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