



AIM, PLUS: ENK

## European Nickel PLC

### Unaudited Interim Results for the period ended 31 March 2009

24 June 2009 – London: European Nickel PLC (“European Nickel” or the “Company”)(AIM, PLUS: ENK) is pleased to report its unaudited interim results for the six months ended 31 March 2009.

#### Highlights:

- US\$6 million placing successfully completed in April
- Negotiations with BHP Billiton regarding off-take agreement progressing well
- Forestry permit fee paid
- Chinese due diligence on Çaldağ successfully completed
- Acoje trial heap site and laboratory completed

Simon Purkiss, MD of the Company commented: “The next key step in advancing the financing of the Çaldağ project is completing the agreement under which BHP Billiton releases its rights to the off-take. Once this is done both the equity and the debt financing from China will progress to the next stage, on track for completion by the end of the year.”

The Chairman’s Statement and the interim financial statements are set out below.

The report may be viewed on the Company’s website [www.enickel.co.uk](http://www.enickel.co.uk) shortly.

For more information, please visit [www.enickel.co.uk](http://www.enickel.co.uk) or contact:

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## Chairman's Statement

Dear Shareholder,

In the short period since we published our 2008 Annual Report, I am pleased to report that we continue to make good progress towards finalising the conditions pre-requisite for completing the project funding for our flagship Çaldağ project in Turkey by the end of 2009.

### The Çaldağ Project

At the minesite, work continues on preparing the site for the earthworks and development, which will commence upon completion of the project funding. In early June 2009, the forestry permit fee was paid and the Forestry Department has already built a road through the area to be cleared in anticipation of the commencement of tree clearance. A plan for additional geotechnical drilling, which is required at the plant site following various improvements that were made to the plant and heap layout last year, is being prepared for implementation at the beginning of the construction programme.

Negotiations with BHP Billiton are progressing well. This has taken slightly longer than we initially anticipated as we are now negotiating for the termination of BHP Billiton's entire off-take contract. Provided such negotiations are concluded as expected, it is anticipated that Jiangxi Rare Earth and Rare Metals Tungsten Group Company Limited ("JXTC") will then take 100% of Çaldağ mixed hydroxide product. Previously BHP Billiton had agreed to release only 50% of the off-take but has now indicated it is willing to release all of the off-take. The directors believe this will assist with the project funding process.

The termination of the off-take agreement is an important step towards securing the US\$20 million purchase by JXTC of 20% of the equity in the Çaldağ project. The three conditions precedent for the equity purchase are the issue of the forestry permit, the completion of the JXTC off-take agreement and the approval of the Jiangxi Provincial Government for JXTC to hold equity in an overseas entity. The forestry permit has been approved and paid for and the approval of the investment by the Jiangxi Provincial Government for which the termination agreement is an essential step will be sought once the termination agreement with BHP Billiton is signed. It is therefore expected that the completion of this process will take several more months. The termination agreement will also allow the debt financing process to proceed in parallel to the equity purchase and discussions with a Chinese bank will progress once the termination agreement with BHP Billiton has been signed.

### The Acoje Joint Venture

At our Acoje joint venture with Rusina Mining NL in the Philippines test work continues to demonstrate that the ore gives high recoveries and leaches rapidly, in comparison with many other deposits. The construction of the heap leach trial site is progressing well. The construction of a heap pad and ancillary facilities, including a fully equipped laboratory, have been completed. The heap will be stacked and irrigation will commence in some three months time. The data from this testwork will be incorporated into the Definitive Feasibility Study, which is still on course to be completed in 2010. We expect to release some intermediate results from this trial to the market later on in the year.

## **Chairman's Statement (continued)**

### **Berong Nickel Corporation ("Berong")**

Following the seasonal close-down of shipping operations over the period from October to April Berong has made two shipments to BHP Billiton's Yabulu refinery in Australia, with a further shipment scheduled for July. With the downturn in the nickel price at the end of last year Berong reduced its workforce at the mine and current shipments are being made from the 300,000 tonne stockpile at the barge loading area. With the recent rise in the nickel price to around US\$14,500/tonne (US\$6.58/lb) the shipments will generate useful cash flow. Berong is reviewing the possibility of recommencing mining operations through selective mining at a lower cost base than 2008.

Heap leach testwork on Berong ore has commenced with bottle roll tests and column testwork is planned for later this year.

### **Financial Results**

With the termination of direct ore shipments from Çaldağ last year, the US\$2.0 million reduction in interest received and a US\$3.2 million negative movement in net exchange loss the Company made a loss after tax during the period of US\$10.6 million compared with a loss of US\$6.4 million in the previous comparable period. Cash balances plus refundable deposits totalled US\$7.2 million at the end of the period and this was subsequently augmented by US\$6.0 million of gross proceeds from the placing completed in April.

### **Outlook**

The outlook, from a broader market perspective, seems more positive for the remainder of the year than was anticipated at the time of our Annual Report. The equity markets have rallied, China is seemingly back in the commodities market and the nickel price has strengthened. However, despite these encouraging signs, we are still finding funding from Western banks is extremely tight and investors are cautious. Whilst we are firm believers in the long term demand for raw materials from China and the recovery of demand in the medium term in the rest of the world, we continue to operate and manage costs prudently while waiting for full confidence to return.

The good progress of the BHP Billiton off-take negotiations will enable the project funding to enter into its next phase and we still hope to announce the successful conclusion of project finance for Çaldağ by the end of 2009 which will allow us to then ramp up construction. Our acquisitions in the Philippines have increased the ore available to the Company for subsequent projects and the development of a demonstration pilot plant at Acoje will increase the knowledge and confidence for subsequent development of a project similar in size to Çaldağ..

David Whitehead  
Chairman  
24 June 2009

**Consolidated income statement**  
for the period ended 31 March 2009

		<b>6 month period ended 31 March 2009 Unaudited US\$000</b>	6 month period ended 31 March 2008 Unaudited US\$000	Year ended 30 September 2008 Audited US\$000
<b>Revenue</b>		-	4,238	5,606
Cost of sales		-	(3,499)	(4,778)
<b>Gross profit</b>		-	739	828
Administrative expenses		<b>(3,694)</b>	(6,256)	(16,253)
Other operating costs		<b>(2,747)</b>	(3,520)	(7,497)
Other operating income		<b>26</b>	326	250
<b>Operating loss</b>		<b>(6,415)</b>	(8,711)	(22,672)
Other interest receivable and similar income	3	<b>165</b>	2,400	3,232
Interest payable and similar charges	4	<b>(3,112)</b>	(88)	(469)
Share of results of associates		<b>(1,281)</b>	-	(3,427)
<b>Loss before tax</b>		<b>(10,643)</b>	(6,399)	(23,336)
Tax		<b>(4)</b>	(22)	(27)
<b>Loss for the period</b>		<b>(10,647)</b>	(6,421)	(23,363)
<b>Loss per share (basic and diluted)</b>	5	<b>(\$0.03)</b>	(\$0.02)	(\$0.06)

**Consolidated balance sheet  
for the period ended 31 March 2009**

		<b>6 month period ended 31 March</b>	6 month period ended 31 March 2008	Year ended 30 September 2008
	<i>Note</i>	<b>2009 Unaudited US\$000</b>	Unaudited US\$000	Audited US\$000
<b>Non-current assets</b>				
Goodwill		1,096	1,098	1,096
Intangible assets		2,794	3,105	2,944
Property, plant and equipment	6	75,628	78,110	75,545
Investments accounted for using the equity method	7	50,346	-	51,623
Advance payments for investments		2,278	-	1,598
Available for sale investments		314	1,251	692
		<b>132,456</b>	<b>83,564</b>	<b>133,498</b>
<b>Current assets</b>				
Inventories		102	356	101
Trade and other receivables	8	14,038	18,026	17,034
Cash and cash equivalents		1,330	74,867	8,791
		<b>15,470</b>	<b>93,249</b>	<b>25,926</b>
<b>Total assets</b>		<b>147,926</b>	<b>176,813</b>	<b>159,424</b>
<b>Current liabilities</b>				
Trade and other payables		(1,538)	(3,521)	(2,452)
Current tax liabilities		-	(22)	-
		<b>(1,538)</b>	<b>(3,543)</b>	<b>(2,452)</b>
<b>Net current assets</b>		<b>13,932</b>	<b>89,706</b>	<b>23,474</b>
<b>Non-current liabilities</b>				
Provisions		(2,400)	(1,200)	(2,400)
<b>Total liabilities</b>		<b>(3,938)</b>	<b>(4,743)</b>	<b>(4,852)</b>
<b>Net assets</b>		<b>143,988</b>	<b>172,070</b>	<b>154,572</b>
<b>Equity</b>				
Called up share capital		7,216	7,216	7,216
Share premium account		202,851	202,851	202,851
Merger reserve		776	776	776
Translation reserve		(546)	(86)	(552)
Fair value reserve		(1,830)	(784)	(1,451)
Accumulated losses		(64,479)	(37,903)	(54,268)
<b>Total equity</b>		<b>143,988</b>	<b>172,070</b>	<b>154,572</b>

**Consolidated statement of recognised income and expense**  
for the period ended 31 March 2009

	<b>6 month period ended 31 March</b>	6 month period ended 31 March	Year ended 30 September 2008
	<b>2009</b>	2008	
	<b>Unaudited US\$000</b>	As restated Unaudited US\$000	Audited US\$000
<b>Loss for the period</b>	<b>(10,647)</b>	(6,421)	(23,363)
Exchange differences arising on translation of foreign operations	<b>6</b>	(22)	(488)
Loss on available for sale investments	<b>(378)</b>	(973)	(1,640)
<b>Total recognised gains and losses for the period</b>	<b>(11,019)</b>	(7,416)	(25,491)

**Consolidated cash flow statement**  
for the period ended 31 March 2009

	<b>6 month period ended 31 March</b>	6 month period ended 31 March	Year ended 30 September 2008 Audited US \$000
	<b>2009 Unaudited US \$000</b>	2008 Unaudited US \$000	
<b>Net cash used in operating activities</b>	<b>(5,539)</b>	(11,526)	(23,897)
Interest and similar income received	<b>165</b>	2,155	3,232
Interest and similar charges paid	<b>(145)</b>		(263)
Purchase of property, plant and equipment	<b>(387)</b>	(9,542)	(5,940)
Purchase of intangible fixed assets	<b>(11)</b>	(301)	(313)
Purchase of investments in associates	-	-	(55,050)
Advance payments for investments	<b>(680)</b>	-	(1,598)
Loans to associates	<b>(280)</b>	-	-
Purchase of investments	-	-	(510)
<b>Net cash used in investing activities</b>	<b>(1,338)</b>	(7,688)	(60,442)
Issue of ordinary share capital	-	976	976
<b>Net cash from financing activities</b>	-	976	976
<b>Net decrease in cash and cash equivalents</b>	<b>(6,887)</b>	(18,238)	(83,363)
Cash and cash equivalents at beginning of period	<b>8,791</b>	92,860	92,860
Effect of foreign currency rate changes	<b>(584)</b>	245	(706)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,330</b>	74,867	8,791

## Notes

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted in the European Union (EU) and on the basis of the accounting policies used in preparing the Group's financial statements for the year ending 30 September 2008.

### Going concern and availability of project finance

In common with many companies in the exploration and development stages, the Company raises its finance for exploration and development programmes in discrete tranches and further funding is raised as and when required. On 9 April 2009 gross proceeds of US\$6.0 million were raised in an equity placing that is not accounted for in the period (see note 10). The Board believes that the available cash, refundable deposits and funds from the placing will provide the Group with sufficient funds for going concern purposes until 31 March 2010 but requiring further funding to continue to progress projects.

In February 2009 the Company received approval for the issue of the forestry permit for the Çaldağ project and a framework financing arrangement has been signed to source the debt funding for the project from Chinese banks subject to some conditions precedent. The Board anticipates completion of the financing during the second half of 2009. However, if the financing is not completed in time there can be no certainty that alternative sources of funding will be available which would adversely affect the ability to progress the Çaldağ project such that it could lead to an impairment of the Group's Çaldağ related assets.

### 2. The directors do not propose an interim dividend.

### 3. Interest receivable and similar income:-

	<b>31 March</b>	31 March	30 September
	<b>2009</b>	2008	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>US\$000</b>	US\$000	US\$000
Bank interest receivable	<b>165</b>	2,155	3,232
Net exchange gains	-	245	-
	<b>165</b>	2,400	3,232

### 4. Interest payable and similar charges

	<b>31 March</b>	31 March	30 September
	<b>2009</b>	2008	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>US\$000</b>	US\$000	US\$000
Bank interest payable	<b>145</b>	88	263
Net exchange losses	<b>2,967</b>	-	206
	<b>3,112</b>	88	469

**Notes (continued)**

5. The calculation of loss per share is based on a loss of US\$10,647,000 (six months to 31 March 2008 – loss US\$6,421,000) (year to 30 September 2008 – loss US\$23,363,000) and on 384,727,857 (six months to 31 March 2008 - 384,384,610) (year to 30 September 2008 - 384,556,704) ordinary shares, being the weighted average number of shares in issue during the period. Outstanding options have no dilutive effect in the period or for the six months to 31 March 2008 and the year to 30 September 2008.
6. Property, plant and equipment includes “Assets under construction” amounting to US\$72,982,000 (six months to 31 March 2008 – US\$74,995,000) (year to 30 September 2008 – US\$72,652,000) which relates to expenditure on the Çaldağ project and which is not yet being depreciated.
7. Investments in associates relate predominantly to the 19.3% shareholding in Toledo Mining Corporation and the 18.7% shareholding in Berong Nickel Corporation.

8. Trade and other receivables:-

	<b>31 March</b>	31 March	30
	<b>2009</b>	2008	September
	<b>Unaudited</b>	Unaudited	Audited
	<b>US\$000</b>	US\$000	US\$000
Trade receivables	-	2,341	221
Other receivables	<b>6,883</b>	8,809	8,744
Refundable deposits	<b>5,845</b>	-	5,845
Prepayments and accrued income	<b>1,309</b>	6,876	2,224
	<b>14,037</b>	18,026	17,034

Other receivables includes an amount of US\$6,199,000 (31 March 2008 - US\$7,650,000) (30 September 2008 - US\$8,115,000) recoverable in over one year. This represents input VAT incurred in Turkey which will in due course be recovered against taxable sales in that country.

The refundable deposits are advance payments for equipment for the Çaldağ project that may be recalled under a bank guarantee.

9. The results for the six months ended 31 March 2009 and 31 March 2008 are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2008 have been delivered to the Registrar of Companies. The audit report was unqualified and included an emphasis of matter relating to the availability of project finance and the assumptions adopted for the Berong impairment review.
10. On 19 March 2009 the Company closed the placing for the issue of 86,000,000 ordinary shares of 1p each to raise gross proceeds of US\$6.0 million. The placing was approved by shareholders at a General Meeting on 8 April 2009 and the proceeds were received on 9 April 2009. The placing has not been accounted for in the period ending 31 March 2009. The total number of ordinary shares in issue at 8 June 2009 is 470,727,857.
11. On 2 June 2009 US\$3.8m was paid for the Forestry Permit fee and associated stamp duty for the Çaldağ project.

## Company information

### Directors

David Whitehead (Non-Executive Chairman)  
Simon Purkiss (Managing Director)  
Andrew Lindsay (Finance Director)  
Sir David Logan (Non-Executive Director)  
Paul Lush (Non-Executive Director)  
Chris Pointon (Non-Executive Director)  
Euan Worthington (Non-Executive Director)

### Senior Management

Kemal Yildirim  
Country Manager, Turkey  
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### Company Secretary

Robert McLearn

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