



European Nickel Results For Year Ended 30 September 2009

1 March 2010 – London: European Nickel PLC (“European Nickel” or the “Company”) (AIM, PLUS: ENK) is pleased to announce its results for the year ended 30 September 2009.

Highlights

- Merger with Rusina to consolidate Philippines asset base and secure Acoje’s future
- Associated placing with the merger to raise US\$19.4 million, which will strengthen the balance sheet and progress Definitive Feasibility Study at Acoje
- Chinese funding progressing, due diligence completed, JXTC Board approval for US\$20 million equity investment into Çaldağ, still awaiting provincial government approval
- Letter of Interest received from Chinese backed credit export agency
- Offtake agreement negotiated with JXTC for 100% of Çaldağ offtake
- Dialogue with Western Banks reopened and encouraging

Simon Purkiss, Managing Director, commented: “2009 was undoubtedly a challenging year for businesses worldwide, however we weathered the global financial economic crisis and have emerged into 2010 stronger.

“The merger with Rusina is a logical transaction which will secure Acoje’s future, consolidates our asset base in the Philippines and strengthens the management team. The heap leach trial site has finished construction and a 3,000 tonne ore sample will be processed. The associated fund raising provides us with funds to finalise the financing of Caldag and to progress the Acoje feasibility study.

“Concluding the Chinese project finance package for Çaldağ has taken longer than anticipated, although progress was made during 2009. We have continued to receive positive assurances during the early part of 2010 in relation to the progress of the Chinese project financing. However, as a precautionary measure, we have reopened dialogue with Western banks regarding debt finance and have been encouraged by the initial reactions in the context of improved credit market conditions.”

Annual Report

The Annual Report will be available shortly on our website www.enickel.co.uk and will be mailed to shareholders on 5 March 2010.

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Chairman's Statement

This past year has been extremely challenging for many businesses as the global credit crisis took effect and European Nickel was no exception. Despite an encouraging start to the 2009 calendar year with the receipt of the long awaited forestry permit and the signing of a Financing Framework Agreement for the Çaldağ project, the year has been overshadowed by the delays we have experienced in the consummation of this investment and project finance package with our Chinese counterparties. Consequently this has severely strained our position. However, we have survived the year and emerged into 2010 with the announcement of a merger with Rusina Mining NL (Rusina) and an associated share placement to raise US\$19.4 million. This will strengthen our balance sheet and management team, enabling us to continue progressing our two development projects, Çaldağ and Acoje, towards construction and, ultimately, production.

At the time we announced the Financing Framework Agreement, there were three main conditions precedent which required completion; obtaining the forestry permit, terminating the Çaldağ offtake agreement with BHP Billiton and the subsequent signing of an offtake agreement for the full Çaldağ offtake with Jiangxi Rare Earth and Rare Metals Tungsten Group Corporation Limited (JXTC) and obtaining Chinese government and regulatory approvals for JXTC to hold equity in an offshore entity (namely Sardes Nikel Madencilik, the Turkish project holder). European Nickel has delivered on the two conditions that it was responsible for. We are now waiting for JXTC and the Chinese export credit agency to complete their approvals processes, which despite continuous assurances that the process is advancing, to date remain uncompleted.

In light of the prolonged period it has taken to obtain finance from our Chinese partners, we decided last year to appoint Endeavour Financial Corporation as our debt advisers. With their support, whilst still advancing the Chinese financing, we have recently started investigating the appetite of the Western debt markets to provide the required finance. We have been encouraged by the dialogue to date and the banks' interest underlines the commercial attractiveness of the Çaldağ project. This alternative avenue of project financing is of particular interest since the termination agreement with BHP Billiton for the offtake agreement, as well as the Financing Framework Agreement both expire at the end of March 2010. Although both agreements may be extended, their expiry introduces an interesting opportunity to seek alternative finance. On expiry of the BHP Billiton termination agreement, JXTC will lose the right to the Çaldağ offtake and it will revert back to BHP Billiton.

As a result of these delays, we have continued to conserve our cash resources during the year, which, unfortunately, has meant we have severely restricted ongoing expenditures in all aspects of our business, including a reduction of staffing to care and maintenance levels at Çaldağ. We also put most of our research and business development on hold as well as reduced management costs and corporate overheads to the maximum extent compatible with retaining the capability to resume development of Çaldağ as soon as financing arrangements are in place.

However, we did ensure we have continued to meet our minimum expenditure requirements for the Acoje joint venture with Rusina. This has enabled us to continue to progress the project towards a Definitive Feasibility Study (DFS), which is due for completion during 2011. At the time of writing, we have just announced our intention to merge with Rusina through a Scheme of Arrangement, which is discussed in more detail below. We view Acoje as our next development project after Çaldağ. The project is proceeding very satisfactorily and the test heaps and pilot plant have been constructed on site although delays have been encountered as a result of adverse weather, with the wet season being particularly heavy this year.

The consequence of the delays encountered in completing the financing arrangements for the Çaldağ project, the payment of a substantial fee for the issuance of the forestry permit and

ongoing expenses for the development of the Acoje project have required us to raise additional funds. This was done by way of a private placement in April 2009 to raise US\$6 million and through a bridging loan with Endeavour Finance in July 2009 to raise US\$4.0 million, subsequently increased to US\$5.0 million in December 2009. We were also obliged to dispose of a portion of our holding in Toledo Mining Corporation Plc (Toledo) in January 2010 to raise a further US\$950,000, which has reduced our holding in Toledo to 7.7% and our beneficial interest in Berong Nickel Corporation (BNC) (the underlying development project) to 23.0%.

The pre-tax loss for the year was 39% less than last year at US\$14.4 million reflecting the significant reduction in spending during the year. The Company cut costs across the Group with total staff numbers being reduced by 58% to 72 by the end of the year. Most of the staff cuts were in Turkey where direct ore shipping had ceased in early 2008 and the Company's demonstration plant was put on care and maintenance. Consequently there was no revenue generated during the year compared with revenue last year of US\$5.6 million.

In line with our strategy to obtain equity interests in attractive heap leach treatable nickel laterite resources, to eliminate the expenditure premium consequent in the current joint venture and to strengthen the management of our developing interests in the Philippines, we have announced an agreement to merge with Rusina under the terms of an Australian Scheme of Arrangement.

The Boards of both companies believe the merger rationale is logical and compelling as it consolidates the Acoje project into a simpler structure, increases European Nickel's interest in the project to 92%, thereby enabling the orderly development of the project after Çaldağ, and strengthens the management team with the appointment of Robert Gregory as European Nickel's Managing Director. Robert Gregory has operated in South East Asia for a number of years and he will report to Mr Simon Purkiss who will become Executive Deputy Chairman. The Rusina board has recommended the merger to its shareholders.

This Scheme is subject to the approval by the Australian courts, by Rusina's shareholders and to the agreement of European Nickel's shareholders for the issuance of new shares required to complete the merger. If the merger is approved and completed, Rusina shareholders will subsequently hold approximately 27% of the enlarged European Nickel business.

In conjunction with the merger agreement, we have also completed a private placement of shares to raise US\$19.4 million in two tranches. The first tranche of US\$8.6 million was placed on 2 February 2010 and part of the proceeds were used to repay the Endeavour bridging loan. The second tranche of US\$10.8 million will be received on completion of the merger with Rusina. With this additional funding and Rusina's current treasury, the Company will be in a position to progress the DFS at Acoje and to complete the project finance for the construction of the Çaldağ project.

Turning to the nickel market, it has undergone some interesting changes over the past couple of years. The spike in the nickel price in 2007 to over US\$20 per pound prompted a new source of nickel to be developed with the Chinese utilising numerous small blast furnaces and ferronickel smelters to produce a brand new product, nickel pig iron or low grade ferronickel. This new product and the significant quantities needed prompted nickel laterite deposit holders to open up their deposits and Direct Ore Shipment (DOS) operations were started all over South East Asia. This, coupled with Chinese traders purchasing ore at any grade, prompted a boom to bust cycle in the DOS market when nickel prices fell below the US\$10 per pound required by some of the high cost producers. These new nickel units have had the effect of capping the nickel price upside for any length of time at US\$10-12 per pound. Whilst the nickel price did drop to approximately US\$6 per pound, it recovered to an average range of US\$7-8 per pound for the year. Looking ahead to the rest of 2010, industry consensus is that nickel demand will strengthen over the previous year and that the price will range around US\$8 per pound.

After an extremely difficult period over the past twelve months, I believe European Nickel is now positioned to move forward again, to resume our endeavours to develop Çaldağ into a high quality and profitable heap leach operation and to successfully complete the DFS at Acoje, leading on to its development. After the merger with Rusina, we will have a strengthened management team and the financial resources to achieve this.

Once again I want to convey my sincere appreciation of the efforts of all of our employees, the forbearance of our partners and the support of our shareholders under the very difficult circumstances that the Company has had to endure since my last report to shareholders. I believe we are now well positioned to move forward successfully to achieve our main strategic goals, to create value for our shareholders and to become a growing and profitable nickel producer.

Thank you all,
David Whitehead

CONSOLIDATED INCOME STATEMENT

	2009 Audited US\$000	2008 Audited US\$000
Note		
Revenue	—	5,606
Cost of sales	—	(4,778)
Gross profit	—	828
Administrative expenses	(9,215)	(16,253)
Other operating costs	(2,585)	(7,497)
Other operating income	123	250
Operating loss	(11,677)	(22,672)
Other interest receivable and similar income	82	3,232
Interest payable and similar charges	(1,288)	(469)
Share of results of associates and joint ventures	(1,486)	(3,427)
Loss on ordinary activities before taxation	(14,369)	(23,336)
Tax on loss on ordinary activities	—	(27)
Loss for the financial year	(14,369)	(23,363)
Loss per share – basic and diluted	3 (14,369)	(23,363)
	3	(\$0.03) (\$0.06)

CONSOLIDATED BALANCE SHEET

	Note	2009		2008	
		Audited		Audited	
		US\$000	US\$000	US\$000	US\$000
Assets					
Goodwill			1,096		1,096
Intangible assets			2,641		2,944
Property, plant and equipment	4		78,553		75,545
Investments accounted for using the equity method	5		50,169		51,623
Advance payments for investments			—		1,598
Available for sale financial assets			865		692
Total non-current assets			133,324		133,498
Inventories			102		101
Trade and other receivables	6		16,549		17,034
Cash and cash equivalents	7		1,530		8,791
Total current assets			18,181		25,926
Liabilities					
Interest-bearing loans			(3,922)		—
Trade and other payables			(3,073)		(2,452)
Total current liabilities			(6,995)		(2,452)
Net current assets			11,186		23,474
Provisions			(2,400)		(2,400)
Total non-current liabilities			(2,400)		(2,400)
Net assets			142,110		154,572
Called up share capital			8,480		7,216
Share premium account			207,496		202,851
Merger reserve			776		776
Translation reserve			(355)		(552)
Fair value reserve			(1,278)		(1,451)
Accumulated losses			(73,009)		(54,268)
Shareholders' funds			142,110		154,572

CONSOLIDATED CASH FLOW STATEMENT

Note	2009 Audited US\$000	2008 Audited US\$000
Operating loss	(11,677)	(22,672)
Depreciation and amortisation	877	876
Loss on disposal of property plant and equipment	—	13
Impairment loss on available for sale financial asset	—	402
Effect of exchange rate fluctuations	1,455	—
Share-based payment expense	1,025	938
Operating cash outflow before movements in working capital	(8,320)	(20,443)
(Increase)/decrease in stocks	(1)	1,838
Decrease/(increase) in trade and other receivables	489	(3,786)
Increase/(decrease) in trade and other payables	621	(1,506)
Net cash used in operating activities	(7,211)	(23,897)
Interest and similar income received	82	3,232
Interest and similar charges paid	(180)	(263)
Purchase of property, plant and equipment	(3,937)	(5,940)
Purchase of intangible fixed assets	(13)	(313)
Purchase of investments in associates	—	(55,050)
Purchase of investments in joint ventures	(4,861)	—
Advance payments for investments	—	(1,598)
Purchase of investments	—	(510)
Loan to associate	(221)	—
Net cash flows used in investing activities	(9,130)	(60,442)
Gross proceeds from issue of ordinary share capital	6,290	976
Expenses incurred issuing ordinary share capital	(381)	—
Interest-bearing loans	4,000	—
Net cash flows from financing activities	9,909	976
Net decrease in cash and cash equivalents	(6,432)	(83,363)
Cash and cash equivalents at beginning of the year	8,791	92,860
Effect of exchange rate fluctuations on cash held	(829)	(706)
Cash and cash equivalents at end of the year	1,530	8,791

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE

	Note	2009 US\$000	2008 US\$000
Loss for the financial year		(14,369)	(23,363)
Exchange difference arising on translation of foreign operations		197	(488)
Gain/(loss) on available for sale investments		173	(1,640)
Loss on deemed disposal of investment in associate	5	(5,755)	—
Total recognised gains and losses relating to the financial year		(19,754)	(25,491)

Notes

1. The financial information set out in this announcement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year ended 30 September 2009 or Section 240 of the Companies Act 1985 for the year ended 30 September 2008, but is derived from those accounts. The financial statements for 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have not yet reported on these accounts. They anticipate that their report will be unqualified and will not contain statements under the Companies Act 2006, s498(2) or 498(3). They expect to include an emphasis of matter paragraph in their audit report regarding going concern, the availability of project finance and the assumptions adopted for the Berong impairment review.
2. Summary of significant accounting policies:

Basis of preparation

The consolidated financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern and availability of project finance

The Group incurred losses of US\$14.37 million in the year and at the year end had cash balances of US\$1.53 million and refundable deposits of US\$5.85 million. In common with many exploration and development companies the Group raises equity funds in discrete tranches in order to fund its activities and in February 2010 the Company raised approximately US\$8.6 million by way of share placement with a further US\$10.75 million raised subject to the completion of the merger with Rusina Mining NL (Rusina), shareholder approval at the AGM (which the Board believe will be forthcoming), approval for the merger by Rusina's shareholders and regulatory approval. The Board have reviewed the forecast working capital requirements of the Group for the period to 31 March 2011 and believe that with this additional funding the Group will have sufficient financial resources for going concern purposes and to progress its projects. The Board has therefore concluded that it is appropriate to prepare these financial statements on a going concern basis.

In February 2009 the Company received approval for the forestry permit for the Çaldağ project. It has also signed a financing framework agreement with Jiangxi Rare Earth and Rare Metals Tungsten Group Company Limited (JXTC) for it to acquire a 20% equity interest in the Çaldağ project for US\$20 million and for China Tianchen Engineering Corporation (TCC) to assist in arranging debt funding for the development of the Çaldağ project. Upon completion of these financing arrangements the Board considers that the Company will have sufficient financing available to proceed with the construction of the Çaldağ mine and associated processing plant. The framework financing agreement expires on 31 March 2010 but may be extended.

Completion of the arrangements is conditional on Chinese State approval of the transaction, which is currently being sought. Should the financing arrangements with JXTC and TCC not be completed the Company would need to put in place alternative financing arrangements to proceed with the construction of the Çaldağ mine and associated processing plant. To this end encouraging discussions have recently taken place with a view to raising the debt financing from western banks. The Board believe that the necessary finance will be forthcoming in time, however, there can be no certainty in this regard and should these arrangements not be finalised in time the Company's ability to progress the Çaldağ project could be adversely affected such that it would lead to an impairment of the Group's Çaldağ related assets.

Property, plant and equipment

Assets in the course of construction include pre-production and development expenditure incurred once commercial viability of the respective projects has been established. Depreciation will commence upon commercial production.

Investments in associates and joint ventures

A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The investment in the joint venture is initially recognised at cost and adjusted for the Group's share of the changes in net assets of the joint venture after the date of acquisition, and for any impairment in value. If the Group's share of losses of a joint venture exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of the changes in the net assets of the investee after the date of acquisition, and for any impairment in value which includes access to mineral rights identified on acquisition. If the Group's share of losses of an associate exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

Impairment

The carrying amounts of the Group and Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill is allocated to cash generating units where this is practical. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

3. Loss per share

The calculation of loss per share is based on a loss attributable to equity holders of the parent of US\$14,369,000 (year to 30 September 2008: loss US\$23,363,000) and on 425,725,117 ordinary shares (year to 30 September 2008: 384,556,704), being the weighted average number of shares in issue during the year. There is no difference between the diluted loss per share and the loss per share presented. Share options are not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented. Further significant share issues occurred after the end of the period.

4. Property, plant and equipment includes "assets under construction" amounting to US\$76,183,000 (2008: US\$72,652,000) which relates to expenditure on the Çaldağ project.

5. Investments accounted for using the equity method includes US\$23,633,000 relating to the 19.3% share in Toledo Mining Corporation Plc and US\$26,906,000 relating to the 18.7% share in Berong Nickel Corporation, both acquisitions took place on 27 June 2008.

On 4 August 2009 Toledo Mining Corporation issued 12,000,000 new shares at 38p each. The Group did not participate in the placing, reducing the Group's holding to 13.7%. The reduction in holding is a deemed disposal of 29% of the original stake (US\$6,805,000) less the Group's share of the deemed proceeds of the placing based on the new holding (US\$1,050,000). The net loss on disposal is therefore US\$5,755,000 which was taken to reserves.

6. Trade and other receivables:

	Group 2009 US\$000	Group 2008 US\$000
Trade receivables	—	221
Other receivables	9,118	8,744
Refundable deposits	5,845	5,845
Prepayments and accrued income	1,586	2,224
	16,549	17,034

Group other receivables includes an amount of US\$7,719,000 (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.

7. Reconciliation of cash and cash equivalents:

	Group 2009 US\$000	Group 2008 US\$000
Cash on hand and balances with banks	1,484	885
Short-term investments	46	7,906
Term deposits	—	—
	1,530	8,791

The term deposit is pledged as a security for a similar borrowing by a subsidiary company and is not available for use.

9. Impairment review:

The present circumstances of the Group's projects having both project financing risk (Çaldağ) and being at an early stage of development (Berong), led the directors to carry out an impairment review of the Group's principal resource assets Çaldağ and Berong, which is partly held through the investment in Toledo.

Separate impairment reviews on a value in use basis have been carried out for each asset and, based on these reviews, the directors have concluded that no impairment against the carrying value of these assets has occurred.

In carrying out the impairment review the directors have selected a discount rate which reflects the estimated weighted average cost of capital for each project and which reflects the level and cost of debt that, based on current discussions with potential funders, they expect would be available to develop each project taking into account the specific assets (including location). The directors have estimated a pre-tax weighted average cost of capital of 10% for Çaldağ and 15% for Berong to reflect that Berong is at an earlier stage of development.

The directors have prepared cash flow forecasts covering the expected life of each project based on the level of resource for Çaldağ and estimated resource for Berong. This represents 14 years in respect of Çaldağ and 33 years in respect of Berong. In carrying out the impairment the directors have used a commodity price of US\$13,230/tonne. A recent consensus of independent brokers estimates of the three year selling price for nickel at US\$18,150/tonne compared to the spot rate on 17 February 2010 of US\$19,575/tonne.

In deriving an estimate of the value in use in respect of Çaldağ and Berong the directors have calculated a net present value (NPV) of the projected cash flow to be derived from the exploitation of the known reserves of 375,000 tonnes and 154,224 tonnes of contained nickel respectively.

The impairment review for Berong assumes that operations will commence in four years time and costs are based on current cost estimates. Because the Berong project is at an early stage of evaluation and the estimated resource level is not yet JORC compliant the capital and operating costs and revenue assumptions are based on an initial concept study. Further resource evaluation and a feasibility study will need to be funded and undertaken before the project can be developed. As such the estimates and assumptions used in the initial concept study may change significantly. The results of the impairment review for Berong, which is partly held through Toledo, indicate that the NPV of the project attributable to the Company is close to the current carrying value of the project. Therefore adverse changes to key assumptions could lead to an impairment arising. The table below indicates the impairments that may arise from adverse changes in key assumptions.

Reduce nickel price by 10% to \$5.40/lb	US\$000 5,705
Increase capex by 15%	—
Increase opex by 15%	—
Increase capex and opex by 15%	11,800

10. The directors do not recommend the payment of a dividend (2008: nil).