

Çaldağ Project Financing Framework Agreement and Updated Project Costs

Highlights

- Signed financing framework agreement with Chinese partners for provision of a guaranteed US\$350 million debt facility
- JXTC to acquire 20% of the Çaldağ project for US\$20 million
- Off-take agreement with JXTC for 50% of nickel production
- TCC to be EPC contractor
- Project development costs and economics updated

19 February 2009 – London: Following the recently announced approval of the forestry permit for the Çaldağ project, European Nickel PLC (“European Nickel” or the “Company”) (AIM, PLUS: ENK) is pleased to provide an update on the financing of the project and its development costs and economics.

Financing Framework Agreement

The Company is pleased to announce a financing framework agreement (the “Framework Agreement”) has been signed with Jiangxi Rare Earth and Rare Metals Tungsten Group Company Limited (“JXTC”) and China Tianchen Engineering Corporation (“TCC”) to fund the development of the Çaldağ mine. The project finance facility and other matters set out in the Framework Agreement are subject to detailed negotiations and several conditions precedent.

Pursuant to the Framework Agreement, TCC will lead the arrangement of the provision of a credit guarantee insurance policy for the Çaldağ project finance facility. This guaranteed facility will be for up to US\$350 million and will facilitate the funding to be provided by a consortium of predominantly Chinese banks.

JXTC have also undertaken to acquire a 20% equity interest in the Çaldağ project for US\$20 million and will purchase 50% of the mine’s nickel production. The US\$20 million project level equity subscription is conditional upon approval by the Jiangxi Provincial Government and associated agencies and is payable within two weeks of completion of the off-take agreement outlined below.

Upon completion of the project finance facility and subject to reasonable terms being agreed, TCC will be appointed the Engineering, Procurement and Construction (“EPC”) contractor for the Çaldağ project. In addition, subject to completion of the facility, European Nickel has agreed that TCC will be its preferred EPC contractor for the development of any of its nickel laterite projects for a period of five years and will grant TCC, free of charge, a 2% interest in the Çaldağ project.

TCC has advised European Nickel that it expects the completion of the project finance facility to take between three to six months. The Framework Agreement envisages that the project finance facility will have an eight-year term with a 24 month grace period before the commencement of payments.

Off-take Agreement with JXTC

Pursuant to the Framework Agreement and an off-take heads of agreement, JXTC has conditionally agreed to buy all of Çaldağ's second nickel mixed hydroxide product, which represents 50% of total production and will contain ca. 25% nickel, at market related prices. The off-take is conditional on final documentation and BHP Billiton agreeing to release this material for sale to JXTC, as currently all of the nickel production from Çaldağ is committed to BHP Billiton. The final documentation is expected to be signed over the coming months prior to completion of the project finance.

BHP Billiton has indicated to the Company that it is prepared to grant such a release and that it wishes to maintain its entitlement to receive the primary nickel product, which will have a nickel content of ca. 35% and makes up the other 50% of Çaldağ's contained nickel production.

Updated Project Development Costs and Working Capital Requirements

The Company has updated its project costs for Çaldağ from its April 2006 feasibility study. Capital expenditure has increased modestly by 16% to US\$277 million, which the directors believe represents a competitive capital intensity cost of US\$6.12 per pound of forecast annual nickel. Total development costs, including working capital, escalation and financing costs, have increased from US\$300 million to US\$428 million. This increase is related to the higher fees and interest associated with increased level of debt and higher operating costs as well as reduced revenue generation due to the lower nickel price forecast during the period while production is ramping up until the project turns cash positive and the point of maximum draw down is reached.

In summary, of the total project cost of US\$428 million, US\$70 million has already been spent by the Company and the balance will be financed by US\$350 million of project finance and US\$8 million of the equity will be provided by JXTC.

The Company has updated the April 2006 review of the bankable feasibility study to incorporate the changes to the project parameters that have occurred since then. The project's net present value (NPV) has increased to US\$207 million, based on a long-term nickel price of US\$6.00 per pound and a cobalt price of US\$10.00 per pound, and the forecast internal rate of return is 20.5%. The forecast cash operating cost, net of by-products, is US\$1.99 per pound of nickel contained in the mixed hydroxide product.

Commenting on the announcement, Simon Purkiss, Managing Director of European Nickel, said "The financing framework agreement marks the beginning of a potentially long-term strategic alliance with JXTC and TCC. At a time when the global financial markets are tight and the nickel price is experiencing weakness, it is reassuring to find partners who are positive about the long-term fundamentals for nickel and are located in the world's fast growing commodity market of China. On completion of this financing, the Çaldağ project will be fully funded through to production.

TCC is a well respected EPC contractor with a global client base and has been very supportive during the last few years while we have been finalising the forestry permit application. JXTC is a rapidly growing natural resources company and is building the world's first refinery dedicated to processing mixed hydroxide product into nickel and cobalt products. Together I believe we have a strong partnership with the appropriate financial and construction skill base that will be invaluable as we will build Çaldağ, the world's first commercial nickel laterite heap leach operation."

The information contained in this announcement has been reviewed by Mr S. Purkiss, BSc, FIMMM, PE, etc, Managing Director of European Nickel PLC. Mr. Purkiss has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a qualified person (as defined in the AIM Rules for Companies Guidance Note for Mining Oil and Gas Companies) for the purposes of this announcement.

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About European Nickel

European Nickel (AIM, PLUS: ENK) is an emerging mid-tier nickel laterite producer focused on growth. With over 1 million tonnes of nickel resources and assets in Turkey, the Philippines and Albania, European Nickel is targeting 50,000 tonnes of annual nickel production within five years. The Çaldağ project in Turkey is the Company's flagship asset with near-term production and will be the world's first commercial scale nickel laterite heap leach operation.

Note to Editors:

Founded in 1949, **Jiangxi Rare Earth & Rare Metals Tungsten Group Corporation** ("JXTC") is a large state-owned industrial enterprise, based in the Jiangxi province with approximately 6,950 employees. The company has grown into the largest domestic mining base specialising in rare earth and rare metals, such as tungsten, providing a complete chain of nonferrous mining, metallurgy, processing, sales and equipment manufacturing. This is the company's first investment in to an international mining project.

In 2007, the company's revenues were RMB4.4 billion (US\$640 million). The group's total assets are worth around RMB8.6 billion (US\$1.3 billion) with a net asset value of RMB3.8 billion (US\$558 million).

China Tianchen Engineering Corporation ("TCC"), formerly known as China Tianchen Chemical Engineering Corporation, was established in 1953 and is an engineering design, EPC and other engineering services company based in Tianjin, China. It is ranked as one of the top 225 Global International Contractors by the American publication Engineering News Records and has many international clients. It is currently undertaking 22 projects outside of China and clients include ExxonMobil, Sinopec, Shell, Dow, DuPont, GE, Procter & Gamble, Mitsubishi Heavy Industries and many others.