news release

For immediate release: 31 January 2007

European Nickel PLC

Preliminary Results for year ended
30 September 2006
Audited

LONDON, 31 January 2007 – European Nickel PLC (the "Company") ('ENK.L') reports its audited results for the year ended 30 September 2006.

Highlights

- Revision of the Çaldağ reserve statement by Snowden to 33.5 million tonnes at 1.14% nickel in the proven and probable mineral reserve category
- Completion of the definitive feasibility study in November 2005, followed by a reduction of the total development cost to US$300 million
- Environmental Impact Assessment approved by the Turkish government in January and Construction Permit issued in May
- Raised approximately $155 million of new equity in May 2006
- Conditional agreement with three international banks for the provision of up to $180 million for financing some 60% of the total development cost of the Çaldağ project
- Appointment of Aker Kvaerner as Engineering and Procurement contractors and Merit Consultants International as Construction Management contractors
- Selection of China Tianchen Chemical Engineering Corporation to build the acid plant
- Commencement of mining operations to the supply 200,000 tonnes of ore to the Greek ferronickel smelter, GMM SA Larco

Chairman's Statement

It is with great pleasure that I make my first Chairman's Statement to you having taken over from Felix Pole as your Chairman in September and I would first like to acknowledge the tremendous achievements of your Company under his leadership.

We have continued to pursue vigorously our principal objective of bringing the Çaldağ project into production and a number of important developments towards achieving this goal have been made during the year.

The completion of the debt financing documentation, the issue by the authorities of certain permits and the execution of the contract for site clearance are now our priority. The granting of the necessary forestry permit has taken longer than was originally anticipated and this has led to a revision of the construction timetable. However, the permit is still expected to be issued soon and once we have it we will be able to commence site clearance.

The completion of the debt financing documentation is also taking longer than expected. This will have an impact on the project if the award of the acid plant supply contract is delayed as a consequence.

We believe the Company's conscientious attitude to the environment has been of significant help in the granting of the permits required for construction and development of the Çaldağ project. Although not required by law the Company has planted some 44,000 new trees in the region and will plant an additional 100,000 trees during the coming season, more than replacing the number of trees that will be harvested during construction.

Infrastructure development commenced in October 2006 on a 12 km road connection from the Ankara-Izmir highway to the mine and on power and water supply facilities.

The current programme envisages nickel laterite heap leaching commencing during the fourth quarter of 2007, nickel concentrate production early in 2008 and full production in early 2009. At full capacity the mine will produce some 20,400 tonnes of nickel and 1,200 tonnes of cobalt a year in a mixed hydroxide product. The total development cost of the project is $300 million, financed through a combination of equity and debt.

Meanwhile we have entered into a contract with GMM SA Larco, the Greek nickel mining and processing company, to supply it with 200,000 tonnes of unprocessed ore from the Çaldağ mine. Shipments began in September and will continue until the end of 2007. Apart from bringing in revenue, this contract allows us to train our mine operators and to refine our mine planning and grade control procedures, to establish haul road traffic management standards and to start work on the mine's waste dumps and, importantly, brings the disciplines of financial control and budgeting from the style required for a project company to the level required for an operating company. The experience to date on the mining and grade control has validated the ore quality projected.

We generated £776,000 of revenue from our direct ore shipping activities during the year and a gross profit of £185,000.

We are continuing to invest in heap leach test work to optimise production and processing parameters for the initial years of production, to train operators and to provide product in sufficient volume for planned metallurgical investigations designed to improve product quality and value. The considerable amount of data and know-how that has been generated to date has been used in the engineering design of the full scale operation, and the benefit of the continuous operating data that we generated has confirmed the metallurgy. This type of data is normally very difficult to produce during the development stage of a project.

Further afield we are continuing to search for profitable opportunities to capitalise on our developing expertise in heap leaching certain types of lateritic nickel ores, with a continuous focus on exploration in areas of high potential for Çaldağ type mineralisation, principally in Turkey, but also in parts of the Balkans. We continue to seek out opportunities for participation in resources controlled by third parties where our technology know-how and expertise provides an entry route and we anticipate that these efforts will lead to new opportunities in the coming year.

We have had encouraging drilling results from out Korçë property in Albania and will conduct further drilling and a mining trial to establish ground conditions during the coming year. We will also ship a bulk sample to Çaldağ for large scale test work.

I would like to express my appreciation for the support and efforts of all involved in the development of the Çaldağ project and to recognise the dedicated efforts of the management and staff of European Nickel in bringing the project to its now advanced stage of development in a safe and professional manner.

David Whitehead

Chairman

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Consolidated profit and loss account

	Note	**2006 Audited £**	2005 Audited £
Group turnover		**776,089**	-
Cost of sales		**(591,340)**	-
Gross profit		**184,749**	-
Administrative expenses		**(3,408,461)**	(2,246,729)
Other operating costs		**(4,513,781)**	(4,450,452)
Other operating income		**159,879**	102,451
Group operating loss		**(7,577,614)**	(6,594,730)
Other interest receivable and similar income		**1,443,084**	671,633
Interest payable and similar charges		**(2,933,027)**	(198,124)
Loss on ordinary activities before taxation		**(9,067,557)**	(6,121,221)
Tax on loss on ordinary activities		**(10,550)**	-
Loss for the financial year		**(9,078,107)**	(6,121,221)
Loss per share – basic and diluted	*3*	**4.68p**	6.17p

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Consolidated balance sheet

		2006		2005
		Audited		Audited
	£	£	£	£
Fixed assets				
Intangible assets		**1,980,948**		2,271,710
Tangible assets		**4,630,447**		1,637,246
		6,611,395		3,908,956
Current assets				
Stocks	**535,522**		66,001	
Debtors	**4,017,903**		1,090,227	
Cash at bank and in hand	**80,009,685**		9,703,170	
	84,563,110		10,859,398	
Creditors: amounts falling due within one year	**(3,257,306)**		(948,002)	
Net current assets		**81,305,804**		9,911,396
Total assets less current liabilities		**87,917,199**		13,820,352
Creditors: amounts falling due after more than one year				
Convertible loan		**-**		(1,680,324)
Net assets		**87,917,199**		12,140,028
Capital and reserves				
Called up share capital		**3,710,754**		1,158,056
Share premium account		**103,547,695**		22,316,932
Merger reserve		**414,461**		284,461
Profit and loss account		**(19,755,711)**		(11,619,421)
Equity shareholders' funds		**87,917,199**		12,140,028
Minority interests		-		-
		87,917,199		12,140,028

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Consolidated cash flow statement

	2006 Audited £	2005 Audited £
Cash outflow from operating activities	**(6,445,873)**	(7,200,036)
Returns on investments and servicing of finance	**(1,489,943)**	473,509
Taxation	**-**	-
Capital expenditure and financial investment	**(3,559,956)**	(1,213,012)
Acquisitions and disposals	**(135,000)**	-
Cash outflow before management of liquid resources and financing	**(11,630,772)**	(7,939,539)
Management of liquid resources	**(74,830,286)**	5,288,088
Financing	**81,926,474**	7,215,672
(Decrease)/increase in cash in the year	**(4,534,584)**	4,564,221

Reconciliation of Movement in Shareholders' Funds

	2006 Audited £	2005 Audited £
Loss for the financial year	**(9,078,107)**	(6,121,221)
Exchange difference arising on retranslation of net investments	**941,817**	(273,283)
Total recognised gains and losses relating to the financial year	**(8,136,290)**	(6,394,504)
New share capital subscribed (net of issue costs)	**83,783,461**	7,024,936
Merger reserve arising on issue of shares as consideration for the acquisition of shares in subsidiary	**130,000**	-
Net increase in shareholders' funds	**75,777,171**	630,432
Opening shareholders' funds	**12,140,028**	11,509,596
Closing shareholders' funds	**87,917,199**	12,140,028

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Notes

1. Basis of preparation

   The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules. They have been prepared on a going concern basis that assumes the Company and Group will continue to operate for the foreseeable future. In common with many exploration companies, the Company raises its finance for exploration and development programmes in discrete tranches. Further funding will be raised as and when required.

   The directors are of the opinion that the existing cash reserves of £66 million (as at 24 January 2007) are adequate to continue operating the Çaldağ demonstration plant and to undertake the exploration programme to beyond the end of the 2007 calendar year.

   By a placing of 240,000,000 new ordinary shares of 1p for cash at 35p per share which was approved by shareholders at an extraordinary general meeting of the Company held on 12 June 2006 the Company has raised £84 million for the equity portion of the finance required for the construction of the Çaldağ project and to provide additional working capital.

   The directors are in discussions to raise the project debt required to complete funding of the construction of the Çaldağ project. While the directors are confident that such funding will be available there can be no guarantee that this will be the case. Were sufficient funding not to be available, the Group would continue in the short term to carry out small scale production at its Çaldağ plant, as well as exploration activities at other sites.

2. The directors do not propose a dividend.

3. The calculation of loss per share is based on a loss of £9,078,107 (2005 - £6,121,221) and on 193,865,553 (2005 - 99,207,921) ordinary shares, being the weighted average number of shares in issue during the year.

4. Reconciliation of cash at bank and in hand:-

	2006	2005
	£	£
Cash	**220,464**	4,744,235
Liquid resources	**79,789,221**	4,958,935
Total cash at bank and in hand	**80,009,685**	9,703,170

   Liquid resources comprise bank deposits for periods of up to two months.

5. The financial information set out in this preliminary announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 for the year ended 30 September 2006 or for the year ended September 2005. The results for the year ended 30 September 2006 are audited. The accounts for the year to 30 September 2005, which include an unqualified audit report, have been delivered to the Registrar of Companies.

Distributed on behalf of European Nickel PLC by
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