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European Nickel PLC is a mining and exploration company listed on the AIM Market of the London Stock Exchange.

The Company is focused on the development of nickel laterite deposits using an innovative, reduced cost, reduced environmental impact, heap leach process.

SCOPE

This review provides an overview of European Nickel's contribution to economic, environmental and social conditions at the local, regional and global level over the fiscal year 2006 to 2007. It includes information about the Company's performance and those aspects of the Çaldağ, Devolli and Zambales projects over which it has pervasive management influence or control. The review aims to give accurate and reliable information about the Company's operations in a way that is easily understood and can provide a sound basis on which to assess the Company's performance.

The report is aimed at existing and possible shareholders as well as other groups with an interest in the ethical performance of European Nickel – this includes internal stakeholders such as employees but also external stakeholders such as local communities as well as governments, financiers, non-governmental organisations (NGOs), trade unions and the media. Feedback on this, European Nickel's first sustainability review, will be sought, and stakeholders and readers are invited to provide feedback to the Company through the contacts provided.

The issues covered reflect the concerns and interests of the Company's stakeholders, which have been expressed in face-to-face and public meetings or through media such as the press. Emphasis has been placed on covering those issues of interest to groups and communities most directly affected by our activities and these have been particularly important in helping to identify the Key Performance Indicators (KPIs) used to measure the Company's performance. European Nickel's business principles and values as laid down in its corporate codes and policies on health, safety, environmental and community issues have also guided the review.

MANAGING DIRECTOR'S MESSAGE



European Nickel has grown rapidly over the last three years from the early exploration of nickel laterite deposits in the Balkans to the cusp of development and construction of an operational mine in Turkey and significant development activities in other parts of the world. We are a growing company and understand the importance of an ethical and responsible approach. The approach and procedures that we establish now will help to ensure that our growth is sustainable and that we provide long-term benefits to all of our stakeholders – shareholders, employees and local communities alike.

In 2007 European Nickel continued heap leach trial operations at the Çaldağ project in Turkey. Agreements were signed with GMM SA Larco to supply ore direct shipment to their ferronickel smelter in Greece. Development works continued at the Devolli deposit in Albania and conceptual studies were conducted for both Devolli and the Zambales Laterite Alliance (Acoje deposit) in the Philippines. Over the next five years, the Company has the potential to grow its output to over 50,000 tonnes of nickel through consolidation, acquisition and an established business development programme.

With this increased scale and an increased geographical footprint come the additional challenges of environmentally and socially responsible development. In response to this challenge, we have developed performance standards for health and safety, environmental protection, governance and community relations. These standards reflect best practice as recognised by our mining peers and the international community. They also follow the European Nickel "Health, Safety, Environment and Community (HSEC) Approval Process" which has been developed specifically to meet the needs of our business. Under this approach, European Nickel looks beyond the immediate investment to consider its long-run goals and objectives from start to finish, including the impact of closure.

Recent environmental work in Turkey has followed both the Equator Principles and the International Finance Corporation's (IFC's) Performance Standards on Social and Environmental Sustainability. We also uphold the standards set out in the

Universal Declaration of Human Rights and are working towards implementation of the International Council on Mining and Metals' (ICMM) Principles for Sustainable Development and the Voluntary Principles on Security and Human Rights.

European Nickel also complies with the national laws and respects the customs of our countries of operation. We work collaboratively with national governments and their agencies to ensure that our reporting is timely and fully transparent. As European Nickel moves into a new phase of operation and is developing assets in other regions, the transfer of these corporate standards to them is of the highest importance.

As the Company's Managing Director, I recognise that we must engage all our stakeholders – local, national and international – in holding us to high standards of economic performance whilst helping us to be good corporate citizens. Thus, I have commissioned this review, which invites you – our stakeholders – to evaluate and comment on European Nickel's record. The report also provides a baseline by which I expect us to evaluate our own performance in coming years.

We believe that an effective partnership with the local community is informed by a common vision of purpose. It is always our goal that by the time we leave the region, we will have left a local community where the standard of living has been improved by our presence in a sustainable way and where the minerals have been extracted in an environmentally responsible manner.

A handwritten signature in black ink, appearing to read 'S. Purkiss', with a stylized flourish at the end.

SIMON PURKISS
MANAGING DIRECTOR

European Nickel is headquartered in London and **employs 160 people globally**. Local operations are overseen by a country manager.

OUR OPERATIONS

The Company's most advanced project is the Çaldağ nickel heap leach in western Turkey which is operated by its Turkish subsidiary, Sardes Nikel Madencilik A.Ş. (SNM).

The Company also has projects in the Philippines and Albania which are at the pre-feasibility study stage.

European Nickel will continue to consolidate and manage existing operations whilst seeking out new exploration sites together with opportunities for participation in resources controlled by third parties where our technology and expertise provide a competitive advantage and create an entry opportunity.



LOCATION / ÇALDAĞ, TURKEY

COMPANY / SARDES NIKEL MADENCILIK A.Ş.

PRODUCTION POTENTIAL / 20,000 TONNES OF NICKEL PER YEAR

CURRENT PROGRESS /

- Direct ore shipping underway
- Infrastructure projects complete
- Construction teams on site
- Financing near completion
- Awaiting forestry permit

SNM has a mineable reserve of 33.2 million tonnes containing over 255,000 tonnes of recoverable nickel. 2006–2007 saw the transition of SNM from a project-oriented company into a production company with the commencement of mining operations to supply 160,000 tonnes of ore to the Greek ferronickel smelter, GMM SA Larco. To date, processing operations have been limited to the operation of a heap leach trial plant, pending the approval by the Turkish government of a forestry permit for the construction of the full-scale plant. Operating at design capacity, the mine will produce 20,000 tonnes of nickel and 1,200 tonnes of cobalt a year in a mixed hydroxide product.

This delay in full-scale operations has also brought about compensating benefits in allowing the Company to refine the mine plan and grade control procedures, implement and test health and safety procedures, establish road safety measures and carry out early environmental mitigation, including the planting of trees.



LOCATION / DEVOLLI, ALBANIA
COMPANY / ADRIATIC NICKEL SH.P.K.
PRODUCTION POTENTIAL / 15,000 TONNES OF NICKEL PER YEAR

CURRENT PROGRESS /

- Mineral resource defined
- Pre-feasibility study underway

Located in south-eastern Albania and close to the Greek border, the Devolli nickel project has the potential to produce 15,000 tonnes per year of nickel for 20 years, employing over 600 people in well-paid skilled jobs and generating some \$150 million of revenue annually. The nickel deposits are found between the Devolli valley and the border with Greece near the town of Bilishti some 70km from Korça.

European Nickel, through its subsidiary Adriatic Nickel Sh.p.k, a 100% owned subsidiary of European Nickel, envisages an underground mine and adjacent process plant using European Nickel’s environmentally sound heap leach technology. The project consists of an underground mining operation (2.0 million tonnes/year of ore production), a limestone quarry and grinding plant (480,000 tonnes/year limestone production), a sulphuric acid plant (700,000 tonnes/year) with associated power generation (with around 7MW excess power sold to the national grid), a heap leaching area and a nickel and cobalt precipitation plant.



LOCATION / WEST CENTRAL LUZON, PHILIPPINES
COMPANY / ZLA PHILIPPINES
PRODUCTION POTENTIAL / 30,000 TONNES OF NICKEL PER YEAR

CURRENT PROGRESS /

- Joint venture with Australian and Philippine partners
- Large mineral resource defined
- Direct ore shipping underway
- Heap leach pre-feasibility study started

The Zambales Laterite Alliance (ZLA) project located in the Zambales Mountains of Luzon Island envisages a nickel laterite mining, heap leaching and precipitation facility producing 30,000 tonnes/year of nickel contained in a mixed hydroxide concentrate. Nickel laterite ore will be mined by conventional truck and shovel operation. Ore will be transported by trucks to a central crushing facility and then by conveyor to the heap leaching area. Environmental and socio-economic baseline studies will be commissioned in parallel with the pre-feasibility stage of the project.

Company directors must have regard to the **impact of the company's operations** on the community and the environment.

Corporate governance

European Nickel's corporate governance conforms to English and European law. Additionally, while the Company is quoted on AIM and is thus under no regulatory obligation to do so, its directors intend to comply with the main provisions of the Combined Code on Corporate Governance as far as is practicable with regard to the size of the Company. Section 172 of the UK 2006 Companies Act, part of which entered into force in October 2007, states that company directors must have regard to the impact of the company's operations on the community and the environment and the desirability of the company in maintaining a reputation for high standards of business conduct.

Board structure and its committees

The Board comprises two executive directors and five non-executive directors, including the Chairman. The Board meets monthly to discuss a formal scheduled agenda covering the key areas of the Company's affairs, including the monthly management accounts.

The non-executive directors provide objective and independent oversight and advice to the Company on material issues arising including corporate governance issues. Moreover, the complementary roles of the Chairman and Managing Director are defined such that continuous appraisal is permitted of each other's roles and performance.

The Chairman conducts Board and shareholder meetings and ensures that all directors are properly briefed. The directors are responsible for formulating, reviewing and approving the Company

strategy, budgets and major items of capital expenditure. The directors have access to independent professional advice at the Company's expense and to the Company Secretary and can receive appropriate training as required.

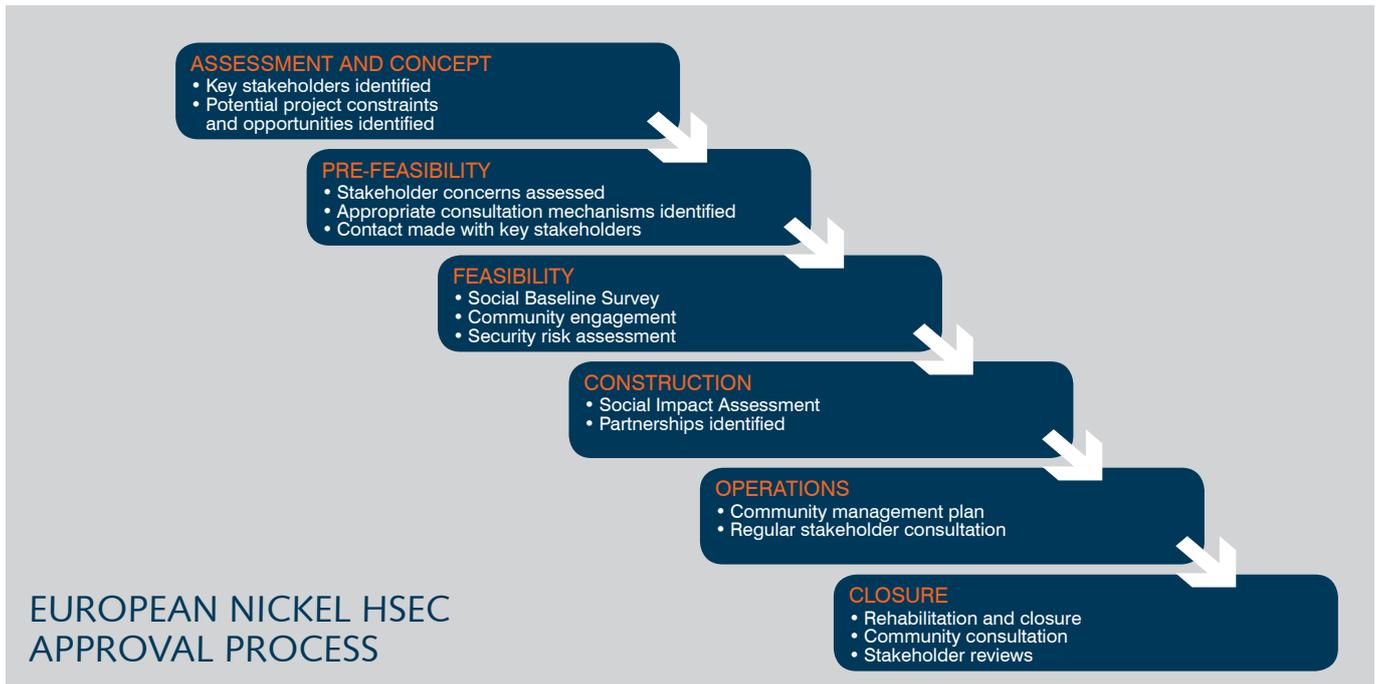
The directors are required to retire by rotation at least every three years when they can offer themselves for re-election if eligible. The Company has established Audit, Remuneration, Nomination and Business Strategy Committees.

The Audit Committee comprises three non-executive directors. It meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly reported on and monitored. It liaises with the auditors and reviews the reports from the auditors relating to the accounts and internal control systems.

The Remuneration Committee comprises four non-executive directors. It reviews the performance of the executive directors and considers the scale and structure of their remuneration on the basis of their service agreements with due regard to the interests of the shareholders and the performance of the Company. Directors of the Company are not permitted to participate in discussions or decisions of the Committee concerning their own remuneration.

The Nomination Committee is responsible for advising on the composition of the Board and for appointing the Chairman when this is required.

Figure 4.1



The Business Strategy Committee comprises two non-executive directors and two executive directors and advises and consults with management in determining the Company’s business development strategy for consideration by the Board.

HSEC management

HSEC management is the responsibility of line management at each of the projects. At well advanced projects an Environment Manager and Health and Safety Manager are appointed with direct reporting through to the General Manager and to European Nickel. Both managers are technically expert advisers and auditors and are tasked with measuring performance of the Company’s corporate policies, organising and conducting staff training, assessing staff competency and conducting worksite inspections.

The HSEC teams are supported by an independent consultant reporting to European Nickel at corporate level who conduct quarterly audits of the operating projects and provide continuous support as required. The HSEC roles are taken by suitably qualified nationals and are supported by technicians and worksite inspectors as appropriate. Full training in HSEC matters is provided to all employees on a rotational basis.

Relations with shareholders

Effective communication with shareholders is considered critically important by the directors. The executive directors regularly speak to investors and analysts during the year. Company circulars and press releases are also issued regularly to keep investors informed about the progress of the Company’s activities.

The Company also maintains a website on the internet, www.enickel.co.uk, which is regularly updated and contains a wide range of information about the Company.

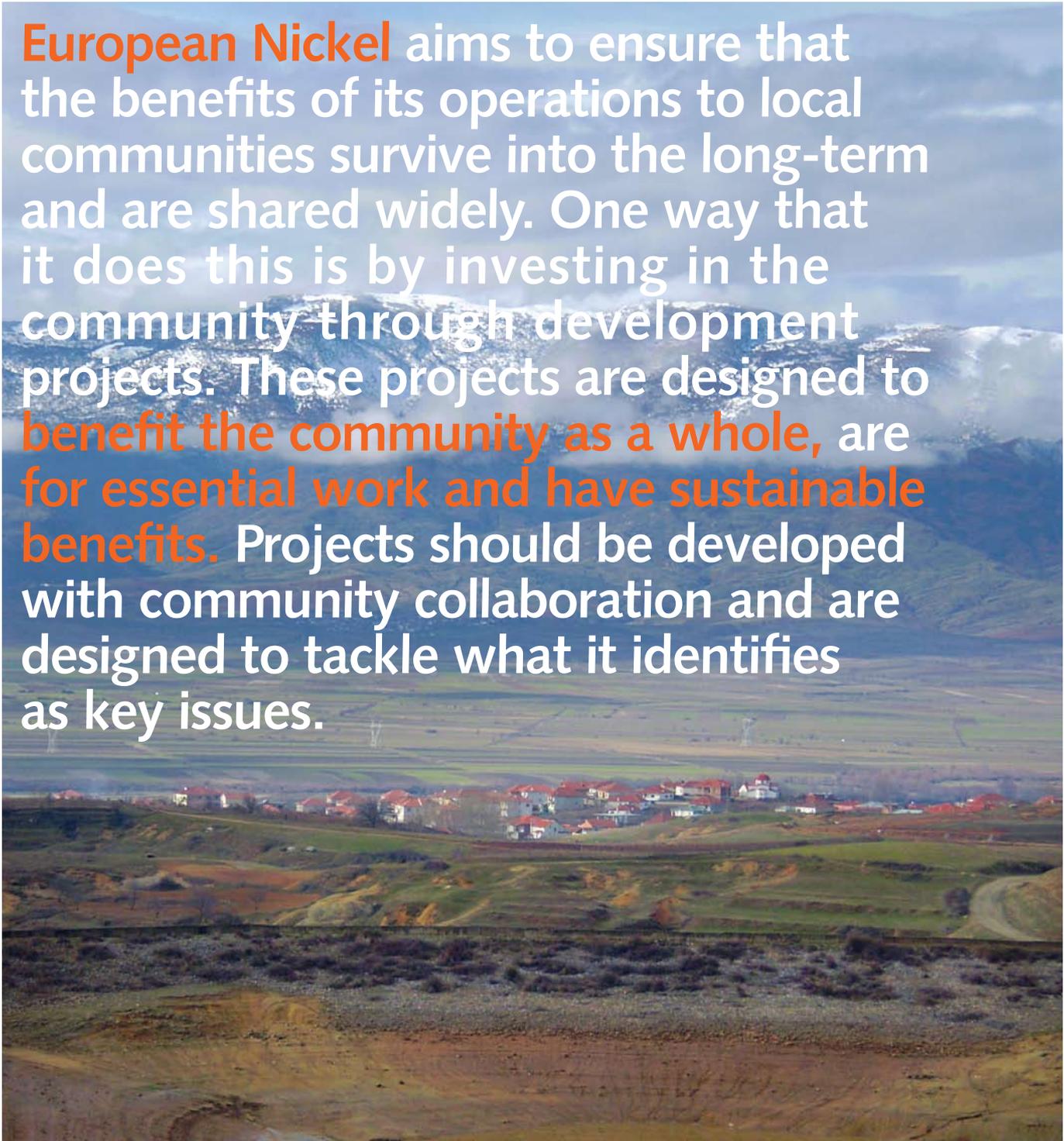
HSEC Approval Process

In keeping with the European Nickel policy objectives on human rights, health, safety, environment and community welfare, all projects are subject to the “HSEC Approval Process”. This process has been developed specifically for European Nickel’s operations and applies to all stages of mining from initial desk study, through to construction, operation and closure. The Process requires the investigation and preparation of detailed information as the project progresses from concept clearance through to operation and eventually closure including the identification of project constraints and opportunities.

The key phases in the process are summarised below and illustrated above:

- Assessment and concept;
- Pre-feasibility;
- Feasibility;
- Construction;
- Operations; and
- Rehabilitation and closure.

Use of this process will enable European Nickel to adopt a consistent approach to HSEC appraisal across its global portfolio.



European Nickel aims to ensure that the benefits of its operations to local communities survive into the long-term and are shared widely. One way that it does this is by investing in the community through development projects. These projects are designed to **benefit the community as a whole, are for essential work and have sustainable benefits.** Projects should be developed with community collaboration and are designed to tackle what it identifies as key issues.



Development context

For European Nickel's projects to be successful and sustainable, they must enjoy the support of the local population as well as local and central government. A mining company cannot operate sustainably without working positively within its local community. The impact of a mining operation can be disruptive but can also bring many benefits such as employment, the provision of new or improved services and improved infrastructure.

In response to these realities, European Nickel seeks to minimise the negative impacts of its projects on the local environment and community whilst continuing to operate effectively and profitably and bringing both direct and indirect economic and other benefits to the communities in which it operates.

Policy goals

European Nickel is fully committed to protecting its employees, contractors and suppliers, local communities and the general public from any adverse effects of its activities.

European Nickel will seek to meet its social policy objectives through:

- upholding ethical business practices and meeting applicable legal and regulatory requirements;
- respecting the traditional rights of local people, protecting vulnerable groups and valuing cultural heritage;
- developing partnerships that foster the sustainable development of the local community, enhance economic benefits and contribute to poverty alleviation;

- holding regular meetings with representatives of the local community to take their views and concerns into account in the decision-making process;
- determining and conveying to the community clear criteria for the approval of community support projects;
- establishing a grievance mechanism and responding to complaints;
- recruiting people and procuring services from the area closest to the project in preference to all other, subject to skills; and
- regularly reviewing performance and publicly reporting progress.

Stakeholder engagement and community relations

European Nickel is committed to an open, constructive and accountable relationship with its stakeholders. These vary from project to project but typically include:

- employees;
- local people in villages and towns;
- farmers and businesses active near to the mine;
- civil society organisations including NGOs, trade unions and professional bodies;
- governmental and local authorities; and
- universities and schools.

European Nickel will uphold the human rights and customs of the local communities in which it operates.

Stakeholder engagement and community relations continued

The Company follows the requirements of the laws of its countries of operation (including those related to the Environmental Impact Assessment process) and to World Bank guidelines regarding consultation with its stakeholders. However, the approach of the Company goes beyond these requirements to ensure that the Company is viewed as a good neighbour by nearby communities thereby maintaining a social licence to operate.

Priority is given to those communities in proximity to or most affected by the project. The Company lays down its approach to stakeholder consultation in a Public Consultation and Disclosure Plan (PCDP) for each site during the feasibility phase of the project development cycle. The Company uses a number of different methods to consult with stakeholders according to the different needs of the stakeholders concerned and what is deemed appropriate in the local context. For example, at Çaldağ, the Community Relations Team has found that meetings in coffee houses with members of the local villages has been an effective consultation method. Other consultation mechanisms include:

- public and face-to-face meetings;
- tours of the Çaldağ site for interested parties including schools and NGOs;
- dissemination of information through a website;
- press releases; and
- leaflets in local languages covering key issues of interest to stakeholders.

During the year, steps were taken to improve the monitoring and recording of applications made to the complaints mechanism at the Çaldağ site. Most of these were complaints from farmers concerned about the effects of dust generated during the construction of a new road to the mine site on their crops. All complaints made during the reporting period have been resolved.

European Nickel seeks to contribute towards the development of the communities where it is active. A Community Investment Programme has been established at Çaldağ which provides support to projects related to local infrastructure, education and health care (see Case Study 2 on page 11). The Company intends to establish similar programmes for all its operations on the basis of the needs and views of the local communities.

Human rights

European Nickel recognises all of the rights in the UN's Declaration on Human Rights. Many of these rights have a specific relevance to mining projects. European Nickel is committed to abiding by these regardless of whether or not such rights are recognised in the domestic law of the country of operation. Examples of such rights include the rights to life, non-discrimination and freedom of association.

European Nickel is also committed to the principles behind the Voluntary Principles on Security and Human Rights which guide companies in maintaining the safety and security of their operations in a way that respects human rights and international standards on the use of force.



Protecting cultural heritage

European Nickel respects the cultural heritage of the areas in which it operates and recognises that both known and unknown archaeological remains may exist within exploration areas. Before project implementation, we consult with local experts, the community and academics to establish the archaeological potential of a development area.

Archaeological resources are identified through a combination of desk study, review of available maps and charts, walkover surveys and in situ investigation. Should finds be encountered, our teams will liaise with the relevant government ministry to develop an appropriate course of action. Activities in relation to cultural heritage will be conducted in accordance with “IFC Performance Standard 8: Cultural Heritage”.

Indigenous Peoples

European Nickel respects the rights of and cultural heritage of indigenous people that may be affected directly or indirectly by its projects. It therefore will comply with “IFC Performance Standard 7: Indigenous Peoples” under which we will seek to avoid adverse impacts to indigenous groups, protect the rights and customs associated with land and land resources, ensure that indigenous groups participate in the consultation process and provide equal economic and other benefits associated with project development.

Whilst there are no indigenous groups at Çaldağ project, indigenous peoples are present in the wider Western Luzon area of the Philippines and European Nickel will ensure that these groups are included in the consultation and development process in accordance with IFC and national standards.

Approach to resettlement

It is European Nickel’s policy to resettle people only where resettlement is unavoidable for safety or nuisance issues. In every case, alternative project design solutions would be sought in the first place. Where resettlement is necessary and voluntary consent is not available, we will adhere to the “IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement”. We will conduct household surveys and consult with the affected communities as early as possible in the process providing information about the resettlement process and benefits.

The main aim of the resettlement process will be to ensure that communities are in no way disadvantaged. Culturally appropriate consultation methods will be used to ensure that minority and vulnerable groups are included fully in the process. Expropriation and compensation laws will be observed and full resettlement plans drawn up to facilitate the process.

CASE STUDY 1: SNM BRINGS MAJOR INVESTMENT TO MANISA REGION, TURKEY

LOCATION / TURKEY

MINING OPERATION / ÇALDAĞ (SNM)

OVERVIEW /

- Major investment in western Turkey
- 500 new jobs created directly
- Priority given to local material supply



Economic setting

In January 2003, the Turkish Government pledged to boost the exploration of domestic reserves, to provide accessible and reliable raw material sources for industry and the power sector, and to increase processed mineral product exports. In recent years, Turkey has succeeded in increasing activity in the mining sector as more foreign companies have entered the market. In 2005, the legislature passed a new mining law, which encourages foreign investment in this sector. In direct response to these and other factors, European Nickel has sought to develop the Çaldağ project in Turkey accessing the existing manufacturing base and labour pool.

European Nickel's operation is located in Turgutlu District, which is part of Manisa Province. The principal economic activity in the Province is agriculture, engaging some 63% of the economically active population. European Nickel's entry is helping to diversify the dependence on agricultural production and to bring economic wealth to an area which is relatively poorer than other parts of western Turkey.

SNM is striving to ensure that employment is primarily from the immediately surrounding region whilst undertaking skills matching and training to maximise local employment and avoiding any conflict with agricultural operations. Some recruitment from the region and outside of Turkey is, nevertheless, inevitable.

Direct employment in the region

SNM operations currently employ 90 workers from the wider Manisa region with an additional 30 workers drawn from local villages. As the project progresses into full-scale operation, further employment opportunities will arise. During construction, approximately 800 workers will be employed by SNM and its contractors with 500 employed during full-scale operations.

SNM recruits according to its "Human Resources and Recruitment Plan", which complies fully with national labour and employment regulations as well as the Company's own standards.

The Company has introduced a medical screening programme, while health insurance cover has been provided to the families of employees. SNM has committed itself to providing support to the further education of its employees.

Secondary employment and multiplier effects

A range of indirect local employment opportunities have also been generated by companies supplying services to the site. Local workers have been employed in a diverse range of activities from construction and equipment operation to truck driving, catering, administration and tree planting.

The project has procured locally aggregates, sand, cement, building materials, timber, equipment, food and transport services. Vehicles and materials have also been procured through local supply contracts. Local villagers have formed an association to provide project related services.

CASE STUDY 2: COMMUNITY INVESTMENT PROJECTS AT ÇALDAĞ

LOCATION/ TURKEY

MINING OPERATION/ÇALDAĞ (SNM)

OVERVIEW/

- Water projects to improve supply and quality
- Education projects to improve facilities
- Infrastructure projects developed with local authorities



European Nickel is committed to providing assistance to the local communities in which it operates. To achieve this aim, European Nickel has established a Community Investment Programme (CIP) at Çaldağ which sets out to address the immediate development needs of the local community and to ensure that project benefits accrue to local stakeholders.

This programme has been developed on the basis of detailed consultation with community representatives and community leaders supported by an extensive household questionnaire to assess needs and identify investment projects. The Company has established a set of funding criteria for such projects which reflect the local development needs and cultural context and are in line with development best practice. These criteria seek to ensure that the projects benefit the community as a whole, are for essential work and have sustainable benefits.

European Nickel will continue to play a lead role in the implementation of the CIP and will reassess community needs through the life of its projects. The Company will seek to ensure that CIP projects are audited regularly and further assistance or monitoring provided as necessary.

Through the Investment Programme, and in consultation with the local communities, European Nickel has identified a number of much needed projects to which it will make a leading contribution. Examples include:

Water and sanitation projects

- Musacalı village-new potable water borehole to increase the current water system capacity and to replace pipes;
- village water tanks;
- portable water pipeline renewal; and
- contribution to the sewage system of villages of Musacalı, İzzettin, Temrek, Çampınar.

Re-forestation

- major re-forestation programme including commercial forestry enterprises.

Education and income generation

- rebuild Çampınar village school building; and
- Musacalı village school classroom extension.

Municipal infrastructure

- villages' street pavements (after sewage system implemented);
- upgrading Temrek village road; and
- recreation park at Turgutlu.

Cultural property

- carpet washer for village mosques for Musacalı, İzzettin, Temrek, Çampınar;
- İzzettin village mosque carpet renewal; and
- village hall.

The Company is also examining the possibility of establishing independent community development foundations to increase the impact and efficiency of the funds that it disperses. The objective of these foundations would be to strengthen partnerships with local government and other institutions that might contribute towards local developments. They would also aim to improve consultation with local stakeholders and leverage further funding from other sources.

European Nickel's vision is to work with all stakeholders – workers, contractors, visitors and neighbours – to **achieve high standards of labour and working conditions, public and occupational health and safety** throughout the life of the operation and beyond.





Introduction

European Nickel recognises that its principal asset is its people and is fully committed to the achievement of the highest standards in Health and Safety (H&S) performance. Through the implementation of its H&S Policy and the adherence to strict operating procedures, European Nickel is committed to its aim of zero fatalities and the elimination of illness, injury and accidents resulting from our operations. European Nickel believes that the commitment of line management to its H&S goals, the appointment of a highly competent management team together with a workforce ready to demonstrate and apply safety standards, are key to managing H&S risks.

Policy goals

The H&S Policy commits senior management to a systematic, practical approach to H&S and is supported by a full H&S Management System. Some key elements of this include:

- promotion of a safety culture at all worksites and ancillary facilities;
- appointment of competent, trained personnel;
- establishment of steering committees and emergency response committees at site;
- provision of Personal Protective Equipment (PPE) for all employees and visitors with contractor obligations to do the same;
- establishment of inspection, monitoring and reporting procedures including systems for near miss reporting, and accident and incident investigation;
- implementation of training and skills development;

- implementation of risk assessments;
- development and monitoring of Safe Operating Practices;
- pre-operational hazard assessment and mitigation planning; and
- emergency procedures management.

The management standards follow the globally recognised OHSAS 18001:2007 and are designed to ensure consistency of approach across all European Nickel's sites and operations.

Labour and working conditions

European Nickel follows a number of key principles to ensure good employee management and suitable working conditions. These are to:

- establish, maintain and improve worker-management relationships;
- promote fair treatment, non-discrimination and equal opportunity of workers and comply with national labour and employment laws;
- continuously monitor workplace conditions to ensure the adequate protection of the workforce, compliance with legal requirements and recognised best practice;
- conduct routine medical monitoring and fitness-to-work assessments;
- protect the workforce by addressing employment conditions; and
- promote safe and healthy working conditions and protect and promote worker health.



Labour and working conditions continued

These standards are followed for workers regardless of whether they are directly or indirectly employed by European Nickel. Strict attention is given to site security regular suppression of dust and safe standards for offsite transport activities including developing better graded and safer roads suited to serving plant transport.

Employee training

European Nickel has developed a Risk Register to map the range of significant hazards created by its mining operations and to develop a series of training courses, tailored specifically to the mining and processing operations. Key H&S risks identified at European Nickel's current operations include:

- driver safety and the safe operation of heavy goods and light private vehicles;
- machinery hazards associated with mining equipment and crushing and processing plants;
- construction risks, such as lifting operations, working at height, excavation and drowning;
- health hazards from chemical processing; and
- preparing for the unique risks associated with forestry activities.

European Nickel provides both formal H&S training and less formal information sessions. Site management undertake a "Health and Safety Foundation Course" and in turn deliver a similar course to the employees. European Nickel has also developed and rolled out

a bespoke range of "Toolbox Training" to deal with specific risks faced by workers. These include:

- adverse conditions and terrain;
- biological and animal hazards;
- fire fighting;
- heavy vehicles (trucks);
- manual handling;
- PPE use and site PPE zones;
- hazardous materials, transfer, handling and storage;
- fire and emergency response;
- spill response procedures;
- explosion risks and controls;
- hazards and risk control in maintenance; and
- road safety and defensive driving.

H&S training has already increased employees' awareness of risks. In turn, this awareness has led to greater accuracy in reporting incidents, thus, enabling the Company to implement better risk control measures.

Accident and incident reporting

European Nickel tracks accidents and incidents across the business, with the most detailed statistics being available for Çaldağ. An upward trend in reported accidents at Çaldağ

European Nickel is committed to the elimination of work-recorded illnesses and injuries arising from mining or related activities. This will be achieved through continuous training, awareness and the promotion of health issues and routine medical monitoring.

Accident and incident reporting continued

throughout the year largely reflects an increase in employee awareness and completeness and accuracy in reporting. During 2007, the Medical Treatment Frequency Rate and Average Incident Severity Rate at Çaldağ have slightly diminished. As the reporting system matures and training extends to 100% of employees, SNM will commence target setting for specific H&S indicators.

Health monitoring and trends

Onsite health professionals are employed by European Nickel to assist management to address occupational health and hygiene. The health care worker team establish a health surveillance system to monitor and address possible respiratory illnesses, skin infections, hearing losses and musculoskeletal conditions.

This team continuously analyses the incidence of occupational illness and epidemiological trends to determine various intervention and prevention strategies. Most work-related illnesses develop gradually over time. Whilst there are no indications of significant health issues at Çaldağ to date, the health care team will continue to monitor and intervene to prevent any long-term risks developing. Recognising its responsibility to its workforce, European Nickel has commissioned an independent study of the specific epidemiological risks associated with nickel workings. The results of this study will be reported in the next review. Employee rehabilitation policies (encouragement for returning to work in the event of injury or illness) also promote workforce equality and a sympathetic environment for occupational health and injury related issues. All employees are given a “fitness to work” assessment and health baseline assessment against which to evaluate their health at Çaldağ.



European Nickel is committed to protecting the environment through every phase of the project lifecycle. The HSEC Approval Process allows European Nickel to assess potential environmental sensitivities and opportunities at each stage of development.





Environmental context

European Nickel is committed to protecting the environment through every phase of the project lifecycle. The “HSEC Approval Process” allows European Nickel to identify and assess potential environmental sensitivities and opportunities at each stage of development. Through this process and through its first project in Turkey, the Company is developing best practice procedures for all environmental aspects. This has led to the development of an Environmental Management System (EMS) with the intention to achieve accreditation to the international standard ISO14001: 2004 at the full-scale plant.

All European Nickel employees, contractors, subcontractors, suppliers and institutional stakeholders have a role to play in protecting the environment and senior management are fully committed to the process and its goals.

Policy goals

The environmental commitments of European Nickel are outlined in the Environmental Policy which is available at Çaldağ and on the European Nickel website. This Policy is supported by the corporate environmental standards for specific environmental aspects. Understanding the environment in which European Nickel operates is key to the implementation of the Environmental Policy. Detailed baseline studies of Çaldağ’s geological and hydrogeological setting, ambient air and noise conditions and of the presence, diversity and vulnerability of flora and fauna species have therefore been commissioned. The results of these studies have enabled us to develop and implement monitoring programmes and management plans to ensure that adverse impacts on the environment are avoided or mitigated.

Environmental benefits of heap leach technology

European Nickel believes that the heap leach technology it has developed provides significant environmental benefits over conventional nickel laterite operations. Operation of the heap leach in close proximity to the mine minimises the transport distances for the unrefined ore, thereby reducing truck movements on roads.

The heap leach technology also considerably reduces the carbon dioxide emissions generated per tonne of nickel produced when compared to conventional nickel laterite operations. European Nickel is assessing options to improve this reduction further through conventional means such as tree planting and CO₂ capture.

The conversion of sulphur to sulphuric acid at each site’s acid plant releases energy which can be used to create steam and in turn generate electricity which will be in excess of the project’s needs. The sulphuric acid is entirely used up in the heap leaching process. The excess power generated will be sold to the local electrical grid which will reduce the requirement for the grid to be supplied with electricity generated by burning fossil fuels.

Environmental impact assessment

European Nickel recognises that mining projects have the potential to cause adverse biological and physical impacts. In line with its Environmental Policy, European Nickel is committed to assessing the full potential environmental and social impacts of all of its mining projects worldwide. The Company seeks to ensure that negative impacts are mitigated and positive impacts enhanced. In line with these policy goals European Nickel considers environmental and social impacts in the pre-feasibility studies and undertakes Environmental and Social Impact Assessments (ESIA) prior to the commencement of a project. The objectives of these assessments are to:

- provide a comprehensive description of the project including its main components, infrastructure, access routes, materials demand and emissions and interactions with the environment;
- describe the characteristics of the environmental and social environment baselines and to identify any sensitivities;
- describe the manner in which local communities and other stakeholders have been engaged in the project development process;
- identify measures for the protection of people and the environment;
- identify opportunities to improve the local way of life through community involvement, community development and investment, employment and direct support; and
- prepare and implement the long-term system for environmental and social management.

In accordance with national regulations, European Nickel will continue to undertake ESIA’s for its development projects.

Air quality

Mining activities and heap leach operations have the potential to generate dust and gaseous emissions through the operation of machinery, vehicles and some mining operations. European Nickel’s Air Quality Plan requires the Company to eliminate, reduce or mitigate potential air and dust emissions and associated impacts. These requirements apply to the mining areas (open pits), access roads, overburden storage, topsoil storage, the heap leach area and related facilities.

The Air Quality Plan is designed to meet national legal requirements and relevant international (World Health Organisation) standards for air quality. These requirements are designed to protect the local community, natural resources, crops, soils and productive agricultural land.

CASE STUDY 1: FOREST AND COMMUNITY PARK PROJECT, TURGUTLU

LOCATION/ TURGUTLU MUNICIPALITY, TURKEY
MINING OPERATION/ ÇALDAĞ (SNM)

OVERVIEW/

- Spoilt creek area restored
- 11,000 trees planted
- New recreational area created

In support of regional re-forestation programmes, European Nickel is the sponsor of the "Irlamaz Creek Recreation Project" in the Turgutlu Municipality, near Çaldağ. This project is aimed at restoring an area by the Irlamaz creek which has been subject to erosion, waste dumping and degradation and providing recreational and leisure facilities for the local community.

The creek bed is located directly next to the Turgutlu town boundary and will provide a much-valued amenity space for local residents and school children. As part of its sponsorship, European Nickel helped with the planning and planting of approximately 11,000 semi-mature trees in 2007; European Nickel's plans for the next phase of sponsorship will include planting a further 6,000 trees.



CASE STUDY 2: WASTE MINIMISATION AND MANAGEMENT PROJECT, SNM, TURKEY

LOCATION/ TURKEY
MINING OPERATION/ ÇALDAĞ (SNM)

OVERVIEW/

- Recycling initiatives introduced
- Toolbox training on waste management provided
- Hazardous waste facility completed

Çaldağ's Environment Team has implemented a waste minimisation and management scheme which covers all operations at Çaldağ's heap leach trial. This has comprised the evaluation of the waste streams on site and identification of opportunities for reducing the waste generated, reusing materials and recycling. As part of the study SNM have constructed a purpose built covered hazardous waste area, and specific recycling points, including secure areas for recyclable polyethylene. They have also provided recycling bins around the site (plastics, metals, paper) and a central battery collection point along with a toner collection point. Suitable waste carriers have been appointed to manage the recyclable and non-recyclable wastes. Local waste recycling/reuse has also included donations of waste wood to the local communities for use as fuel.

Following these initiatives Çaldağ's Environmental Team has achieved a recycling rate (by weight) of 40%.





Water resources

European Nickel develops a water management plan for each of its projects to ensure the sustainable use of surface and groundwater resources and to minimise contamination of these resources through the release of pollutants or increased sediment load. As required, groundwater monitoring and hydrological modelling are undertaken throughout the operations and into the decommissioning phase, enabling European Nickel to proactively manage and mitigate potential impacts on the local water resources.

European Nickel aims to achieve zero discharge in its operations and untreated process and domestic wastewaters are not directly or indirectly discharged to either surface or groundwater. This is one of the key environmental benefits of the heap leach process. Plants are designed to recycle water from different processes so as to minimise the volume of water required and reduce the volume of wastewater requiring treatment.

Water usage monitoring at Çaldağ commenced in August 2008. At the time of reporting, daily water withdrawal from the well is approximately 50m³ a day.

Biodiversity

European Nickel is operating in a diverse range of ecological environments. Mining and plant construction typically requires clearing a relatively large area. In order to mitigate ecological impacts, European Nickel develops a Protection of Flora and Fauna Management Plan for each site to preserve terrestrial flora, fauna and the area's natural heritage.

As a specific restoration goal, European Nickel is committed to setting aside a designated area at each of its projects which will be undisturbed and protected as a wildlife reserve. These areas may be used to study endemic species, for staff training and to raise awareness of biodiversity issues.

Forestry resources

The Çaldağ mine area is located entirely on government owned, Forestry Department land which is characterised by mixed and monoculture forest (Maquis/black pine), scrub, rocky riverbed and pastureland habitat much of which is stressed due to overgrazing or has been damaged by fire. During the construction phase, approximately 140,000 trees will be felled by the Forestry Department to mitigate this impact, European Nickel agreed a large-scale afforestation programme at both the local and regional level.

An initial planting programme of 44,520 trees has been completed 4,200 olive saplings have been planted in the villages of İzzettin and Çampınar. An additional 500 cherry saplings have been delivered to Temrek village and planted by the villagers. Further large-scale regional afforestation projects are also under development.

The intention of the programme is to:

- generate new forest areas with increased biodiversity value and with a move away from monoculture;
- to provide new areas of commercial forest, for example, for pine nut or olive production which will be adopted by the local communities; and
- to provide a new source of employment for local communities.

In the long-term, European Nickel will fulfil its obligations to restore the forest resource over the post-mining topography as required by law and with the compensatory planting programme will protect and improve the environmental, ecological and economic functions of the Çaldağ forest and surrounding areas.

Rehabilitation and closure

A successful project requires the mine site and associated infrastructure to be rehabilitated upon closure.

The Rehabilitation and Closure Plan for European Nickel's operations is initially developed as part of the ESIA activities, early in the process to minimise long-term effects. This Plan is designed to be a dynamic document, subject to regular review and discussion with the regulatory authorities and to be a basis for developing test work and new strategies for more efficient and improved closure procedures.

The closure plan addresses:

- the conservation and storage of soil resources;
- the selection and propagation of appropriate plant species for revegetation; and
- the grading and landscaping of pit slopes.

European Nickel and climate change

Carbon dioxide emissions are believed to contribute to global climate change through the heating effect they create in the world's atmosphere. Industrial activity is an important contributor and around the world ways are being sought to reduce these man-made carbon dioxide emissions.

European Nickel's advisers have conducted modelling of the Çaldağ operation's carbon emissions relative to conventional nickel producing operations. Initial results show the Company's heap leach technology has considerably lower carbon emissions than smelting. These results are now being audited independently. Also, due to the sensitivity of this subject, we are commissioning further quantitative studies of our CO₂ footprint to look at the potential for capture and offset using both conventional approaches (tree planting) and innovative technology if available.

KPIs SCORECARD

European Nickel has developed a set of Key Performance Indicators (KPIs) to enable the continuous monitoring of our social and environmental performance.

Our major failure against this set of KPIs is the fatality in Albania of our mining engineer who died as a result of a fall of ground at our trial mine. We deeply regret this accident and have fully investigated the circumstances and have implemented changes to ensure the Company learns from this accident so as to prevent recurrences.

None of the twelve reported environmental incidents resulted in discharges to surface water courses but rather involved the minor and localised spills of fuel, oil, lubricants and leach solution. Appropriate corrective actions were taken and no long-term consequences are expected. Other incidents related to breaches of water quality standards for domestic water but, after retesting, were found to be due to cross-contamination of samples. SNM has therefore introduced regular training on spills and spill control combined with the introduction of more rigorous environmental sampling protocols.

The 2007–2008 monitoring period will be used to improve procedures for reporting on HSEC KPIs. Additional KPIs may be added to reflect new activities.

KPIs	European Nickel Project		
	SNM	Devolli	ZLA
SOCIAL INDICATORS			
Baseline socio-economic review conducted	Yes		
Amount invested in community development projects	\$255,000		
Number of local projects implemented >\$5k	5		
Incidence of people displaced or resettled by operations	Zero		
Percentage of complaints received and resolved	100%		
HEALTH AND SAFETY INDICATORS			
LTIFR (Lost Time Injury Frequency Rate) 11.4 accidents/million man hours			
Number of fatalities	Zero	1	
Number of industrial diseases reported 2007	Zero		
Percentage of employees with current first aid certificates	34%		
Percentage of employees completing safety courses	100%		
ENVIRONMENTAL INDICATORS			
Annual environmental audit conducted	Yes		
Number of fines or penalties	Zero		
Number of environmental incidents	12		
Incidence of groundwater or surface water contamination	Zero		
Dust Control			
• number of dust-related complaints	9		
• dust monitoring conducted	Zero		
Environmental improvement projects			
• number of trees planted this monitoring period	11,000		
• wildlife/flora reserves created (ha) (cumulative)	Zero		
Closure plan in place	Yes		

GLOSSARY

\$	US dollars	MW	Megawatt
AIM	The Alternative Investment Market of the London Stock Exchange	NGOs	Non-Governmental Organisations
Biodiversity	The variability among living organisms from all sources, including land based and aquatic ecosystems and the ecosystems of which they are part	OHSAS18001	Occupational Health and Safety Assessment Series (specifications for occupational health and safety management systems)
CIP	Community Investment Programme	PPE	Personal Protective Equipment
CO ₂	Carbon Dioxide	Red List	Refers to the IUCN Red List of Threatened Species
EMS	Environmental Management System	SNM	Sardes Nickel Madencilik A.Ş.
Equator Principles	The Equator Principles are a common set of principles agreed by the majority of the world's leading financial institutions that define basic environmental and social standards to be met when lending to major investment projects. Essentially, the Equator Principles commit financial institutions to ensuring that projects to which they lend comply with IFC Performance Standards and EHS Guidelines	Sustainability/ sustainable development	Sustainable development requires that environmental protection does not preclude economic development and that economic development must be ecologically viable now and in the long run. Common use of the term "sustainability" began with the 1987 publication of the Brundtland Report, which defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
ESIA	Environmental and Social Impact Assessment	Universal Declaration on Human Rights	Declaration adopted by the United Nations General Assembly in December 1948. It consists of 30 articles outlining the human rights guaranteed to all people. The document is considered declaratory of customary international law and therefore binding on all states.
Ferronickel	A nickel rich iron alloy used in the manufacture of steel. The percentage of nickel varies from 35% – 45%, the balance being iron and impurities	Voluntary Principles on Security and Human Rights	A multi-stakeholder initiative (Business-NGO-Government) established in 2000 that introduced a set of principles to guide extractives companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms.
Grade	The relative quantity or the percentage of mineral or metal content in an ore body		
Heap leaching	The construction of large heaps of crushed ore on an impermeable layer and the addition of agents such as sulphuric acid to dissolve the metal constituents		
HSEC	Health, safety, environment and community		
ICMM	International Council on Mining and Metals		
IFC	International Finance Corporation		
ISO14001	The International Standardisation Organisation's standard for environmental management systems		
IUCN	The International Union for the Conservation of Nature and Natural Resources, also known as the "World Conservation Union"		
Leach	To dissolve into a liquid phase, metals such as nickel, cobalt and iron using sulphuric acid as the leach medium		
LTI	Lost Time Injury		
LTIFR	Lost Time Injury Frequency Rate (expressed as LTI*1,000,000/hours worked)		

FEEDBACK:

Please contact us with comments or questions about any aspect of this review by writing to the Stakeholder Relations Manager at:

European Nickel PLC
3rd Floor
49 Albemarle Street
London W1S 4JR

e-mail: info@enickel.co.uk
Phone: +44 (0)20 7290 3130
Fax: +44 (0)20 7290 3149

EUROPEAN NICKEL PLC
3rd Floor
49 Albemarle Street
London W1S 4JR
Tel: +44 20 7290 3130
Fax: +44 20 7290 3149
www.enickel.co.uk