First Nickel Hits Targeted 2013 Nickel and Copper Production; Increased Nickel Production Forecast for 2014

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TORONTO, ONTARIO--(Marketwired - Jan 16, 2014) - First Nickel Inc. ("FNI" or the "Company") (TSX:FNI) today provides its 2013 preliminary production results and outlook with respect to 2014 production and costs.

2013 Highlights

- Achieved full production at the Lockerby Mine in Ontario's Sudbury Basin.
- Shipped approximately 242,000 tonnes of ore to Glencore.
- Produced approximately 12.8 million contained pounds of nickel, at the mid-point of the 2013 guidance range of 12.1 - 13.5 million pounds.
- Produced approximately 7.5 million contained pounds of copper, at the mid-point of the 2013 guidance range of 7.2 - 7.9 million pounds.
- The Company expects mine site operating costs[1] to be at the lower end of the $55.3 - $60.8 million guidance range.
- Underground development reached the 68-level at Lockerby in December 2013.
- Unrestricted cash balance of $3.5 million as at December 31, 2013, and total liquidity of $8.5 million, including availability under the revolving credit facility.

2013 full-year financial and operating results will be released in March 2014.

Mr. Thomas M. Boehlert, President and CEO of FNI, commented, "2013 was an important year for FNI in which the Lockerby mine achieved full production and met its nickel and copper production targets. FNI responded to liquidity pressures from lower nickel prices by reducing the number of levels to be developed at Lockerby at this time, renegotiating the ore purchase and sale agreement with Glencore, restructuring and increasing debt facilities and closely managing expenditures."

Summary 2014 Outlook

- Production of between 13.5 and 15.1 million pounds of contained nickel, a 12% increase (mid-point) over 2013;
- Production of between 7.2 and 8.0 million pounds of contained copper;
- GMV[1]-net production of between 6.8 and 7.6 million pounds of nickel, and between 3.6 and 4.0 million pounds of copper;
- Mine site operating costs[1] between $58.1 and $61.0 million;
- Cash production costs[2] between $5.22 and $5.74 per pound of GMV[1]-net payable nickel.

	2014
Contained nickel lbs (millions)	13.5 - 15.1
Contained copper lbs (millions)	7.2 - 8.0
GMV[1]-net payable nickel lbs (millions)	6.8 - 7.6
GMV[1]-net payable copper lbs (millions)	3.6 - 4.0
Mine site operating costs[1] (millions)	$58.1 - $61.0
Cash production costs per net-GMV[1] Ni lb[2]	$5.22 - $5.74

Assumptions: Cu per lb $3.25, CAD/USD 1:1

FNI has adapted its production and cost metrics to reflect the amended gross-metal-value (GMV[1]) ore-sales agreement signed with Glencore in the second half of 2013.

Capital expenditures

Capital expenditures in 2014 are projected to be approximately $7.2 million, including approximately $3.5 million relating to underground development.

General and Administrative ("G&A")

G&A expenses for 2014 are projected to be approximately $4.4 million, not including stock-based compensation. Financing costs and exploration expenditures are projected to be approximately $1.8 million and $0.4 million, respectively, in 2014.

About FNI

FNI is a Canadian mining and exploration Company. The Company's mission is to be the most dynamic North American emerging base metal mining Company in which to work and invest and to be respected in the communities in which it operates. FNI owns and operates the Lockerby Mine in the Sudbury Basin in northern Ontario, which reached full production during 2013 and is the expected to produce approximately 14 million pounds of contained nickel and approximately 7 million pounds of contained copper in 2014, providing a foundation from which to grow the Company. FNI's shares are traded on the TSX under the symbol FNI.

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained in this news release may contain forward-looking information about FNI. Forward-looking information can often be identified by the use of forward-looking terminology such as "anticipate", "believe", "continue", "budget", "forecast", "estimate", "schedule", "expect", "goal", "intend", "target", "potential", "objective", "may", "plan" or "will" or the negative thereof or variations thereon or similar terminology. Forward-looking information may include, but is not limited to: the continued operation of the Lockerby Mine; expectations of obtaining financing in the near term; future financial or operating performance of the Company and its projects; the future price of metals; the long term supply and demand for nickel; continuation of exploration activities; mineral reserve and mineral resource estimates; the realization of mineral resource estimates; costs of production and key supplies; capital, operating and exploration expenditures; forecasts of sales and production; costs and timing of the development of new and existing deposits; costs and timing of future exploration; the requirements for additional capital; government regulation of mining operations; environmental risks, reclamation expenses and/or title disputes or claims.

By its nature, forward-looking information is based on certain factors and assumptions which involve known and unknown risks, uncertainties and other factors which may cause the actual results, realization of mineral resources, performance or achievements of the Company, financial position or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Accordingly, actual events may differ materially from those implied by any forward-looking information. Readers are cautioned not to place undue reliance on forward-looking information, which speak only as of the date the statements were made and readers are also advised to consider such forward-looking information while considering the risk factors set forth in the management's discussion and analysis for the year ended December 31, 2012 under the heading "Risks and Uncertainties" and under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2012. The Company disclaims any intention or obligation to publicly update or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information or to explain any material difference between subsequent actual events and such forward-looking information, except as required by applicable law.

1. **GMV Contract and Accounting Impacts** Effective July 12, 2013, the Company signed an amended processing agreement (the "GMV agreement") with Glencore Canada Corporation ("Glencore"), replacing the Lockerby Ore Sales and Purchasing Agreement (the "Original Agreement) and resulting in ore sales that are based on the gross metal value (or "GMV") of ore shipped, net of a specified percentage. Under the

GMV agreement, the Company is paid for accountable GMV, which is based on the contained metal, multiplied by a specified percentage that is determined based on the average nickel grade of the ore delivered. There are no specifically-identified processing costs under the GMV agreement given that the specified GMV percentage results in revenues that are paid and recorded net of processing costs. As such, the change from the Original Agreement to the GMV agreement resulted in a change in the classification of various revenue and expense items. Under the GMV agreement, ore-treatment costs are not included in the cost of goods sold, but are netted against nickel and by-product revenues. All things being equal, the accounting under the GMV agreement results in lower revenue, lower cost of goods sold and lower by-product revenue than under the Original Agreement. The implementation of the GMV agreement in the second half of 2013 necessitated an adaptation of the Company's guidance, for comparability purposes. The underlying drivers of operational results that do not change, and are thus comparable before and after the GMV agreement, are: **Contained metal production** (pounds of nickel and copper) and **Mine site operating costs** (site operating costs before deducting by-product credits).

2. **Non-GAAP Financial Measures** Cash production costs per net-GMV payable nickel pound is a non-GAAP financial measure that does not have a standardized meaning under International Financial Reporting Standards ("GAAP") and, as a result, may not be comparable to similar measures presented by other companies. Management uses this statistic to monitor operating costs and profitability, and believes that certain investors use this information to evaluate the Company's performance and ability to generate cash flow in addition to conventional GAAP measures. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Total cash production costs include mining costs, equipment operating lease costs, mine site general and administration costs, environmental costs, Vale royalty, and transportation costs, less by-product revenue from sales of copper, cobalt and PGE's. Treatment and refining costs are not separately charged by Glencore under the GMV agreement and, therefore, they are not recorded as operating expenses within cost of goods sold.

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