First Nickel Reports Financial and Operating Results for the Year Ended December 31, 2013

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TORONTO, ONTARIO--(Marketwired - Mar 21, 2014) - First Nickel Inc. ("FNI" or the "Company") (TSX:FNI) announces its results for the year ended December 31, 2013. The Company's audited financial statements and management's discussion and analysis for the period have been filed on SEDAR and will be available at www.sedar.com and on the Company's website at www.fnimining.com which will also include a link to a webcast presentation by Mr. Thomas M. Boehlert, FNI's President and CEO. This news release should be read in conjunction with the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2013. This news release contains forward-looking information that is subject to the risks and assumptions set out in our cautionary statement on forward-looking information, which is located at the end of this news release. (All dollar amounts herein are in Canadian funds unless otherwise indicated.)

HIGHLIGHTS FOR FISCAL 2013

- **Production:** The Lockerby Mine produced 12.9 million pounds of contained nickel and 7.6 million pounds of contained copper during the year ended December 31, 2013, in line with the 2013 guidance for both metals, and representing a 47% increase in nickel production over the prior year.
- **Revenue:** Revenue for the year ended December 31, 2013 was $71.6 million, including ore sales during the second half under an amended ore-processing agreement with Glencore Canada Corporation ("Glencore").
- **Total cash production costs[1]:** Total cash production costs were $27.5 million for the first half and $18.0 million for the second half of 2013, totaling $45.6 million for the year ended December 31, 2013. Cash production costs were $5.97 per payable pound of nickel in the first half, and $5.15 per pound of GMV-net nickel in the second half of 2013. Second-half cash production costs per GMV-net pound were less than the lower end of the guidance range released in the Company's Q3 2013 MD&A. See the "Outlook for 2014" section for details about the change in production metrics in 2013.
- **Operating cash flow:** Excluding changes in working capital, cash provided from operating activities was a use of $2.3 million for the year ended December 31, 2013 compared to a use of $5.8 million for the year ended December 31, 2012.
- **Net loss:** The Company had a net loss of $55.6 million for the year ended December 31, 2013. The loss includes the $27.8 million impact of non-cash impairment charges and a $5.1 million loss on extinguishment of debt.
- **Liquidity:** The unrestricted cash balance at December 31, 2013 was $3.6 million. The Company had US$5.0 million available to draw under the BNS credit facility at December 31, 2013.
- **Debt restructuring and costs:** During 2013, the Company raised US$10.0 million of incremental shareholder loan financing, US$8 million in additional credit facility, and restructured all of its US$30.0 million of debt facilities. As a result, the statement of comprehensive loss for the year ended December 31, 2013 includes a charge of $5.1 million representing all previous unamortized financing costs and all current restructuring costs, and a $2.4 million expense reflecting prepaid interest relating to the RCF V and West Face facilities.
- **Development:** Ramp development totaled 500 metres and lateral development totaled 1,492 metres for the year ended December 31, 2013, supporting the Company's 2014 production plan.

CEO Commentary:

Mr. Thomas Boehlert, President and CEO of FNI, commented "2013 was a difficult year for nickel mining companies and for the entire junior mining sector. FNI responded to this challenging environment by meeting production targets and beating cost targets at the Lockerby mine, reducing expenditures across the board and raising additional shareholder financing. I would like to thank each of our employees and key stakeholders who responded positively during this period, playing an important role in our success in 2013 and firmly positioning the Company going into 2014.".

[1] For additional information, see *Non-IFRS Financial Measures* section.

Summary of Financial and Operating Results

Under the revised ore-processing agreement with Glencore (the "GMV Agreement"), the Company is paid for accountable gross metal value ("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 has 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 would result in lower revenue, lower cost of goods sold and lower by-product revenue than under the Original Agreement.

The Company reported revenue of $71.6 million, total cash production costs of $45.6 million, and a net loss of $55.6 million for the year ended December 31, 2013.

The following table presents the audited statement of comprehensive loss for the year ended December 31, 2013:

	For the year ended	
Canadian $, except for share and per-share amounts,	December 31, 2013	December 31, 2012
Revenue		
Revenue	$ 71,644,035	$ 36,078,313
Cost of sales		
Cost of sales	67,056,342	36,742,279
Depreciation	15,682,615	7,543,440
Impairment charges	23,352,776	16,761,895
Total cost of sales	106,091,733	61,047,614
Gross loss	(34,447,698)	(24,969,301)
General and administrative	4,754,632	5,162,860
Exploration and evaluation	717,092	128,850
Impairment of mineral properties	4,451,529	5,033,409
Loss on disposal of mobile equipment	685,318	-
Loss on extinguishment of debt	5,085,990	-
Operating loss	(50,142,259)	(35,294,420)
Financing income	-	(1,168,796)
Financing expense	5,476,363	2,203,514
Net finance expense	5,476,363	1,034,718
Loss before taxes	(55,618,622)	(36,329,138)
Income & mining taxes	-	-
Net loss and comprehensive loss	$ (55,618,622)	$ (36,329,138)
Loss per share - basic and diluted	$ (0.09)	$ (0.07)
Weighted average number of common shares outstanding - basic	594,728,059	514,758,287

Lockerby Mine Operating Results

Safety, Health & Environment

The Company's directors, management, employees and contractors continue to place the highest priority on safety, health and the environment. During the year ended December 31, 2013, there were no lost time injuries or reportable environmental incidents.

Production

Production from the Lockerby Mine in the year ended December 31, 2013 was delivered to Glencore under two successive ore-processing agreements, the Original Agreement through June 30, 2013, and the GMV Agreement after July 1, 2013.

Under the GMV Agreement, monthly production is based on the quantity of crushed ore delivered to Glencore and the average grade of nickel and other contained metals, which is established by an agreed -upon third-party laboratory. For ore processed under the Original Agreement, production was estimated on a provisional basis using the amount of ore hoisted to the surface, an estimated head grade, an estimated average nickel recovery rate, and an estimated average copper recovery rate based on the associated off-take agreement.

In the year ended December 31, 2013, 12.9 million pounds of contained nickel and 7.6 million pounds of contained copper were produced at the Lockerby Mine. See the "Outlook for 2014" section for additional information about production metrics.

In the six months ended December 31, 2013, operating under the GMV Agreement, 130,075 tonnes of ore were mined at Lockerby, producing approximately 6.8 million pounds of contained nickel and 3.5 million pounds of GMV-net payable nickel, at an average head grade of 2.36% and an estimated 2.0 million pounds of GMV-net payable copper at an average head grade of 1.34%.

During the first six months of 2013, operating under the Original Agreement, 115,828 tonnes of ore were mined at Lockerby, producing approximately 6.1 million pounds of contained nickel and 4.6 million pounds of payable nickel, at an average head grade of 2.38% and an average nickel recovery of 80.5%, and 3.5 million pounds of payable copper at an average head grade of 1.31% and an average copper recovery of 92.13%.

Increased production in 2013 reflects the commencement of commercial production on July 1, 2012, as well as the achievement of full production in first quarter of 2013.

	For the year ended	
	December 31, 2013	December 31, 2012
Tonnes of ore produced	245,903	204,841
Production		
Contained nickel (pounds)	12,874,583	8,760,973
Payable nickel (pounds) - Original Agreement (H1)	4,611,270	5,817,653
Net payable nickel (pounds) - GMV agreement (H2)	3,500,393	-
Nickel head grade	2.39%	1.94%
Contained copper (pounds)	7,627,710	5,509,478
Payable copper (pounds) - Original Agreement (H1)	3,450,151	4,513,730
Net payable copper (pounds) - GMV agreement (H2)	1,988,593	-
Copper head grade	1.41%	1.22%
Tonnes of ore shipped	242,003	198,694

Revenue

Revenues in the year ended December 31, 2013 show a material increase over the prior year due to the ramp-up following development and first commercial production in mid-2012 and commencement of full production from the Lockerby Mine in the first quarter of 2013, combined with the capitalization of revenues during the first half of 2012. Contained metal production from the Lockerby Mine increased from 8.8 million contained nickel pounds in 2012 to 12.9 million contained nickel pounds in 2013 (for an increase of 47% year-over-year).

The amendment to the Glencore ore-processing agreement and adoption of a GMV Agreement in the second half of 2013 resulted in revenues that were recorded net of the deduction of processing costs and other GMV deductions (as disclosed and explained in the Company's MD&A for the nine months ended September 30, 2013). Revenues under the Original Agreement in the prior year and first half of 2013 were recorded gross of processing costs.

The Company recorded total revenue of $71.6 million in the year ended December 31, 2013, compared with total revenue of $36.1 million reported in the prior year, which did not include $28.3 million in revenues that were capitalized as they were incurred prior to commercial production (reached July 1, 2012). With 2012 revenues grossed up for comparison purposes, which is a non-IFRS measure, 2013 revenues of $71.6 million are above the prior year by 7.2 million or 11%, reflecting 47% higher contained metal production, partly offset by the impact of GMV accounting, which lowered recorded revenues in the second half of 2013, and lower average realized nickel prices in 2013 (by $0.66 per pound or 9%). Lower realized nickel prices were partially buffered by slightly weaker average Canadian-US dollar exchange rates, which led to higher values for revenues as presented in Canadian dollars.

As disclosed in the Company's MD&A for the nine months ended September 30, 2013, the change in accounting generated by the GMV Agreement also resulted in a change to the Company's performance metrics, in order to ensure that the Company's performance is comparable to prior periods. Prior to the third quarter of 2013, the Company's performance metrics included payable nickel and copper, total cash production costs, and cash production costs per pound of payable nickel produced. Under the GMV Agreement, the Company's performance metrics include contained nickel and copper, net-GMV nickel and copper payable pounds, total cash production costs, and cash production costs per net-GMV pound of nickel produced. See the "Outlook for 2014" section for details about operational metrics, and the manner in which the economic performance of the Lockerby Mine under the GMV Agreement may be compared to prior periods.

Revenues recorded under the Original Agreement in the first half of 2013 were affected by volume adjustments, following milling by Glencore. Estimated grade was determined by the Lockerby geology department, and in the event that the Glencore milling results returned a different grade than the Company's' estimated grade, a quantity adjustment was made to revenue in the statement of comprehensive loss in the period in which the new information became available.

As at December 31, 2013, final pricing for ore processed under the Original Agreement was available for all ore and, as such, revenue for the year ended December 31, 2013 includes adjustments for all final settlements under the Original Agreement.

	For the year ended	
Canadian $,	December 31, 2013	December 31, 2012
Provisional nickel revenue - original agreement[1]	$ 32,562,602	$ 48,027,432
Provisional net nickel revenue - GMV agreement	21,505,949	
Nickel quantity adjustment	1,503,217	(3,996,445)
Nickel price adjustment	(4,957,957)	(1,050,046)
Provisional by-product revenue - original agreement[1]	11,845,727	18,685,469
Provisional net by-product revenue - GMV agreement	8,774,676	
By-product price and quantity adjustment	858,823	1,945,388
By-product price and quantity adjustment - prior period	(446,682)	-
Forward sales agreements	(2,320)	807,868
Total revenue	$ 71,644,035	$ 64,419,666

[1] For the purposes of this press release, year-to-date revenue includes pre-production capitalized revenue.

Total cash production costs[2]

Total cash production costs, which are based on cost of sales less by-product revenue, were $45.6 million for the year ended December 31, 2013. Total cash production costs were principally composed of labour, underground mining costs, surface ore-handling and trucking costs, treatment costs prior to July 1, 2013, and principal payments on equipment leases, partly offset by by-product revenue. Due to the change from the Original Agreement to the GMV agreement, in the second half of 2013 total cash production costs exclude treatment costs, and the associated by-product credits are on a net-GMV basis. As a result of this difference, cash production costs per payable pound of nickel are not comparable between the year ended December 31, 2013 and the corresponding period from 2012. Accordingly, the table below shows two different metrics for cash production costs per pound: a GMV-net metric for the second half of 2013 ($5.15 per pound), and the previous metric reported for the six months ended June 30, 2013, consistent with the Original Agreement ($5.97 per payable pound), which includes final-quantity adjustments for the last lots shipped in June which increased the quantity of nickel produced in the first half of 2013 by approximately 98,000 pounds and lowered the unit costs to $5.97 per pound produced, from $6.10 per pound produced included in the Company's MD&A for Q3 2013 . For additional information, see the "Outlook for 2014" section.

[2] For additional information, see *Non-IFRS Financial Measures* section.

Canadian $, except production amounts	For the six months ended December 31, 2013	For the six months ended June 30, 2013	For the year ended December 31, 2013	For the year ended December 31, 2012
Cost of goods sold[1]	$ 26,621,211	$ 40,435,131	$ 67,056,342	$ 36,742,279
Provisional by-product revenue[2]	(8,586,329)	(12,034,074)	(20,620,403)	(10,321,469)
By-product revenue - quantity and price adjustments - Original Agreement	(1,595)	(857,228)	(858,823)	(1,747,561)
Forward sales agreements related to by-products	-	(24,723)	(24,723)	(284,412)
Total cash production costs[3] (net of by-product credits)	$ 18,033,287	$ 27,519,106	$ 45,552,393	$ 24,388,837
Payable nickel production (pounds) - Original Agreement	-	4,611,270	4,611,270	3,092,000
Cash production cost per pound of nickel[3,4] produced - original agreement	$ -	$ 5.97	$ 5.97	$ 7.89
Net payable nickel production (pounds) - GMV agreement	3,500,393	-	3,500,393	-
Cash production cost per pound of nickel[3,4] produced - GMV agreement	$ 5.15	$ -	$ 5.15	

[1] Cost of goods sold does not include depreciation.

[2] Revenue presented for the year ended December 31, 2013 includes revenue based on the Original Agreement from January 1, 2013 to June 30, 2013 and revenue net of GMV deductions per the GMV agreement, from July 1, 2013 to December 31, 2013.

[3] For additional information, see *Non-IFRS Financial Measures* section.

[4] Cash production cost per pound based on cash production cost for the commercial production period divided by associated net payable nickel production for the same period. Original Agreement unit costs for six months are not mixed with GMV unit costs for Q3 and Q4 2013. See "Outlook for 2014" section for details about the calculation of cash cost metrics.

Capital

The Company made capital expenditures of $13.0 million in the year ended December 31, 2013, mostly representing underground development costs at the Lockerby Mine.

The development rate for the year ended December 31, 2013 averaged 5.5 metres per day.

Impairment of tangible assets

The Company modified the Lockerby mine plan during third quarter of 2013, in response to the significant downturn in the market prices of nickel and copper, and the associated weakened economics for deeper levels of the mine. The change focused the modified mine plan on the Lockerby 67 and 68-level zones, which implied lower future production over the life of the mine, triggering a review for impairment. Upon assessment, including updated assumptions and estimates, the Company recorded an impairment charge of $23.4 million associated with the Lockerby Mine during the year ended December 31, 2013. Improved nickel prices and a weaker Canadian dollar in early 2014 are enabling an optimization of the Lockerby mine plan considering alternate scenarios that aim to extend the life and maximize the mine's value.

Exploration

The Corporation's exploration strategy is focused on base metals and guided by the objectives of increasing resources and reserves in conjunction with the development and/or acquisition of quality projects, resulting in multiple mining operations. Due to the downturn in nickel prices seen through 2013, the Corporation has not incurred any significant exploration expenditures on its exploration properties since December 31, 2012.

Lockerby South

During the year ended December 31, 2013, the Company recorded an impairment charge of $0.5 million in the statement of comprehensive loss associated with the Lockerby South exploration asset. The impairment assessment of this exploration asset was triggered by the failure of the exploration program at Lockerby South to find any significant mineralized zones with economic viability.

Link

During the year ended December 31, 2013, the Company recorded an impairment charge of $4.0 million in the statement of comprehensive loss associated with the Link exploration asset. The impairment assessment of this exploration asset was triggered by the current low metal price environment and the low-grade mineralization discovered at the Link exploration area, which is not economically viable at current metal prices.

OUTLOOK FOR 2014

- Production of between 13.5 million and 15.1 million pounds of contained nickel, an 11% increase (mid -point) over 2013;
- Production of between 7.2 million and 8.0 million pounds of contained copper;
- GMV-net production of between 6.8 million and 7.6 million pounds of nickel, and between 3.6 million and 4.0 million pounds of copper;
- Mine site operating costs between $58.1 and $61.0 million;
- Cash production costs between $5.22 and $5.74 per pound[1] of GMV-net payable nickel.

Canadian $, except metal pounds	*2014*
Contained nickel lbs (millions)	13.5 - 15.1
Contained copper lbs (millions)	7.2 - 8.0
GMV net payable nickel lbs (millions)	6.8 - 7.6
GMV net payable copper lbs (millions)	3.6 - 4.0
Mine site operating costs (millions)	$58.1 - $61.0
Cash production cost per pound of nickel produced[1]	$5.22 - $5.74

[1] For additional information, see Non-IFRS Financial Measures section
Assumptions: Cu per lb US$3.25, CAD/USD 1:1

Capital expenditures

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

General and administrative expenses

General and administrative expenses for 2014 are projected to be approximately $4.4 million, not including share -based compensation. Financing costs and exploration expenditures are projected to be approximately $1.8 million and $0.4 million, respectively, in 2014.

Qualified Person

The foregoing scientific and technical information has been prepared or reviewed by Paul C. Davis, P.Geo., Vice -President Exploration of the Company. Mr. Davis is a "qualified person" within the meaning of National Instrument 43-101.

The Company follows rigorous quality control practices and procedures in full compliance with National Instrument 43-101, and these are described on the Company's website and in all technical news releases.

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 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. More than half of FNI's common shares are held by institutional investors. FNI's shares are traded on the TSX under the symbol FNI.

To learn more about the Company please visit www.fnimining.com and follow us on LinkedIn and Twitter

@FNI_Mining.

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.

Non-IFRS Financial Measures The cash cost per pound of nickel produced, cash cost per net-GMV pound of nickel produced and total production costs are non-IFRS financial measures that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") and, as a result, may not be comparable to similar measures presented by other companies. Management uses these statistics 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 IFRS 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 IFRS. On a GMV basis, total cash production costs include mining costs, surface ore-handling and trucking costs, equipment operating lease costs, mine site general and administration costs, environmental costs and Vale royalties, less net-GMV by-product revenue, including forward sales gains and losses, and price adjustments from sales of copper, cobalt and PGE's.

Contact

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