

# First Nickel Restructures the Lockerby Mine, Reducing Costs and Ensuring Continued Economic Viability

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TORONTO, ONTARIO--(Marketwired - Jan 12, 2015) - [First Nickel Inc.](#) ("First Nickel", "FNI" or the "Company") (TSX:FNI) has announced that the Lockerby nickel/copper mine, located in the Sudbury basin in Ontario, is being restructured in order to reduce costs, increase exploration and extend mine life.

## Background

The Lockerby Mine Project Technical Report dated August 2, 2012, available on SEDAR.com, envisaged mining from the 6,500-foot level to the 7,000-foot level. In 2013, the Company disclosed that, as a result of low nickel prices, ramp development below the 6800 level would be suspended. The Company has also said that if a decision was not made to restart ramp development, Lockerby would cease mining operations in 2015.

In December 2014, the Company concluded that, unless costs could be substantially reduced, developing the mine below the 6800 level would be uneconomic based on the current cost structure.

Thomas M. Boehlert, President & Chief Executive Officer, commented: "The employees at Lockerby have done a remarkable job in recent months to improve performance at the mine, with nickel production in the second half of 2014 improving significantly compared to the first half. However, the combination of persistently low nickel prices and our underlying cost structure has had a negative impact on our ability to generate the funds required to continue development of the mine."

The Company has recently engaged Mr. Vern Baker as Vice President, Sudbury Operations. Mr. Baker was most recently President of Duluth Metals and was previously the Vice President of Operations of FNX Mining in Sudbury. He has a track record of leading effective change in underground mines, keeping mines operating where they would have otherwise been closed.

Mr. Baker, together with the mine leadership team, undertook a review of the Lockerby Mine to determine whether it could continue operating in a safe manner with a lower cost basis. This work has resulted in a restructuring plan (the "Plan") that reduces costs to a level that will enable FNI to continue to operate the Lockerby Mine in a sustainable manner, preserving the jobs of 115 FNI employees. The Plan was recently reviewed and approved by the FNI board of directors.

## Restructuring Plan

The Plan is founded on productivity improvements to be realized through a strong focus on basics and essential work, and is expected to allow a reduction in costs while maintaining relatively consistent nickel production. Cost reductions and productivity changes require a 30% reduction in FNI personnel, and a 75% reduction in third-party contractor personnel, for an overall workforce reduction of 45%. Costs at the Toronto corporate office are also being reduced as part of the Plan.

The expected reduction of costs at the Lockerby Mine has resulted in a decision to recommence the ramp development below the 6800 level to reach the 7100 level in the first half of 2016. The underlying mine plan is essentially unchanged from the 2012 Technical Report. The Company expects to file a new Technical Report on the Lockerby Mine during the first half of 2015, as previously disclosed.

Production in 2015 is not expected to be significantly impacted and is expected to continue through 2016. FNI plans to release 2015 production and cost guidance later in January.

The Plan also includes the restart of exploration diamond drilling at Lockerby, with a planned 6,300 metres of underground exploration drilling in 2015 and 7,200 metres in 2016, targeting increased resources/reserves and increasing mine life.

Mr. Boehlert said: "Our primary objective over the past month has been to determine how we could safely and economically continue to operate the Lockerby mine into the future. We are implementing a plan that will see production continue through 2016, preserve 115 FNI jobs, restart and expand our exploration drilling program and potentially add to mine life. The Lockerby team has successfully met past challenges and I am confident in their ability to execute on the restructuring plan, ensuring that the mine will be viable going forward."

## **Other Developments**

The Company is continuing discussions with its principal shareholders regarding the possible refinancing or extension of the shareholder debt instruments and credit facilities prior to their maturities in March 2015.

In addition, Mark Isto, Vice President of Operations, has decided to leave FNI and take a senior-level position at a mining-related company. The Board of FNI and Mr. Boehlert would like to thank Mark for his unrelenting dedication to the Company over the past two and a half years and wish him well in his new position.

## **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.

## **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 regarding implementation and the effectiveness of the restructuring plan including further development and exploration and any impact on Lockerby mine life; 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, 2013 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, 2013. 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.

## Contact

### [First Nickel Inc.](#)

Thomas Boehlert

President & CEO

416 362-7050

tboehlert@fnimining.com

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