

TORONTO, ONTARIO--(Marketwired - Mar 26, 2015) - [First Nickel Inc.](#) ("FNI" or the "Company") (TSX:FNI) announces its results for the year ended December 31, 2014. The Company's audited financial statements ("financial statements") and management's discussion and analysis ("MD&A") for the year have been filed on SEDAR and will be available at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.fnimining.com](http://www.fnimining.com). This news release should be read in conjunction with the Company's financial statements and MD&A for the year ended December 31, 2014. 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.)

## KEY DETAILS - FISCAL 2014

- Production: Lockerby produced 13.3 million pounds of contained nickel and 7.7 million pounds of contained copper during the year ended December 31, 2014.
- Revenue: Revenue for the year ended December 31, 2014 was \$78.4 million.
- Total cash production costs<sup>1</sup>: Total cash production costs were \$46.2 million for the year ended December 31, 2014, or \$6.69 (US\$6.06) per GMV-net pound of nickel shipped.
- Operating cash flow before working capital adjustments<sup>1</sup> was \$7.6 million for the year ended December 31, 2014.
- Development: In the year ended December 31, 2014, lateral development totaled 1,594 metres.
- Net loss: The Company had a net loss of \$20.7 million for the year ended December 31, 2014.
- At December 31, 2014, the Company's unrestricted cash balance was \$5.9 million.
- In January 2015, the Company announced the Lockerby restructuring plan, reducing costs, increasing exploration and recommencing the ramp development in order to extend the mine life. Site operating costs in the first quarter of 2015 are expected to be generally consistent with the previously disclosed guidance range, however production in the first quarter is expected to be lower than plan. The Company will assess the 2015 production outlook along with its first quarter results.
- On March 12, 2015, the Company completed a debt restructuring that resulted in the full repayment of the US\$17.4 million balance under the BNS credit facility, a reduction of outstanding debt from US\$37.4 million to US\$28.0 million and extension of debt maturities from March 2015 to December 2016.

## Summary of Financial and Operating Results

In the year ended December, 2014, the Company reported revenue of \$78.4 million and total cash production costs of \$46.2 million. The Company reported revenue of \$19.8 million and total cash production costs of \$10.4 million for the three months ended December 31, 2014.

Under the Company's gross-metal-value ("GMV") ore-processing agreement with Glencore Canada Corporation ("Glencore") (the "GMV Agreement"), the Company is paid for accountable gross metal value, which is determined based on the value of the metals contained in the ore delivered and a specified percentage based on the nickel grade of 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. The GMV Agreement was adopted effective July 1, 2013, and the predecessor agreement (the "Original Agreement") required different accounting for revenues and cost of sales, which affects the comparability of certain financial statement elements between the year ended December 31, 2014 to the same period in 2013. All things being equal, the accounting in the current period under the GMV Agreement would result in lower revenue, lower cost of sales and lower by-product revenue than prior-period accounting under the Original Agreement.

<sup>1</sup> Cash production costs and cash production costs per GMV-net pound of nickel shipped are non-GAAP financial performance measures and operating cash flow before working capital adjustments is an additional GAAP financial performance measure, none of which have standardized definitions under International Financial Reporting Standards ("IFRS"). See pages 24 of the Company's December 31, 2014 MD&A for further details.

The following table presents the statements of comprehensive loss for the year ended December 31, 2014 and 2013:

| <i>Canadian \$, except for share and per-share amounts,</i> | For the year ended   |                      |
|-------------------------------------------------------------|----------------------|----------------------|
|                                                             | December 31,<br>2014 | December 31,<br>2013 |
| Revenue                                                     |                      |                      |
| Revenue                                                     | \$ 78,363,354        | \$ 71,644,035        |
| Cost of sales                                               |                      |                      |
| Cost of sales                                               | 64,759,532           | 67,056,342           |
| Depreciation                                                | 22,673,832           | 15,682,615           |
| Impairment charges                                          | -                    | 23,352,776           |
| Total cost of sales                                         | 87,433,364           | 106,091,733          |
| Loss from mine operations                                   | (9,070,010 )         | (34,447,698 )        |
| General and administrative                                  | 4,063,727            | 4,754,632            |
| Exploration and evaluation                                  | 449,330              | 717,092              |
| Impairment of exploration and evaluation assets             | -                    | 4,451,529            |
| Loss on disposal of mobile equipment                        | 420,744              | 685,318              |

|                                                      |                  |                  |
|------------------------------------------------------|------------------|------------------|
| Loss on extinguishment of debt                       | -                | 5,085,990        |
| Other income                                         | (1,061,543 )     | (1,217,493 )     |
| Loss from operations                                 | (12,942,268 )    | (48,924,766 )    |
| Finance expense                                      | 7,762,698        | 6,693,856        |
| Loss before taxes                                    | (20,704,966 )    | (55,618,622 )    |
| Income & mining taxes                                | -                | -                |
| Net loss and comprehensive loss                      | \$ (20,704,966 ) | \$ (55,618,622 ) |
| Loss per share - basic and diluted                   | \$ (0.03 )       | \$ (0.09 )       |
| Weighted average number of common shares outstanding | 665,873,093      | 594,728,059      |

## 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. Lockerby had no lost-time incidents during the second half of 2014, following three lost-time incidents during the first six months of the year, including the May 6, 2014 accident. Lockerby had six medical-aid incidents in 2014.

On May 6, 2014, an accident occurred at Lockerby involving a fall of material and the deaths of two contract production drillers. The Company responded to the accident by following established protocols and emphasizing transparent communication within the bounds of those protocols, as well as counselling and supporting the families of the deceased, employees and the local community. The Ontario Ministry of Labour ("MOL") suspended Lockerby underground operations immediately following the accident and, after its initial investigation, on May 8, 2014 lifted the suspension for all areas except for the level on which the accident had occurred, which was an under-fill heading on the 65-2 level of the mine.

The Company actively cooperated with the MOL to determine a method to safely allow workers to re-enter the 65-2 level. Although not ordered to do so by the MOL, the Company suspended its under-fill operations in all areas of the mine after the accident, until it could be satisfied that workers would not be put at risk. The Company consulted with outside engineers and developed a plan to resume work on the 65-2 level and other under-fill headings in a way that would ensure the safety of all workers. On July 17, 2014, the MOL released the accident scene to the Company and, on July 18, 2014, the MOL released the 65-2 level for mining. As at March 24, 2015, the final investigation of the accident by the MOL was pending completion.

### *Production*

Monthly production is based on the quantity of ore hoisted to surface and the associated average grade of nickel and other contained metals, which is established by an agreed-upon third-party laboratory.

In the year ended December 31, 2014, Lockerby produced 13.3 million pounds of contained nickel, at an average head grade of 2.43% Ni and 7.7 million pounds of contained copper, at an average head grade of 1.40% Cu. In the fourth quarter of 2014, Lockerby produced 4.1 million pounds of contained nickel and 2.4 million pounds of contained copper.

Production of 4.1 million contained nickel pounds during the three months ended December 31, 2014 represents a 23% increase in nickel production over the third quarter of 2014, reflecting a 28% increase in tonnes produced, partially offset by 5% lower average nickel grades. Contained-nickel production in the fourth quarter of 2014 was 11% greater than the 3.7 million pounds produced in fourth quarter of 2013, reflecting 7% increases in ore tonnes produced and average nickel head grades mined. Contained-nickel production in the year-ended December 31, 2014 was 3% greater than the 12.9 million produced in 2013, reflecting a 2% increase in average nickel head grades mined and a 1% increase in ore tonnes produced.

Total contained nickel pounds for the year was slightly below the lower end of the 2014 forecasted range of 13.5 to 15.1 million, while contained copper pounds for the year was in the middle of the 7.2 to 8.0 million forecasted range. The 2014 forecast had been updated at the end of the second quarter as a result of the May 6, 2014 accident. Development under backfill and blast-hole drilling was a key element of the Lockerby mine plan. After the May 6, 2014 accident, this stoping method was halted while an investigation was conducted. In the interim, an alternate stoping method was followed utilizing, upward-oriented drill holes from the bottom sills of stopes ("bottom-sill-drilled stopes"). Although successful, the average ore production rate from bottom-sill-drilled stopes was lower, reflecting more complicated logistics because drilling, blasting and mucking operations with bottom-sill-drilled stopes need to occur in the same place. Development under backfill was restarted on July 24, after a 78-day suspension of a key stope development activity. At that point the Company resumed a stope extraction sequence and was less dependent on stopes drilled from the bottom sill, which contributed to higher production in the fourth quarter of 2014.

|                        | For the year ended   |                      |
|------------------------|----------------------|----------------------|
|                        | December 31,<br>2014 | December 31,<br>2013 |
| Tonnes of ore produced | 248,573              | 245,903              |

|                                                                         |            |            |   |
|-------------------------------------------------------------------------|------------|------------|---|
| Production                                                              |            |            |   |
| Contained nickel (pounds)                                               | 13,320,436 | 12,874,583 |   |
| Net payable nickel shipped (pounds) - GMV Agreement (from July 1, 2013) | 6,908,017  | 3,500,393  |   |
| Payable nickel (pounds) - Original Agreement (ended June 30,2013)       | -          | 4,611,270  |   |
| Nickel head grade                                                       | 2.43       | % 2.39     | % |
| Contained copper (pounds)                                               | 7,681,836  | 7,627,710  |   |
| Net payable copper shipped (pounds) - GMV Agreement (from July 1, 2013) | 3,950,539  | 1,988,593  |   |
| Payable copper (pounds) - Original Agreement (ended June 30,2013)       | -          | 3,450,151  |   |
| Copper head grade                                                       | 1.40       | % 1.41     | % |
| Tonnes of ore shipped                                                   | 251,236    | 242,003    |   |

## Revenue

Revenues are recorded based on the quantity of crushed ore that is delivered to Glencore and the associated average grade of nickel and other contained metals, which is established by an agreed-upon third-party laboratory.

The Company recorded total revenue of \$78.4 million in the year ended December 31, 2014, compared with total revenue of \$71.6 million in the year ended December 31, 2013. Comparisons of revenues for the year ended December 31, 2014 to the same period in 2013 are affected by accounting changes under the GMV Agreement, which was adopted in the second half of 2013. Revenues recorded under the GMV Agreement were recorded net of the deduction of processing costs and other GMV deductions, compared to gross revenues recorded under the Original Agreement in the first six months of the prior- year period. Revenues recorded under the Original Agreement were also affected by volume adjustments, following milling by Glencore. Had the GMV Agreement been in place during all of 2013, total revenues would have been lower by approximately \$13.7 million. Under the Original Agreement, 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.

Adjusting for the approximate impact of the GMV agreement on revenues in the first half of 2013, revenue for the year ended December 31, 2014 is greater than adjusted 2013 revenues by approximately \$20.5 million. This increase can be attributed to higher average realized nickel prices and foreign-currency translation gains in 2014, combined with an increase in tonnes of ore sold, partially offset by lower average realized copper prices in 2014. Average realized nickel prices increased by 13%, from US\$6.74 in 2013 to US\$7.63 in 2014. The Company realized foreign-currency translation gains from an increase in the average U.S. to Canadian dollar exchange rate from 1.03 in 2013 to 1.10 in 2014. In addition, contained nickel pounds sold in 2014 was 3% higher than 2013, while contained copper pounds sold increased by 1%. The increase in revenue was partially offset by lower average realized copper prices for the year ended December 31, 2014, which at US\$3.09 was down 8% from the prior year (2013 - US\$3.35).

Revenues in the fourth quarter of 2014, \$19.6 million, showed a significant increase over the prior-year period, \$17.6 million. The increase reflects higher average realized nickel prices in the fourth quarter of 2014 (US\$7.16 compared to US\$6.34), combined with higher production (18% increase in tonnes from the fourth quarter of 2013).

The Company may from time to time enter into forward sales agreements to mitigate provisional pricing exposure to changing nickel and copper prices. For additional information, see the "Forward sales agreements" heading in this section.

|                                                                          | For the year ended   |                      |
|--------------------------------------------------------------------------|----------------------|----------------------|
| Canadian \$,                                                             | December 31,<br>2014 | December 31,<br>2013 |
| Provisional net nickel revenue - GMV Agreement (from July 1, 2013)       | \$ 58,838,685        | \$ 21,505,949        |
| Provisional nickel revenue - Original Agreement (ended June 30,2013)     | -                    | 32,562,602           |
| Nickel final settlement                                                  | 829,089              | (4,956,255 )         |
| Nickel quantity adjustment - Original Agreement (ended June 30, 2013)    | -                    | 1,503,217            |
| Nickel mark-to-market adjustment                                         | 147,784              | (1,701 )             |
| Provisional net by-product revenue - GMV Agreement (from July 1, 2013)   | 19,028,209           | 8,774,676            |
| Provisional by-product revenue - Original Agreement (ended June 30,2013) | -                    | 11,845,727           |
| By-product mark-to-market and final settlement adjustment                | (480,413 )           | (152,261 )           |
| By-product quantity adjustment - Original Agreement (ended June 30,2013) | -                    | 564,401              |
| Forw ard-sales-agreement losses                                          | -                    | (2,320 )             |
| Total revenue                                                            | \$ 78,363,354        | \$ 71,644,035        |

## Cash production costs<sup>2</sup>

Cash production costs is a non-Generally Accepted Accounting Principles ("GAAP") measure that is based on the cost of sales

less by-product revenues. Cash production costs in the year ended December 31, 2014 were \$46.2 million which is \$0.2 million greater than the prior year. On a unit basis, cash production costs per GMV-net pound of nickel shipped<sup>2</sup> were \$6.69 (US\$6.06) for the year which was \$0.29 above the upper end of the Company's revised full-year guidance range of \$5.90 to \$6.40 per GMV-net pound. This increase partly reflects the volume impact of lower GMV-net nickel production in 2014, resulting in a smaller denominator in the calculation of per-pound costs, together with the impact of higher production costs. The increase includes the impact of higher energy costs during the first quarter and the May 6, 2014 accident, which led to a volume impact from postponed production.

Cash production costs were \$10.4 million in the three months ended December 31, 2014, compared to \$9.4 million in the same period in 2013. The increase reflected the \$1.3 million cost of sales increase slightly offset by a provisional by-product revenue increase of \$0.3 million. Provisional by-product revenue in the three months ended December 31, 2014 was reduced by mark-to-market and final settlement adjustments of \$0.4 million. This adjustment is a result of an 8% drop in realized copper prices from the fourth quarter of 2013 (average realized price of US\$2.98 compared to US\$3.25 per pound). For the year December 31, 2014, by-product revenues are 8% below the prior-year period, which demonstrates the revenue impact in the first half of 2013 of accounting changes related to the GMV Agreement, whereby the reporting of by-product revenues is net of GMV deductions (as described in the "Revenue" section above).

<sup>2</sup> Cash production costs and cash production costs per GMV-net pound of nickel shipped are non-GAAP Financial performance measures, neither of which has standardized definitions under IFRS. See page 24 of the Company's December 31, 2014 MD&A for further details.

|                                                                                    | For the year ended |                   |
|------------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                                    | December 31, 2014  | December 31, 2013 |
| <i>Canadian \$, except production amounts</i>                                      |                    |                   |
| Cost of sales <sup>1</sup>                                                         | \$ 64,759,532      | \$ 67,056,342     |
| Provisional by-product revenue <sup>2</sup>                                        | (19,028,209 )      | (20,620,403 )     |
| By-product revenue - mark-to-market and final settlement adjustments               | 480,413            | 152,261           |
| By-product revenue - quantity adjustments - Original Agreement                     | -                  | (564,401 )        |
| Forw ard sales agreements related to by-products                                   | -                  | (24,723 )         |
| Total cash production costs <sup>3</sup>                                           | \$ 46,211,736      | \$ 45,999,076     |
| Net payable nickel shipped (pounds) - GMV Agreement (from July 1, 2013)            | 6,908,017          | 3,500,393         |
| Cash production cost per GMV-net pound of nickel shipped <sup>3</sup> - CDN        | \$ 6.69            | \$ 5.15           |
| Cash production cost per GMV-net pound of nickel shipped <sup>3</sup> - USD        | \$ 6.06            | \$ 5.00           |
| Payable nickel production (pounds) - Original Agreement (ended June 30,2013)       | -                  | 4,611,270         |
| Cash production cost per pound of nickel shipped <sup>3</sup> - Original Agreement | \$ -               | \$ 5.97           |

1. Cost of sales does not include depreciation.

2. For the year ended December 31, 2014 revenue is presented based on the GMV Agreement. Revenue presented for year ended December 31, 2013 includes six months based on the Original Agreement and six months based on the GMV Agreement.

3. Cash production cost per pound of nickel shipped is based on cash production cost for the year divided by associated net payable nickel production for the same period.

The change in accounting treatment 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 shipped. Under the GMV Agreement, commencing in the third quarter of 2013, 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 shipped. Given the change to the Glencore processing agreement in mid-2013, comparisons to the year ended December 31, 2013 cash production costs and cash production cost per pound do not yield meaningful analysis.

## Exploration

The Company's exploration strategy is focused on base metals and is 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 volatility in nickel prices seen through 2014, the Company has not incurred any significant exploration expenditures on its greenfield exploration properties since the first quarter of 2013, although the Company plans to recommence exploration as part of Lockerby's restructuring plan (see the "2015 Lockerby Restructuring Plan" section).

## 2015 Lockerby Restructuring Plan

On January 12, 2015, the Company announced that it was restructuring the Lockerby mine in order to reduce costs, increase exploration and extend the mine life in order to counter low nickel prices (the "Lockerby Restructuring Plan").

The Lockerby Restructuring Plan aims to realize productivity improvements and is expected to allow a reduction in costs while maintaining relatively consistent nickel production. The Lockerby Restructuring Plan resulted in a 30% reduction in the Company's personnel and a 75% reduction in third-party contractor personnel, for an overall workforce reduction of 45%. Costs at the Toronto corporate office were also reduced as part of the Lockerby Restructuring Plan.

As part of the Lockerby Restructuring Plan, ramp development has recommenced below the 68 level and is expected to reach the 71 level in the first half of 2016. The underlying mine plan is essentially unchanged from the Stantec Study. The decision to recommence the ramp development was further supported by a depreciated Canadian dollar in 2014, which directly increases operating margins as nickel and by-product revenues are denominated in US dollars but reported in Canadian dollars. Despite near-term softness in nickel market prices, the market factors and outlook for nickel remain supportive of higher prices.

The Lockerby Restructuring 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. Additionally, the Company continues to target mineral resources in the Lockerby East Zone.

## OUTLOOK FOR 2015

The Company's outlook for 2015, released on January 27, 2015, is detailed in the table below and is driven by the Lockerby Restructuring Plan.

| <i>Canadian \$, except metal pounds</i>                  | <i>2015</i>     |
|----------------------------------------------------------|-----------------|
| Contained nickel lbs (millions)                          | 12.7 - 13.5     |
| Contained copper lbs (millions)                          | 6.9 - 7.4       |
| GMV net payable nickel lbs (millions)                    | 6.4 - 6.8       |
| GMV net payable copper lbs (millions)                    | 3.5 - 3.7       |
| Mine site operating costs (millions) <sup>1</sup>        | \$40.0 - \$45.0 |
| Cash production cost per GMV-net pound of nickel shipped | \$3.50 - \$4.50 |
| Capital expenditures (millions)                          | \$6.5           |

<sup>1</sup> Mine site operating costs is reflected as "Cost of Sales" in the Financial Statement of Comprehensive Loss. Assumption: Cu per lb. US\$3.30, CAD/USD 1.2:1

### General and administrative expenses and exploration expenditures

General and administrative expenses (excluding share-based compensation) and exploration expenditures are projected to be approximately \$3.6 million and \$0.9 million, respectively, in 2015. The increase in expected exploration expenditures is a result of the restart of exploration diamond drilling at Lockerby as part of the Lockerby Restructuring Plan.

### Qualified Person

The foregoing scientific and technical information has been prepared under the supervision of, or reviewed and approved by Paul C. Davis, P.Geo., Vice-President Exploration of the Company. Mr. Davis is a "Qualified Person" within the meaning of NI 43-101.

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

### About FNI

FNI is a Canadian mining and exploration company. FNI'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 13 million pounds of contained nickel and approximately 7 million pounds of contained copper in 2015, providing a foundation from which to grow the Company. FNI's shares are traded on the TSX under the symbol FNI.

To learn more about the Company please visit [www.fnimining.com](http://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 MD&A for the year ended December 31, 2014 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, 2014. 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.

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