



**FIRST NICKEL INC.
LOCKERBY MINE**

Update on Lockerby Mine January 12, 2011

In September, 2010, First Nickel secured financing through a \$5M loan from Resource Capital Funds to continue with the Care & Maintenance program at the mine as well as start on several of the Capital re-commissioning projects.

In October, 2010, First Nickel completed an equity raise where approximately \$28.7 M was raised towards implementation of the Capital Expansion Project.

FNI continues to work on the final phase of securing financing required to execute the Lockerby Depth Capital Expansion Project. FNI has been working through all of 2010 and now into 2011 on financing the Lockerby Depth Project. As highlighted in prior newsletters, the process has been extensive as banks and financial institutions carry out extensive due diligence programs and are extremely stringent when rendering a decision on whether to proceed with the financing of a project.

The Company is now embarked on the final phase of securing the required financing for the project.

The re-commissioning phase of the project has begun and is targeted to last approximately five months. Capital funding is being directed towards detailed engineering, addressing key areas of the ore / waste conveyance handling system, ventilation system refurbishing, mine electrical distribution required for project start up and addressing general mine infrastructure items. Some of this work has been assigned to contractors relative to budget and schedule targets.

The recall of employees began in May 2010. At present, there is a total of twenty one P&M employees involved with the Care & Maintenance work vs a target of less than three as was presented during labor negotiations. FNI has been as fair and reasonable as it can in recalling of the P&M group to assist during this period. It is critical that the re-commissioning activities be on budget and on schedule.

As per the understanding of the new collective agreement, once full funding has been received, the mine development expansion project will begin with mine contractors. FNI's P&M group will offer support to the capital project in a variety and agreed upon job functions. Selection of the mine development contract firm is ongoing. If everything follows according to plan, contractor mobilization should begin in late March, 2011.

This is the beginning of building a new mine, jobs and a sustainable economy for FNI and the region which we must be able to provide through safe and cost effective measures.

**Gerry Bilodeau
VP Operations
First Nickel Inc.**