

May 9, 2018



MPMC Bargaining Bulletin #2

For All Mount Polley Employees

Negotiations Update

Negotiations in Vancouver on May 6 and 7 failed to reach agreement. The following is a summary of the two days activities.

May 6 Meetings

On May 6, Brian Kynoch, President of Imperial Metals, joined the Employer's bargaining committee to review the financial context of the negotiations. Brian pointed out that, in the two years since the breach, the Company spent \$205 million on remediation and on new equipment to keep the mine going. During the same period, the Company made \$55 million net income on operations. The result, of course, was a loss of \$150 million – a loss supported by the shareholders of Imperial Metals.

Also on May 6, the Union presented its first comprehensive position. Its monetary position, in short, was a two-year agreement with zero increases on wages. Other proposals (mainly increases in vacation entitlements) would have increased Company costs somewhat.

The Company Revised Its Proposal

As you know, the Company was seeking some cost relief from the Union, particularly during the difficult financial period (this year and next). In our last proposal, this would have been achieved by a reduction to the 9% cap on the copper bonus.

However, the Company appreciated that the Union proposal showed some realism about the Company's fiscal situation. In response, the Company agreed to drop its proposal for a reduction from 9% to 5% in the cap on the copper bonus. In fact, we guaranteed that the present 9% cap would remain, and that the bonus would never go *below* 5%, no matter what happened to copper prices.

We also accepted the Union proposal for a zero percent in years one and two, and counter-proposed 1.0% for a third year. We believe that the amendments to our comprehensive proposal are very significant. Monetary improvements for employees in the first and second year term are major. Essentially, the changes mean 4% more money for the remainder of year one, and 2% more in year two, relative to our previous proposal. (Note that these two years are the most difficult financially for the Company.) Our offer also meets the Union's goal of no monetary concessions.

Our offer, as the previous one, maintains our proposal for restructuring of the mill wage structure. It appears to us that the Union may not understand it. The new structure would increase some wage rates and decrease others, but there would be an overall average increase. Note that no current employees in the classifications where the basic rate is reduced would be affected. They would be "red-circled", meaning that the employees would continue to receive their present basic rate and copper bonus. The only changes affecting current employees would be increases.

Other matters are still outstanding. For example, the Union wants the Company to pay for all time that employees on the Union committee spend in bargaining meetings with the Company. The Company is willing to pay for all time *lost*, but the Union also wants the Company to pay for time when the committee members wouldn't be working. This contrasts with the policy of many unions, where the union pays the entire cost of members on their bargaining committees. (Representation, after all, is why members pay dues!) In the Company's view, our offer to pay lost time is more than fair.

May 7 Meeting

The Company and Union bargaining committees appeared at 9:00, to meet with the labour board mediator. (Brian Kynoch wasn't, as his presence was required for a meeting of Imperial Metals' board of directors.)

As the meeting unfolded, the Company's committee attempted to discuss the outstanding issues. The Union chief spokesperson expressed his displeasure that the Company wanted to bargain. The Company spokesperson said that the purpose of the meeting was bargaining, and that's what both parties should be doing. The Union chief spokesperson said that we were wrong; the Union committee was here only because (in its view) it had been invited by Brian Kynoch.

At that point the parties adjourned for caucuses. In caucus, the Employer committee put its revised position in writing. Our committee also met with the board of directors of Imperial Metals. Brian Kynoch expressed his view that the Union was misunderstanding his role; he had no intention of being the bargainer. Our committee outlined our bargaining position for the board of directors, and received the complete endorsement of the board.

When the parties reconvened with the mediator, the Company committee presented our revised position in writing. We pointed out that it was our final position. At this point, negotiations had dragged on too long. In our revised position, the Company attempted to address the main Union concerns – at some risk to the financial viability of the Company. The Union had expressed very clearly that very morning that it was unwilling to engage in discussions with the Company's bargaining committee. This left us no alternative but to fashion our very best effort in our own caucus, commit it to paper, and present it to the Union. We told the Union that, if the Union isn't prepared to accept our best effort, then our only recourse is to serve the Union with lockout notice.

Lockout Notice

The Company has served the Union with 72 hours lockout notice. This means that, at the expiry of the 72-hour period, the Company will have the legal right to lockout employees at a date and time of the Company's choosing.

There is still an opportunity to bring these negotiations to a successful conclusion without a dispute. The Company has made a fair offer. The employees have the right (and, we believe, the responsibility) to give it careful consideration. We urge employees to do so.

Fact Check

Someone distributed a leaflet on the mine site featuring an inaccurate description of the relationship between production at Mount Polley and other Imperial Metals properties. The Union did not authorize it and, to the Union's credit, it agreed that the conclusion of the leaflet was inaccurate. If you read for yourself the entire press release that is part of the leaflet, you can do your own calculation and reach an accurate conclusion.

The Company encourages discussion of the current financial and bargaining situation. Differing fact-based opinions are legitimate – but facts are important!

Summary of the Company's Revised Proposal

(The addendum to the proposal is available on the website: <https://imperialmetals.com/our-operations/mount-polley-mine/employee-relations> The condensed version of the offer will be available shortly.)

- Maintain the current 9% cap on the copper bonus.
- Accept the Union proposal of 0% and 0% for the first two years.
- Add a third year, with a 1.0% increase.
- Restructure mill wage scale to increase the wage range, providing an average increase, and protecting any employees who would be negatively affected.

This bulletin is authorized by
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