

January 3, 2013

Training and Transition to Canadian Workers

HD Mining applied to Human Resources and Skills Development Canada (HRSDC) and received approval in April 2012 to hire 201 workers under the Temporary Foreign Worker Program. These workers have been approved for a two year period to work on the initial Bulk Sample phase of the project, which consists of the removal of coal samples to be representative of targeted coal seams.

If HD Mining could find qualified Canadian underground miners, it would prefer to hire Canadian workers rather than temporary foreign workers. It would be more efficient and less costly to hire Canadian workers, but so far through its recruitment efforts, HD Mining has been unable to find any who are qualified for underground long-wall mining.

As a Canadian employer, HD Mining is working to transition long-wall mining skills and jobs to Canadian workers. But training Canadians in the long-wall mining method will take time. HD Mining is proposing a multi-year training plan, where following the start of production, every year, 10% of the workforce will be transitioned to Canadians workers. This means that after 5 years of production, the mine would have a 50% Canadian workforce of approximately 300 workers, and after 10 years of production, the mine would have a full Canadian workforce of 600 workers. Based on 30 years of operation for the project, this leaves 20 years of production with a fully Canadian workforce. If HD Mining can train and employ qualified Canadians earlier, it will.

HD Mining recently signed a Memorandum of Understanding (MOU) with Northern Lights College to train local workers in long-wall mining operations. Under the scope of activities outlined in the MOU, Northern Lights College and HD Mining will:

- Develop a relevant curriculum;
- Develop relevant simulation modules; and
- Identify partners for program infrastructure.

As part of the MOU, Northern Lights College and HD Mining will work to deliver long-wall mining training in Tumbler Ridge and include key community partners in the organization and delivery of this training.

About the Murray River Project

HD Mining is proposing to develop the Murray River Project, located 12.5 kilometres south of Tumbler Ridge, British Columbia, Canada. If approved to proceed, the Murray River Project would be an underground coal mine with an annual production of six million tonnes of metallurgical (steelmaking) coal over 30 years. HD Mining has an approved 100,000 tonne bulk sample permit, which consists of the removal of coal samples to be representative of targeted coal seams. The purpose of this is to confirm the mining conditions, coal quality and the viability of a full mine.

To mine for the 100,000 tonne bulk sample, HD Mining made a significant effort to recruit qualified Canadians. HD Mining advertised for various underground mining positions paying between **\$25 and \$40 an hour**, including mining engineers, industrial electricians and underground coal miners. When combined with benefits, housing and food costs, this would amount to annual compensation in the range of **\$84,852 to \$113,652 per TFW worker**. However, there is a lack of skilled underground coal mining workers in Canada. In addition to shortages of skilled worker, HD Mining will be utilizing a mechanized long-wall mining construction method that is not currently used in Canada and is different

from conventional tunneling. There is only one other underground coal mine in B.C., and it utilizes a different method, called room-and-pillar.

Following HD Mining's recruitment effort, HD Mining applied to Human Resources and Skills Development Canada (HRSDC) and received approval in April 2012 to hire 201 workers under the Temporary Foreign Worker Program for the Murray River Project. HD Mining has met or exceeded all HRSDC requirements.

The temporary foreign workers are employees of Huiyong Holdings Group China, the parent company of HD Mining. All of these workers have experience in underground long-wall coal mining through employment at Huiyong's underground coal mines in China. These workers will be on a two year rotation to work in Canada and will return to China once their rotation is complete.