



Vancouver Office
Suite 800 - 688 West Hastings St.
Vancouver, BC
V6B 1P1
Canada

January 7, 2015

Tel: (604) 608-2692
Fax: (604) 629-0075

www.walterenergy.com

Re: 2014 Wolverine Mine Dam Breach Inundation Study and Emergency Response Plan and Testing

Please find attached the 2014 Wolverine Mine Dam Breach Inundation Study, Wolverine Mine Emergency Response Plan (ERP) and an Emergency Response Form covering the testing of the Wolverine Mine ERP. The Inundation Study was prepared by the Engineer of Record, Norwest Corporation. The ERP was updated by Walter Energy and reviewed by Norwest Corporation.

Walter Energy is dedicated to planning for a safe and effective response to all emergencies. In response to Wolverine Mine's 3rd Party Dam Safety Inspection Report conducted by Tetra Tech and submitted Dec. 1, 2014, Walter Energy committed to reviewing and updating the Wolverine Mine Dam Breach Inundation Study. This study was last conducted by Norwest in 2005 and in order to be in accordance with the current state of practice (2007 CDA Guidelines), the Dam Breach Inundation Study was re-evaluated by Norwest in December, 2014. Due to the Wolverine Mine idle status (May 2014), reduction in workforce, and updated Dam Breach Inundation Study, the Wolverine Mine Emergency Response Plan was updated and tested.

To determine the effectiveness of the current Wolverine Mine ERP (2015), an emergency test scenario was implemented on January 5, 2015. The scenario involved a callout stating a mayday and that the tailings dam had been breached, spilling onto the Wolverine FSR, but no injuries were reported. No personnel were aware of the exact date or time of the test except for the initiators.

The Wolverine emergency response was initiated; personnel were evacuated from the dangerous area. All six on-site personnel were mustered within 10 minutes. The specific lines of communication were followed in accordance with the ERP and all necessary Walter Energy employees were aware of the situation within 32 minutes. The area was assessed and access to the dam crest and inundation area was barricaded to prevent entry by non-critical personnel. Emergency response team communication was launched but not assembled. Local equipment contractors were contacted to ensure readiness of equipment to remove snow for an alternative access to site.

During the test, several issues were identified and discussed. The primary concern was access/egress to site - due to the idle status and winter conditions, only one road access to the plant site is available. This access may potentially become blocked off in an emergency of this form and magnitude, requiring an alternative means of transport (ie. plowing an alternate route or use of a helicopter). Non-critical personnel would be transported offsite and emergency responders would be brought in. Only then can containment begin. It would be critical to maintain personnel on site with barricades around the inundation area since the Wolverine FSR runs through the potentially hazardous area and is used by the public. Other issues and solutions are identified in the Emergency Response Form attached.

Overall the emergency response drill was conducted exceptionally well. Lines of communication were quickly established and response to the situation was successful. Several recommendations were made and incorporated into the ERP. It is understood that the ERP is always a work in progress and key that all personnel understand and have access to the ERP - this guide will assist on-site personnel and external emergency responders in an effective identification, evaluation, and response to an emergency at the Walter Energy Wolverine Mine.