



April 5, 2017

To the Employees of the Lucky Friday Mine:

Lucky Friday management recently received four questions regarding important elements of the Company's final offer. We thought it might be useful to send our responses to the questions to the entire bargaining unit, in an effort to clear up any confusion. All of the information provided below has been previously shared with the Union representatives at the negotiating table. The questions we received, as well as our responses, are listed below:

Question 1.

“Job progression system – I have heard statements such as the employees being bounced from job to job, area to area. Can you explain how this system truly works? Given mining conditions at the Lucky Friday, I feel it's beneficial for the workers to be familiar in the current conditions of their work area. I understand Hecla's desire to have some control over who works where but I also would like to feel comfortable about the work conditions. I believe that if you could elaborate on this job progression system I would be able to understand it and likely feel comfortable with it.”

Answer:

Under the Company offer about the job progression system, an employee will have the capability to choose a career path (e.g. mechanic, electrician, miner, support, mill, construction, etc.) Within that career path, as employees increase their skill levels, they can earn a higher wage by progressing to a higher Technician (Tech) level. Each career path has defined tasks and skills necessary to learn to progress to each technician level. The system is designed to build depth in employees and crews and reward the increase in skill level with a higher base wage.

The mill is currently working in a progression system, and the mechanics and electricians for the most part follow a progression type of system. Employees on support crews (trucks, loaders, nippers, cagers, graders) will develop skills in many areas but most will find a niche and spend the

majority of time performing that task. However, if necessary, their depth will allow them to perform other tasks to improve efficiency of their crew. Miners would be placed in locations to work and would remain in that area unless there is a business need to change such as the work in that area is reduced or stopped all together or another area of higher priority is started. Having consistency with employees and work areas can improve quality and conditions and can be a valuable benefit. However, there must be the ability to place employees where necessary when the needs arise.

Question 2.

“Contract pay – Obviously contract pay is the main contributor to [an employee’s] salary. I've heard that there will no longer be contract pay and I've heard that there will be contract pay but it will be greatly reduced. Can you elaborate on the contract pay situation, I didn't see any real reference to it in the contract.”

Answer:

Neither the Company nor the Union have proposed modifications to the miner contract pay system. There have been no discussions at the bargaining table regarding the reduction of miner contract pay.

Question 3.

“Profit share – It appears that the profit share remains unchanged. Please correct me if I'm wrong.”

Answer:

The Company proposed two very small changes to the profit sharing plan, neither of which affect the pool of profit sharing money available to the bargaining unit. The Company proposed changing the eligibility for new hires from 60 days of employment to 90 days of employment. This change was proposed for administrative efficiency. The desire of the Company is to set all probationary terms for new hires at 90 days rather than some at 30, some at 60 and some at 90.

The Company also proposed requiring employees to be employed on the last day of the calendar month in order to be eligible for profit sharing for that

month. For example, if an employee quits on December 1, the employee would be ineligible for profit sharing for the month of December. The purpose of this change is for efficiency. It is administratively inefficient to remove someone from our payroll in December when they quit, then add them back to the system in January when paying the December profit share, and then to remove them from the payroll again after the profit sharing is paid.

The pool of profit sharing money available to the bargaining unit employees would remain unchanged. Under the Company's proposal, when a new employee is not eligible for participation in the profit sharing plan for 90 days, and when an employee terminates before the end of a calendar month, the profit sharing money that would previously have gone to those employees would be redistributed to the other eligible employees and not retained by the Company. The small changes proposed by the Company would result in no changes to the money available to the bargaining unit employees.

Question 4.

“Tech Level – The Schedule A reflects the various tech levels. I'm not sure which tech level [an employee] would be classified under so it's hard for me to determine what his wage rate would be. I was told that it would be impossible to reach the highest tech rate for a miner because the qualifications are not achievable within the Lucky Friday. Is it possible to find out the tech level [an employee] would be and what is necessary to advance to the higher levels? I have also heard that management can drop your tech level at will, can you elaborate on what would warrant such action?”

Answer:

The Union was provided a document that lists every employee's pay grade under the 2010 contract, and the corresponding Tech level under the Company's final offer. We have enclosed that previously provided document with this letter.

Tech levels for each career path are achievable at the Lucky Friday Mine. For example, an employee in the “Miner” career path can obtain, through

work at the Lucky Friday Mine, the skills necessary to achieve the highest Miner Tech level.

Tech levels cannot be dropped at will. There is a policy outlining a regression procedure that would be followed if an employee is not performing to expectations for their Tech level. The first step is to perform an evaluation. After the evaluation is performed, the following section of the Progression Policy would be applicable:

“If the employee has any ratings below “Meets Expectation”, the supervisor will formulate a plan for improvement with the employee, and the employee will be provided an opportunity to demonstrate sustained improvement. If the employee was not able to correct the performance deficiencies within the timeframe formulated by the action plan, the case will be evaluated with the employee’s supervisor, the Department Foreman, and the Human Resources Manager. The group will discuss the possibility for regression. If the group’s consensus is to regress the individual, the recommendation for regression will be signed and sent to the Department Superintendent for final approval or further discussion. Upon final review of the Department Superintendent, the employee may be regressed to the appropriate technician level with the associated reduction in pay.”

We hope that by sharing these questions and our answers with the entire bargaining unit, we have corrected any misinformation and removed any confusion about what has been proposed by the Company in these negotiations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clayr Alexander".

Clayr Alexander
General Manager
Lucky Friday Mine