

FINANCIAL AGREEMENT BETWEEN

THE PROVINCE OF MANITOBA,

THE CITY OF FLIN FLON,

And

HUBBAY MINERALS INC.

THIS AGREEMENT made as of the 07 day of Sept, 2022,

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF MANITOBA represented herein by THE HONOURABLE THE MINISTER OF MUNICIPAL RELATIONS (hereinafter referred to as the "**Minister**")

OF THE FIRST PART

- and -

THE CITY OF FLIN FLON (hereinafter referred to as the "City")

OF THE SECOND PART

- and -

HUDBAY MINERALS INC., a Corporation incorporated under the laws of Canada (hereinafter referred to as "Hudbay", the Minister, the City and Hudbay hereinafter referred to as the "parties" and any one of the a "Party")

OF THE THIRD PART

WHEREAS:

- A. The Parties and Community Development Company Limited are parties to an agreement date April 20, 1982 (the "Former Agreement") for the payment by Hudbay of grants in lieu of municipal and school taxes;
- B. Hudbay has given notice of termination of the Former Agreement effective December 31, 2021;
- C. The Parties wish to set out a new agreement for the payment by Hudbay of grants in lieu of municipal and school taxes for the years 2023 to 2027, inclusive;

THIS AGREEMENT WITNESSETH THAT in consideration of the covenants, terms and conditions herein contained, the parties hereto covenant and agree with each other as follows:

1. DEFINITIONS

In this Agreement, the following words, where capitalized, shall have the meaning set out below, except where the context clearly indicates a contrary meaning:

- (a) "Flin Flon Area" means the area including the area within the Present City Boundaries, and the additional areas within the Province of Manitoba shown on Schedule "A" hereto circled red and shown as Flin Flon/Channing, circled green and shown as Big Island Cottages, and circled blue and shown as Bakers Narrows Cottages;
- (b) "Hudbay" shall mean Hudbay Minerals Inc. and all corporations, associations, syndicates, partnerships, joint ventures and other entities or groups in which Hudbay Minerals Inc. holds an interest of 40% or more;
- (c) "Hudbay Grant" shall mean the grant made by Hudbay to the City pursuant to Section 2 hereof;
- (d) "Present City Boundaries" shall mean the boundaries of the City as of April 1, 2022;
- (e) "Municipal Taxes" shall have the meaning set out in paragraph 6(a) hereof;
- (f) "Resident Hudbay Employees" shall mean:
 - during each Year from 2023 to 2027, inclusive, all full-time employees of Hudbay who reside within the Flin Flon Area during that Year calculated, in each case, on a calendar month basis so that each full-time employee of Hudbay resident in the Flin Flon Area during a full calendar month shall constitute 1/12 of a Resident Hudbay Employee;
- (g) "School Division" shall mean the Flin Flon School Division;
- (h) "Term" shall mean the term set out in Section 11 hereof;;
and
- (i) "Year" shall mean calendar year.

2. HUSBAY GRANT

During the Term Husbay shall pay to the City an annual Husbay Grant equal to; product of nine thousand five hundred dollars (\$9,500) and the number of Resident Husbay Employees in the previous Year.

3. PAYMENT

Husbay shall pay to the City, on the last days of the months of January, April, July and October of each Year of the Term, one quarter of the amount of the Husbay Grant for that Year.

4. FINAL ADJUSTMENT

As soon as practicable, following the end of each Year, beginning with 2022, Husbay shall forward to the City a statement of the number of Resident Husbay Employees for that Year and the determination by Husbay of the amount of the Husbay Grant for the then current Year.

5. PROVINCIAL GRANTS

The Province of Manitoba will make such grants to the City and the School Division as are authorized by the laws of the Province of Manitoba.

6. GRANT IN LIEU OF TAXES

- (a) Subject to paragraph 7(b) hereof, the Husbay Grant shall be in lieu of all municipal and school taxes of every kind and nature whatsoever, which may be imposed or levied by the Province, the City, the School Division, or by any authority for, or on behalf of, or for the benefit of the City or School Division (collectively, "Municipal Taxes".
- (b) The City shall be entitled to levy municipal and school taxes, at their normal rate against buildings and surface properties of Husbay within the Present City Boundaries.
- (c) The City retains the discretion to allocate the Husbay Grant as between operating funding and capital funding.

7. HUSBAY EMPLOYEES

All persons residing on property owned or leased by Husbay in the Flin Flon Area shall be entitled to the use and benefit of all municipal and educational services within the City

provided by the City upon the same terms and conditions as are applicable to residents of the City.

8. BOUNDARIES

If the City or the School Division shall alter the Present City Boundaries so as to include within them any property which, at the time of such extension or proposed alteration is owned, leased, operated or occupied by Hudbay, then such property shall not be subject to any Municipal Taxes during the term of this Agreement.

9. NEW MUNICIPALITIES AND SCHOOL DISTRICTS

The Province of Manitoba shall not incorporate or establish or authorize the incorporation or establishment of any municipality or school district within a radius of 16 kilometres of the centre of the City if such municipality or school district would include within its boundaries any property which, at the time of such incorporation or establishment is owned, leased, operated or occupied by Hudbay unless the Minister responsible is of the opinion that such municipality or school division should be incorporated or established, in which event, the parties hereto and representations of such municipality or school division shall first endeavour to arrive at an equitable agreement consistent with the terms of this Agreement.

10. EFFECTIVE DATE OF AGREEMENT

This Agreement shall take effect from and after midnight December 31, 2022.

11. TERM OF AGREEMENT

- (a) This Agreement shall expire December 31, 2027, provided that the City may terminate this agreement upon at least 1 (one) month's notice in writing to the other parties, which termination shall be effective as of midnight of the next December 31 following the notice period.
- (b) No less than eighteen (18) months prior to the end of the Term (unless first terminated by the City pursuant to paragraph 11(a) hereof) the Parties will act in good faith to attempt to negotiate an amendment or extension of this Agreement, or a new agreement dealing with the subject matter hereof.
- (c) If no agreement can be reached the parties will move to the property tax assessment model.

12. CLIFF LAKE MANAGEMENT AND WATER SUPPLY and FIRE PROTECTION

Concurrently with this Agreement Hudbay and the City shall enter into agreements for:

- (a) The maintenance by Hudbay of water levels at Cliff Lake for the potable water intake operated by the City;
- (b) Connection by Hudbay to the City water supply to maintain water levels at the Hudbay reservoir and supply the Hudbay Supply Chain building; and
- (c) The provision of fire protection services by the City to the facilities owned by Hudbay.

13. NOTICE

- (a) Any notice, document, cheque or thing required or permitted to be given or delivered hereunder shall be deemed to be properly given or delivered if:
 - (i) delivered in person and left with any person who must be an employee of the party receiving such notice at the relevant street address set forth below; or
 - (ii) faxed or emailed and confirmed by electronic confirmation of receipt:

if to the Minister, addressed to:

The Honourable Minister of Municipal Relations
Room 317, Legislative Building
Winnipeg, Manitoba
R3C 0V5
Email: minfs@leg.gov.mb.ca

if to the City, addressed to:

Chief Administrative Officer
The City of Flin Flon,
20, First Ave, Flin Flon, Manitoba
R8A 0T7
Fax: 204-681-7530
Email: info@flinflon.ca

and if to Hudbay, addressed to:

Hudbay Minerals Inc.
P.O. Box 1500
Flin Flon, Manitoba
R8A 1N9
Email: hr@hudbayminerals.com

Any notice or delivery so given shall be deemed to: have been given and received on actual receipt of the letter, fax or email or on the day of delivery in person as the case may be (provided that such day is a business day and, if it is not, on the next following business day).

- (b) A party may from time to time by notice in writing delivered in accordance with the provisions of paragraph 13(a) hereof change its address for the purposes of this paragraph 13.

14. TIME OF ESSENCE

Time shall be of the essence hereof.

15. ENTIRE AGREEMENT

This Agreement supersedes all prior negotiations and agreements and contains the entire understanding between the parties hereto with respect to the subject matter hereof.

16. HEADINGS

The headings herein are inserted for convenience of reference only and shall not be used in interpreting or construing this Agreement.

17. APPLICABLE LAWS

This Agreement shall be interpreted and construed in accordance with the laws of the Province of Manitoba.

18. ENUREMENT

This Agreement shall enure to and be binding upon the parties hereto and their respective successors and assigns.


IN WITNESS WHEREOF the parties have hereto executed this Agreement as of the day and year first above written.

HER MAJESTY THE QUEEN IN RIGHT OF
THE PROVINCE OF MANITOBA represented herein by:

THE HONOURABLE THE MINISTER OF MUNICIPAL
RELATIONS

Per:

THE CITY OF FLIN FLON

Per: 

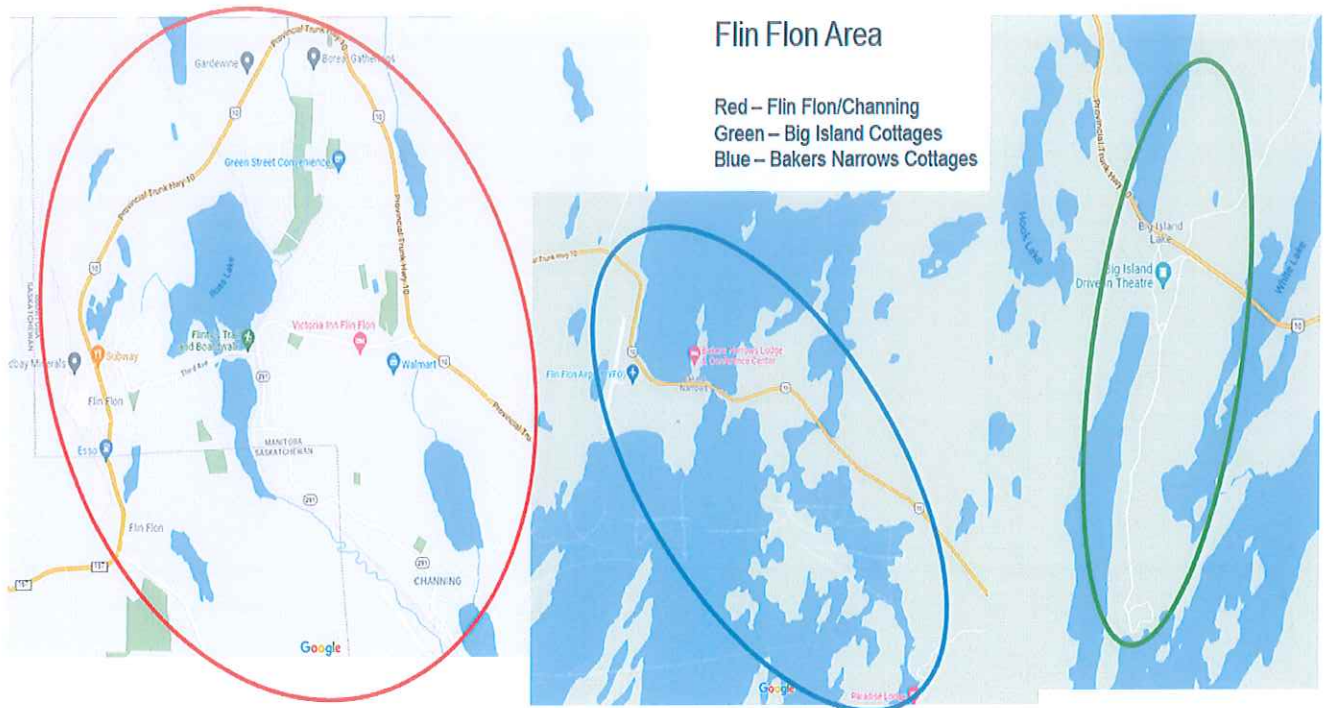
Per: 

HUDBAY MINERALS INC.

Per:  Aug 26, 2022

Schedule A

Hudbay Employees living in the Flin Flon Area (includes Flin Flon, Channing, Big Island, Bakers Narrows)



Schedule B

RE: GRANT IN LIEU

This document will be used to provide an updated headcount by month to the City of Flin Flon of the number of employees that work at Hubday and reside in the Flin Flon Area. For the purposes of this document Flin Flon Area will be comprised of the following: Flin Flon, Channing, Big Island and Bakers Narrows. The headcount below will be utilized to determine the amount owing for the Grant in Lieu between Hubday and the City of Flin Flon.

The headcount will be run on the last day of each month following along with Hubday's internal headcount review process. The table will be updated below to maintain a running 12 month period. The table will start effective January 2022.

Month/Year	Employees in Flin Flon
January 2022	667
February 2022	662
March 2022	657
April 2022	670
May 2022	636
June 2022	568
July 2022	534
August 2022	
September 2022	
October 2022	
November 2022	
December 2022	
January 2023	
February 2023	
March 2023	
April 2023	
May 2023	
June 2023	
July 2023	
August 2023	
September 2023	
October 2023	
November 2023	
December 2023	