



20 June 2017

Councillor Pat Wallace, Chair
Industrial Tax Base Task Force Committee
7 Victoria Street West
Kamloops BC V2C 1A2

Dear Councillor Wallace,

Subject Line: KGHM Ajax Mining Inc. ("KAMI") and City of Kamloops ("City") Community Benefits Agreement ("CBA")

This letter is to inform you that KAMI has reviewed the City's proposal for a CBA as described in its May 1, 2017 letter to KAMI ("Proposal"). KAMI finds this Proposal to be acceptable and envisions a CBA on the terms proposed in this Proposal. KAMI is therefore committed to providing community benefits of \$3.8 million per year.

As part of this \$3.8 million commitment, KAMI will manage and provide through its community sponsorship and donation programs \$300,000 per year during the commercial production phase of the Ajax project for the purposes of sponsorships and donations to the community.

KAMI looks forward to working with the City's negotiating committee to finalize the CBA.

If you have any questions, please contact me at Chris.Wild@kghm.com

Kind Regards,

A handwritten signature in blue ink, appearing to read "Chris Wild", written over a horizontal line.

Chris Wild, P.Eng
Project Manager
Ajax Project

KGHM Ajax Mining Inc.
124 Seymour St
Kamloops, BC V2C 2E1 Canada

T +1 250 374 5446
www.ajaxmine.ca
www.kghm.com

May 1, 2017

Yves Lacasse, External Affairs Manager
KGHM International Ltd.
Ajax Project Office
124 Seymour Street
Kamloops, BC V2C 2E1

Dear Mr. Lacasse:

This letter is to inform you of Council's Industrial Tax Base Task Force Committee's (the Committee) offer to you with respect to the Community Benefits Agreement. Since the last meeting of April 13, 2017, the Committee has deliberated and have come to a proposal of \$3.8 M annually for the Community Benefits Agreement between the City of Kamloops (the City) and KGHM Ajax Mining Inc. (KAMI).

The proposed annual dollar figure can be categorized based on the following:

Operating Cost Recovery <ul style="list-style-type: none"> • Solid waste disposal offsets • City's involvement in the Community Liaison Group • Local monitoring program • Groundwater monitoring program • Road maintenance offset • Excess residential offset • Excess emergency services offset 	\$1 M
Industrial Tax Offset <ul style="list-style-type: none"> • Contribution towards offsetting Class 4 tax class 	\$1 M
Community Benefit <ul style="list-style-type: none"> • Affordable housing offset • Community amenity funds • Community and social services funding • Community contribution funding • Local healthcare program • Independent monitoring program 	\$1.8 M
TOTAL	\$3.8 M annually

The \$3.8 M offer does not include regular costs for service such as landfill tipping fees.

In addition to the \$3.8 M, the Committee requests that KAMI sign a sole provider agreement which would give the City the first-right-of-refusal to provide firefighter training for KAMI employees as well as being KAMI's supplier of Waste Resource Projects (such as biosolids) purchased for the reclamation of the project lands.

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Our corporate mission is...

MAKING KAMLOOPS SHINE


Yves Lacasse, External Affairs Manager
KGHM International Ltd.
Ajax Project Office
May 1, 2017

Page 2

It should be noted that if the KGHM-Ajax project were to be located within the City limits, the total annual taxes paid by the company would be \$6.5 M and it would be non-negotiable. The Committee feels that the \$3.8 M being offered is a very fair number and as such, this is our bottom line offer.

In the event the City's boundaries are extended so as to include the KGHM-Ajax project lands, then upon amendment of the City's Letters Patent all payments by KGHM-Ajax under the Agreement shall be suspended and the parties will negotiate payment amounts (as outlined in Section 16.3 Boundary Extension of the Agreement) for the remaining term of the Agreement.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Wallace".

Councillor Patricia Wallace, Chair
Industrial Tax Base Task Force Committee

JF/jl